M I HOMES INC
Form 424B5
March 05, 2013
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated March 5, 2013

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated September 30, 2011)

$50,000,000

M/I Homes, Inc.

% Convertible Senior Subordinated Notes due 2018

We are offering $50,000,000 of our % Convertible Senior Subordinated Notes due 2018 (the notes). The notes will bear interest at a rate of % per year, payable semiannually in arrears on March 1 and September 1 of each year, beginning on September 1 , 2013. The notes will mature on March 1, 2018.

At any time prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date, holders may convert their notes into our common shares, as described under Description of Notes Conversion Rights Settlement Upon Conversion. The conversion rate will initially equal of our common shares per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per common share). The conversion rate will be subject to adjustment upon the occurrence of certain events. In addition, following the occurrence of a make-whole fundamental change or a notice of redemption, as the case may be, we will, in certain circumstances, increase the conversion rate for a holder that converts its notes in connection with such make-whole fundamental change or notice of redemption, as the case may be. Except in limited circumstances, including in connection with a conversion upon notice of redemption, a holder which converts its notes will not receive any additional common shares or cash payment with respect to accrued and unpaid interest.

On or after March 6 , 2016, we may redeem for cash any or all of the notes, except for the notes that we are required to repurchase in connection with a fundamental change, if the last reported sale price of our common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending within 10 trading days immediately prior to the date we provide the notice of redemption exceeds 130% of the applicable conversion price for the notes on each applicable trading day. The redemption price for the notes to be redeemed on any redemption date will equal 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, unless the redemption date falls after a record date but on or prior to the immediately succeeding interest payment date, in which case we will instead pay the full amount of accrued and unpaid interest, including any additional interest, to the holder of record as of the close of business on such record date and the redemption price will be 100% of the principal amount of notes to be redeemed. No sinking fund is provided for the notes.

If a fundamental change occurs prior to the stated maturity date, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest (including additional amounts, if any) to, but excluding, the fundamental change repurchase date.

The notes will be our senior subordinated unsecured obligations and will be subordinated in right of payment to our existing and future senior indebtedness, including our indebtedness under our $140 million secured revolving credit facility dated June 9, 2010, as amended (the Credit Facility), and our outstanding 8.625% Senior Notes due 2018 (the 2018 Senior Notes). The notes will rank equal in right of payment with all our and our subsidiary guarantors existing and

future senior subordinated indebtedness, including our indebtedness under our outstanding 3.25% Convertible Senior Subordinated Notes due 2017 (the 2017 Convertible Notes). The notes will rank senior in right of payment to our future subordinated indebtedness. The notes will be effectively subordinated to our existing and future secured indebtedness, including our indebtedness under the Credit Facility, to the extent of the value of the assets securing such indebtedness. The notes will be fully and unconditionally guaranteed on a senior subordinated unsecured basis by all of our subsidiaries that, as of the date of issuance of the notes, are guarantors under our 2018 Senior Notes and 2017 Convertible Senior Subordinated Notes. See Description of Notes Subordination.

For a more complete description of the terms of the notes, see the Description of Notes section of this prospectus supplement. The notes are a new issue of securities and there currently is no established trading market for the notes. We do not intend to apply to list the notes on any securities exchange or to include them in any automated quotation system. It is possible that no active trading market for the notes will develop, or that if it develops, it will not be maintained. Our common shares are listed on the New York Stock Exchange under the symbol MHO. The last reported sale price of our common shares on March 4, 2013 was $23.39 per share.

We have granted the underwriters an option, exercisable for up to 30 days from the date of this prospectus supplement, to purchase up to an additional $7,500,000 principal amount of the notes at the public offering price less the underwriting discounts.

Concurrently with this offering, under a separate prospectus supplement, we are offering up to 2,140,000 of our common shares. Neither this offering nor the offering of common shares is contingent on the completion of the other.

Investing in the notes and the underlying common shares involves a high degree of risk. See Risk Factors beginning on page S-11.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Price of notes: % plus accrued interest, if any, from the issue date.

We expect to deliver the notes to investors through the book-entry facilities of The Depository Trust Company on or about , 2013.

Joint book-running managers

Citigroup **J.P. Morgan** **Wells Fargo Securities**

Co-managers

Comerica Securities **The Huntington Investment Company**
PNC Capital Markets LLC **US Bancorp**

, 2013

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information or represent anything about us, our financial results or this offering that is not contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We are not, and the underwriters are not, making an offer to sell these securities or soliciting an offer to buy these securities in any state or other jurisdiction where the offer or solicitation is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front of this prospectus supplement or the date of incorporation by reference, even though this prospectus supplement and the accompanying prospectus may be delivered or securities may be sold on a later date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes and also adds to and updates information contained in the accompanying prospectus as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which information does not apply to the notes we are offering. To the extent any inconsistency or conflict exists between the information included in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated in this prospectus supplement updates and supersedes the information in the accompanying prospectus. This prospectus supplement incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus supplement.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement and the accompanying prospectus to M/I, us, we, our or the Company mean M/I Homes, Inc., an Ohio corporation, and our consolidated subsidiaries, except where made clear that the terms mean M/I Homes, Inc. only.

Unless otherwise indicated, all information in this prospectus supplement assumes the underwriters option to purchase additional notes will not be exercised.

INDUSTRY AND MARKET DATA

We obtained the market and competitive position data used throughout this prospectus supplement, the accompanying prospectus and the documents incorporated by reference from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the underwriters have independently verified such data and neither we nor the underwriters make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

Certain information contained or incorporated by reference in this prospectus supplement contains forward-looking statements, including, but not limited to, statements regarding our future financial performance and financial condition. Words such as expects, anticipates, envisions, targets, goals, projects, intends, plans, believes, seeks, estimates, variations of such words and similar expressions are intended to ic forward-looking statements. These statements involve a number of risks and uncertainties. Any forward-looking statements that we make or incorporate herein are not guarantees of future performance, and actual results may differ materially from those in such forward-looking statements as a result of various factors, including, but not limited to, those referred to below:

- the homebuilding industry is cyclical and affected by changes in general economic, real estate and other business conditions that could adversely affect our results of operations, financial position and cash flows;

- although the homebuilding industry generally experienced improved conditions in 2012 compared to those in effect during the recent downturn, a renewed deterioration in industry conditions or in broader economic conditions could have adverse effects on our business and results of operations;

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increased competition levels in the homebuilding and mortgage lending industries could result in a reduction in our new contracts and homes delivered, along with decreases in the average sales prices of sold and delivered homes and/or decreased mortgage originations, which would have a negative impact on our results of operations;

a reduction in the availability of mortgage financing, an increase in mortgage interest rates or increased down payment requirements could adversely affect our business;

if land is not available at reasonable prices or terms, our homes sales revenue and results of operations could be negatively impacted and/or we could be required to scale back our operations in a given market;

our strategies in responding to the adverse conditions in the homebuilding industry over the past several years and the implementation of additional strategies may not be successful, despite signs of modest recovery in the housing industry in 2012;

our land investment exposes us to significant risks, including potential impairment charges, that could negatively impact our profits if the market value of our inventory declines;

supply shortages and other risks related to the demand for skilled labor and building materials could increase costs and delay deliveries;

tax law changes could make home ownership more expensive or less attractive;

increases in our cancellations could have a negative impact on our gross margins from home sales and home sales revenue;

inflation can adversely affect us, particularly in a period of declining home sale prices;

our limited geographic diversification could adversely affect us if the homebuilding industry in our markets declines;

we may not be successful in integrating acquisitions or implementing our growth strategies;

we have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets, and disruptions in these markets could have an adverse impact on our results of operations, financial position and/or cash flows;

the mortgage warehousing agreement of our financial services segment will expire in March 2013;

reduced numbers of home sales may force us to absorb additional carrying costs;

if our ability to resell mortgages to investors is impaired, we may be required to broker loans;

mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties;

we may not be able to benefit from net operating loss carryforwards;

our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in Section 382 of the Internal Revenue Code;

our results of operations, financial condition and cash flows could be adversely affected if pending or future legal claims against us are not resolved in our favor;

the terms of our indebtedness may restrict our ability to operate and, if our financial performance declines, we may be unable to maintain compliance with the covenants in the documents governing our indebtedness;

our indebtedness could adversely affect our financial condition, and we and our subsidiaries may incur additional indebtedness, which could increase the risks created by our indebtedness;

- in the ordinary course of business, we are required to obtain performance bonds, the unavailability of which could adversely affect our results of operations and/or cash flows;
- we can be injured by failures of persons who act on our behalf to comply with applicable regulations and guidelines;
- because of the seasonal nature of our business, our quarterly operating results can fluctuate;
- product liability litigation and warranty claims that arise in the ordinary course of business may be costly;
- our subcontractors can expose us to warranty costs and other risks;
- natural disasters and severe weather conditions could delay deliveries, increase costs and decrease demand for homes in affected areas;
- we are subject to extensive government regulations, which could restrict our homebuilding or financial services business and cause us to incur significant expense;
- new government regulations may make it more difficult for potential purchasers to finance home purchases and may reduce the number of mortgage loans our financial services segment makes;
- information technology failures and data security breaches could harm our business;
- we are dependent on the services of certain key employees, and the loss of their services could hurt our business; and
- such other factors as may be described from time to time in our filings with the Securities and Exchange Commission (the SEC).

The factors identified in this section are not intended to represent a complete list of all the factors that could adversely affect our business, operating results, financial condition or cash flows. Other factors not presently known to us or that we currently deem immaterial to us may also have an adverse effect on our business, operating results, financial condition or cash flows, and the factors we have identified could affect us to a greater extent than we currently anticipate. Many of the important factors that will determine our future financial performance and financial condition are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date they are made. Except as required by applicable law or the rules and regulations of the SEC, 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 our subsequent filings and reports with the SEC should be consulted. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

SUMMARY

This summary highlights selected information about us. It may not contain all the information that may be important to you in deciding whether to invest in the notes and the underlying common shares. You should read this entire prospectus supplement and the accompanying prospectus, together with the information incorporated by reference, including the financial data and related notes and the Risk Factors sections, before making an investment decision.

The Company

M/I Homes, Inc. is one of the nation s leading builders of single-family homes. We were incorporated, through predecessor entities, in 1973 and commenced homebuilding activities in 1976. Since that time, we have sold and delivered over 83,000 homes. We design, market, construct and sell single-family homes, attached townhomes and condominiums to first-time, move-up, empty-nester and luxury buyers under the M/I Homes, Showcase Homes and Triumph Homes trade names.

Our homes are sold in the following geographic markets: Columbus and Cincinnati, Ohio; Indianapolis, Indiana; Chicago, Illinois; Tampa and Orlando, Florida; Austin, Houston and San Antonio, Texas; Charlotte and Raleigh, North Carolina; and the Virginia and Maryland suburbs of Washington, D.C. We support our homebuilding operations by providing mortgage financing services through our wholly-owned subsidiary, M/I Financial Corp. (M/I Financial), and title services through subsidiaries that are either wholly- or majority-owned by us.

Our financial reporting segments consist of: Midwest homebuilding; Southern homebuilding; Mid-Atlantic homebuilding; and financial services.

Our homebuilding operations comprise the most substantial part of our business, representing 97% of consolidated revenue for the year ended December 31, 2012. Our financial services operations generate revenue from originating and selling mortgages and collecting fees for title insurance and closing services.

For additional information regarding our business, financial condition, results of operations and cash flows, please see our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus supplement.

Recent Developments

For the two months ended February 28, 2013, our new contracts were 599, a 33% increase over our 452 new contracts in the same period in 2012.

Concurrent Offering of Common Shares

Concurrently with this offering of notes, under a separate prospectus supplement, we are offering up to 2,140,000 of our common shares (2,461,000 shares if the option granted to the underwriters to purchase up to 321,000 additional shares is exercised in full) in an underwritten public offering, which we refer to as the offering of common shares. Neither this offering nor the offering of common shares is contingent on the completion of the other. The foregoing description and other information regarding the offering of common

shares is included herein solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or the solicitation of an offer to buy, any shares in the offering of common shares.

Corporate Information

M/I Homes, Inc. is an Ohio corporation incorporated through predecessor entities in 1973. Our executive offices are located at 3 Easton Oval, Suite 500, Columbus, Ohio 43219, and our telephone number is (614) 418-8000. Our website address is www.mihomes.com. Information on our website is not incorporated by reference in or otherwise a part of this prospectus supplement.

The Offering

The following is a summary of the terms of the notes and related guarantees. It may not contain all the information that is important to you. For a more complete description of the notes and related guarantees, please refer to the section of this prospectus supplement entitled Description of Notes and the accompanying prospectus entitled Description of Debt Securities.

Issuer	M/I Homes, Inc.
Notes Offered	$50,000,000 aggregate principal amount of % Convertible Senior Subordinated Notes due 2018, plus up to an additional $7,500,000 aggregate principal amount if the underwriters exercise their option to purchase additional notes.
Maturity	March 1, 2018, unless earlier redeemed, purchased or converted.
Interest	% per year, payable semi-annually in arrears in cash on March 1 and September 1 of each year, beginning on September 1, 2013, to holders of record at the close of business on the February 15 or August 15, as the case may be, immediately preceding the relevant interest payment date. The first interest payment date will include interest from , 2013 the date of the original issuance.
Optional Redemption	On or after March 6, 2016, we may redeem for cash any or all of the notes, except for the notes that we are required to repurchase as described under Description of Notes Conversion Rights Repurchase of Notes at Option of Holder Upon a Fundamental Change, if the last reported sale price of our common shares for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending within 10 trading days immediately prior to the date we provide the notice of redemption exceeds 130% of the applicable conversion price for the notes on each applicable trading day. The redemption price for the notes to be redeemed on any redemption date will equal 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, unless the redemption date falls after a record date but on or prior to the immediately succeeding interest payment date, in which case we will instead pay the full amount of accrued and unpaid interest, including any additional interest, to the holder of record as of the close of business on such record date and the redemption price will be 100% of the principal amount of notes to be redeemed.
Fundamental Change	If a fundamental change (as defined under Description of Notes Conversion Rights Repurchase of Notes at Option of Holder Upon a Fundamental Change) occurs prior to maturity of the notes, each holder will have the right, subject to certain conditions, to require us to repurchase for cash all or any part (in multiples of $1,000 principal amount) of its notes at a repurchase price equal to 100% of the aggregate principal amount of the notes being repurchased, plus

	accrued and unpaid interest (including additional amounts, if any) to, but excluding, the fundamental change repurchase date.
Conversion Rights	Until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes, in multiples of $1,000 principal amount, at any time.
	The initial conversion rate for the notes is of our common shares per $1,000 principal amount of notes. This is equivalent to an initial conversion price of approximately $ per common share.
	Upon surrender of notes for conversion, we will deliver our common shares, together with cash in lieu of any fractional common shares, in satisfaction of our conversion obligation, as described under Description of Notes Conversion Rights Settlement Upon Conversion.
	Holders will not receive any cash payment or additional common shares with regard to accrued and unpaid interest upon conversion of a note, except in limited circumstances including in connection with a conversion upon notice of redemption. Instead, interest, including additional amounts, if any, will be deemed paid by the common shares, together with any cash payment in lieu of any fractional share, we deliver to holders upon conversion.
	The conversion rate for the notes is subject to adjustment as described under Description of Notes Conversion Rights Conversion Rate Adjustments. An adjustment to the conversion rate will result in a corresponding (but inverse) adjustment to the conversion price.

In addition, if a holder elects to convert its notes in connection with a make-whole fundamental change (as defined under Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change or a Notice of Redemption) or upon an optional redemption, as the case may be, we will increase the conversion rate by a number of additional common shares as described under Description of Notes Conversion Rights Adjustment to Shares Delivered upon Conversion upon a Make-Whole Fundamental Change or a Notice of Redemption.

Guarantees	The notes will be fully and unconditionally guaranteed on a senior subordinated unsecured basis by all of our subsidiaries that, as of the date of issuance of the notes, are guarantors under our 2018 Senior Notes and 2017 Convertible Senior Subordinated Notes. Each of the guarantors of the notes is 100% owned (as defined in Section 3-10(h)(1) of Regulation S-X) by the Company. For the year ended December 31, 2012, our non-guarantor subsidiaries accounted for approximately $23.3 million, or 3.1%, of our total revenues, and as of December 31, 2012, our non-guarantor subsidiaries accounted for approximately $109.2 million, or 13.1%, of our total assets and $90.1 million, or 18.2%, of our total liabilities.

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Ranking	The notes and the guarantees of the notes will be our and our subsidiary guarantors senior subordinated unsecured obligations and will be:
	senior in right of payment to all our and our subsidiary guarantors future subordinated indebtedness;
	equal in right of payment with all our and our subsidiary guarantors existing and future senior subordinated indebtedness, including our indebtedness under the 2017 Convertible Notes;
	subordinated in right of payment to all our and our subsidiary guarantors existing and future senior indebtedness, including our indebtedness under the Credit Facility and our 2018 Senior Notes;
	effectively subordinated to all our and our subsidiary guarantors existing and future secured indebtedness, including our indebtedness under the Credit Facility, to the extent of the value of the assets securing such indebtedness; and
	structurally subordinated to the liabilities of any of our subsidiaries that do not guarantee the notes, to the extent of the assets of such non-guarantor subsidiaries.
	See Description of Notes Subordination.
	As of December 31, 2012, after giving effect to the issuance of the notes in this offering, we had approximately $346.3 million of indebtedness outstanding (excluding issuances of letters of credit and the MIF Mortgage Warehousing Agreement and the MIF Mortgage Repurchase Facility (each as defined herein)), $238.8 million of which was senior indebtedness, including $6.7 million of senior secured indebtedness, and we had $47.3 million of available borrowings with respect to secured indebtedness under the Credit Facility. See Capitalization.
	The indenture governing the notes will not limit the amount of debt that we or our subsidiaries may incur.
Failure to Comply with Reporting Obligations	Should an event of default occur as a result of our failure to comply with the reporting obligations in the indenture as described under Description of Notes Reporting, at our option, your only remedy for 180 days after the occurrence of such an event of default will be the right to receive additional interest on your notes at a rate equal to 0.25% of the principal amount of the notes per annum for each day during the first 90 days after the occurrence of such an event of default, and 0.50% of the principal amount of the notes per annum for each day from the 91st day until the 180th day following the occurrence of such an event of default. See Description of Notes Events of Default; Notice and Waiver.
Sinking Fund	None.

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DTC Eligibility	The notes will be issued in book-entry form and will be represented by one or more notes in registered global form. The global notes will be deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in global notes will be shown on, and transfers of notes will be effected only through, records maintained by DTC and its direct and indirect participants, and an interest in any global note may not be exchanged for certificated notes, except in limited circumstances described herein. See Description of Notes Book-Entry, Delivery and Form.
Form and Denomination	The notes will be issued in minimum denominations of $1,000 and any integral multiple of $1,000.
Trading	We do not intend to apply to list the notes on any securities exchange or to include them in any automated quotation system. The notes are a new issue of securities and there currently is no established trading market for the notes.
Governing Law	The notes, the guarantees of the notes and the indenture will be governed by New York law.
Use of Proceeds	We estimate that the net proceeds to us from the sale of (1) the notes offered hereby will be approximately $47.8 million (or $55.0 million if the underwriters option to purchase up to an additional $7,500,000 aggregate principal amount of notes is exercised in full) and (2) the common shares offered pursuant to the concurrent offering of common shares will be approximately $47.3 million (or $54.4 million if the underwriters option to purchase up to 321,000 additional common shares is exercised in full) (assuming an offering price of $23.39 per share, the last reported sale price of our common shares on the New York Stock Exchange on March 4, 2013), in each case after deducting underwriting discounts and the estimated offering expenses payable by us. Of such net proceeds, we intend to use up to $50 million to redeem a portion of our outstanding 9.75% Series A Preferred Shares. To the extent that the total net proceeds of the concurrent offerings are less than the amounts estimated above, we intend to redeem a lesser amount (if any) of the 9.75% Series A Preferred Shares, and to the extent that the total net proceeds of the concurrent offerings are greater than the amounts estimated above, we may redeem a greater amount of the 9.75% Series A Preferred Shares. We intend to use the balance of such net proceeds for general corporate purposes, which may include acquisitions of land, land development, home construction, repayment of indebtedness or the payment of dividends on, or further redemptions of, our 9.75% Series A Preferred Shares. For more information, see Use of Proceeds.
Concurrent Offering of Common Shares	Concurrently with this offering of notes, under a separate prospectus supplement, we are offering up to 2,140,000 of our common shares (2,461,000 shares if the option to purchase up to 321,000 additional shares granted to the underwriters, is exercised in full) in an underwritten public

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	offering. Neither this offering nor the offering of common shares is contingent on the completion of the other. For more information, see Concurrent Offering of Common Shares.
Listing	Our common shares are listed on the New York Stock Exchange under the symbol MHO.
Material United States Federal Income and Estate Tax Consequences	The notes and our common shares issuable upon conversion of the notes, if any, will be subject to special and complex U.S. federal income and estate tax rules. Holders are encouraged to consult their tax advisors as to the U.S. federal, state, local or other tax consequences of acquiring, owning and disposing of the notes. See Material United States Federal Income and Estate Tax Consequences.
Trustee, Paying Agent and Conversion Agent	U.S. Bank National Association
Risk Factors	**An investment in the notes involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors beginning on page S-11 of this prospectus supplement.**

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Summary Consolidated Financial Data

The following table sets forth summary consolidated financial data for the periods indicated. You should read the following summary consolidated financial data in conjunction with our consolidated financial statements and the notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus supplement. The summary consolidated net income data for the fiscal years ended December 31, 2010, 2011 and 2012 and the summary consolidated balance sheet data as of December 31, 2010, 2011 and 2012 have been derived from our historical audited consolidated financial statements.

	Year Ended December 31,		
(in thousands, except per share amounts)	**2010**	**2011**	**2012**
Net income data:			
Revenue	$ 616,377	$ 566,424	$ 761,905
Land and housing costs[1]	511,408	467,130	610,540
Impairment of inventory and investment in unconsolidated LLCs	12,538	21,993	3,502
Gross margin	92,431	77,301	147,863
General and administrative expenses[2]	53,958	52,664	62,627
Selling expenses	48,084	43,534	56,406
Interest expense	9,415	15,005	16,071
Other loss[3]	8,378		
Income (loss) before income taxes[4]	(27,404)	(33,902)	12,759
Benefit for income taxes[5]	(1,135)	(25)	(588)
Net income (loss)[5][6]	$ (26,269)	$ (33,877)	$ 13,347
Net income (loss) available to common shareholders[5][6]	$ (26,269)	$ (33,877)	$ 13,347
Per share data:			
Earnings (loss) per share to common shareholders:			
Basic[5][6]	$ (1.42)	$ (1.81)	$ 0.68
Diluted[5][6]	$ (1.42)	$ (1.81)	$ 0.67
Weighted average shares outstanding:			
Basic	18,523	18,698	19,651
Diluted	18,523	18,698	19,891
Dividends per common share	$	$	$

	December 31,		
(in thousands)	**2010**	**2011**	**2012**
Balance sheet data:			
Cash and cash equivalents	$ 81,208	$ 59,793	$ 145,498
Restricted cash[7]	41,923	41,334	8,680
Inventory	450,936	466,772	556,817
Total assets[8]	661,894	664,485	831,300
Notes payable bank-financial service operations	32,197	52,606	67,957
Notes payable banks-other	5,853	5,801	11,105
Total shareholders equity[5]	$ 303,491	$ 273,350	$ 335,428

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(1) Includes the following impact of charges related to the repair of certain homes in Florida where certain of our subcontractors installed defective imported drywall: $0.6 million for the year ended December 31, 2010. The years ended December 31, 2010 and December 31, 2012 also include recoveries of $2.4 million and $3.0 million, respectively, of such charges as a result of a settlement with a provider of certain of the defective imported drywall.

(2) Includes the impact of write-off of land deposits and pre-acquisition costs of $0.6 million,$1.0 million and $0.3 million for the years ended December 31, 2010, 2011 and 2012, respectively.

(3) Other loss is comprised of loss on early extinguishment of debt.

(4) Includes the sum of the impact described in notes (1) and (2) above and the impairment of inventory and investment in unconsolidated LLCs for all periods presented.

(5) Includes the impact of change in our net valuation allowances on our deferred tax assets of $10.8 million, $12.9 million and $(5.1) million for the years ended December 31, 2010, 2011 and 2012, respectively.

(6) The charges in notes (1), (2) and (3) above, along with the impairment of inventory and investment in unconsolidated LLCs increased loss from continuing operations by $19.7 million and $23.0 million for the years ended December 31, 2010 and 2011, respectively, and decreased income from continuing operations by $0.8 million for the year ended December 31, 2012.

(7) At December 31, 2010, 2011 and 2012, restricted cash primarily consisted of homebuilding cash the Company had designated as collateral in accordance with the secured credit agreements to which it is a party for the issuance of letters of credit outside of the Company s secured revolving credit facility (the Letter of Credit Facilities). At December 31, 2011, restricted cash also included $25.0 million the Company was required to pledge as security to the lenders under the Company s $140 million secured revolving credit facility (the Credit Facility). Restricted cash also included cash held in escrow of $3.1 million at December 31, 2010 and less than $0.2 million at December 31, 2011 and December 31, 2012.

(8) Total assets at December 31, 2010, 2011 and 2012 include gross deferred tax assets of $127.9 million, $140.8 million and $135.7 million, respectively, that were fully reserved.

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Summary Homebuilding Operations Data

The following table sets forth summary information by region regarding our homebuilding activities for the periods indicated. The following data has been derived from our unaudited financial records for the periods indicated.

	Year Ended December 31,		
(Dollars in thousands)	**2010**	**2011**	**2012**
Midwest Region:			
Homes delivered	1,296	991	1,113
New contracts, net	1,215	1,042	1,144
Backlog at end of period	336	387	418
Aggregate sales value of homes in backlog	$ 83,061	$ 100,096	$ 112,890
Southern Region:			
Homes delivered	429	571	823
New contracts, net	461	607	966
Backlog at end of period	87	164	341
Aggregate sales value of homes in backlog	$ 19,006	$ 39,540	$ 95,529
Mid-Atlantic Region:			
Homes delivered	709	716	829
New contracts, net	640	732	910
Backlog at end of period	109	125	206
Aggregate sales value of homes in backlog	$ 33,179	$ 41,019	$ 74,121
Total:			
Homes delivered	2,434	2,278	2,765
New contracts, net	2,316	2,381	3,020
Backlog at end of period	532	676	965
Aggregate sales value of homes in backlog	$ 135,246	$ 180,655	$ 282,540

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RISK FACTORS

An investment in the notes and our common shares involves material risks. You should carefully consider the risks set forth below, as well as the other information contained in this prospectus supplement and the accompanying prospectus, before deciding to invest in the notes. The occurrence of any of the following risks could materially adversely affect our business, financial condition, prospects, results of operations and cash flows. In such case, the market or trading price of the notes and our common shares could decline, and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, prospects, financial condition, results of operations and cash flows.

Risks Related to Our Business

Homebuilding Market and Economic Risks

The homebuilding industry is cyclical and affected by changes in general economic, real estate and other business conditions that could adversely affect our results of operations, financial position and cash flows.

Certain economic, real estate and other business conditions that have significant effects on the homebuilding industry include:

- employment levels and job and personal income growth;
- availability and pricing of financing for homebuyers;
- short and long-term interest rates;
- overall consumer confidence and the confidence of potential homebuyers in particular;
- demographic trends;
- housing demand from population growth, household formation and other demographic changes, among other factors;
- U.S. and global financial system and credit market stability;
- private party and governmental residential consumer mortgage loan programs, and federal and state regulation of lending and appraisal practices;
- federal and state personal income tax rates and provisions, including provisions for the deduction of residential consumer mortgage loan interest payments and other expenses;
- the supply of and prices for available new or existing homes (including lender-owned homes acquired through foreclosures and short sales) and other housing alternatives, such as apartments and other residential rental property;

- homebuyer interest in our current or new product designs and community locations, and general consumer interest in purchasing a home compared to choosing other housing alternatives; and

- real estate taxes.

These conditions may have an impact nationally, like the recent downturn, and may affect some of the regions or markets in which we operate more than others. When adverse conditions affect any of our larger markets, those conditions could have a proportionately greater impact on us than on some other homebuilding companies.

An oversupply of alternatives to new homes, including foreclosed homes, homes held for sale by investors and speculators, other existing homes and rental properties, can also reduce our ability to sell new homes, depress

new home prices and reduce our margins on the sale of new homes. High levels of foreclosures and short-sales not only contribute to additional inventory available for sale, but also can reduce appraisal valuations for new homes, potentially resulting in lower sales prices.

Potential customers may be less willing or able to buy our homes if any of these conditions have a negative impact on the homebuilding industry. In the future, our pricing strategies may continue to be limited by market conditions. We may be unable to change the mix of our home offerings, reduce the costs of the homes we build or offer more affordable homes to maintain our gross margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may increase as homebuyers choose to not honor their contracts.

Our financial services business is closely related to our homebuilding business, as it originates mortgage loans principally on behalf of purchasers of the homes we build. A decrease in the demand for our homes because of the foregoing conditions may also adversely affect the financial results of this segment of our business. An increase in the default rate on the mortgages we originate may adversely affect our ability to sell the mortgages or the pricing we receive upon the sale of mortgages and may increase our potential exposure regarding those mortgage loan sales.

Although the homebuilding industry generally experienced improved conditions in 2012 compared to those in effect during the recent downturn, a renewed deterioration in industry conditions or in broader economic conditions could have adverse effects on our business and results of operations.

From 2006 through 2011, the homebuilding industry experienced one of its most severe downturns in U.S. history. Our recovery from the sustained downturn in the housing market was negatively impacted by its continuing effects, including more challenging mortgage loan qualification standards, significant reductions in home prices and land values and increased numbers of foreclosures and short-sales, all of which severely constrained demand for new homes, and resulted in significant inventory impairments and operating losses.

In the event of another downturn in the homebuilding and mortgage lending industries, or if the national economy weakens, we could experience declines in the market value of our inventory and demand for our homes, which could have a significantly negative impact on our gross margins from home sales and financial condition and results of operations.

Additionally, as a result of recent economic circumstances, we may be subject to increased counterparty risks, including banks under our letter of credit facilities and purchasers of mortgages originated by M/I Financial being unwilling or unable to perform the obligations they owe to us. To the extent a third party is unwilling or unable to perform the obligations it owes to us, our financial condition, results of operations and/or cash flows could be negatively impacted.

These conditions are complex and interrelated. We cannot predict their occurrence or severity, nor can we provide assurance that our responses to their impacts would be successful.

Increased competition levels in the homebuilding and mortgage lending industries could result in a reduction in our new contracts and homes delivered, along with decreases in the average sales prices of sold and delivered homes and/or decreased mortgage originations, which would have a negative impact on our results of operations.

The homebuilding industry is fragmented and highly competitive. We compete with numerous public and private homebuilders, including a number that are substantially larger than us and may have greater financial resources than we do. We also compete with subdivision developers and land development companies, some of which are themselves homebuilders or affiliates of homebuilders. Homebuilders compete for customers, land, building materials, subcontractor labor and desirable financing. Competition for home orders primarily is based upon home sales price, location of property, home style, financing available to prospective homebuyers, quality

of homes built, customer service and general reputation in the community, and may vary by market, submarket and even by community. Additionally, competition within the homebuilding industry can be impacted through an excess supply of new and existing homes available for sale resulting from a number of factors including, among other things, increases in unsold started homes available for sale and increases in home foreclosures. Increased competition can cause us to decrease our home sales prices and/or increase home sales incentives in an effort to generate new home sales and maintain homes in backlog until they close. These competitive pressures may negatively impact our future financial and operating results.

Through our financial services operations, we also compete with numerous banks and other mortgage bankers and brokers, many of which are larger than us and may have greater financial resources than we do. Competitive factors that affect our consumer services operations include pricing, mortgage loan terms, underwriting criteria and customer service. To the extent that we are unable to adequately compete with other companies that originate mortgage loans, the results of operations from our mortgage operations may be negatively impacted.

A reduction in the availability of mortgage financing, an increase in mortgage interest rates or increased down payment requirements could adversely affect our business.

The mortgage lending industry continues to experience significant instability. Lenders, regulators and others have questioned the adequacy of lending standards and other credit requirements for several loan products and programs offered in prior years. Credit requirements tightened in the immediate aftermath of the financial crisis of 2007 and 2008, and investor demand for mortgage loans and mortgage-backed securities declined. The deterioration in credit quality has caused almost all lenders to eliminate subprime mortgages and most other loan products that are not eligible for sale to the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) or that do not meet Federal Housing Administration (the FHA) and U.S. Department of Veterans Affairs (the VA) requirements. Fewer loan products and tighter loan qualification standards and down payment requirements have made it more difficult for many homebuyers to finance the purchase of our homes. These factors have reduced the pool of qualified homebuyers and made it more difficult to sell homes. These reductions in demand have adversely affected our business and financial results, and the duration and severity of the effects of the instability in the mortgage lending industry remain uncertain.

We believe that the liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry has been very important to the housing market. The future of these entities is in question. Any reduction in the availability of the financing provided by these institutions could adversely affect interest rates, mortgage availability and our sales of new homes and origination of mortgage loans.

Because of the decline in the availability of other mortgage products, FHA and VA mortgage financing support has become a more important factor in marketing our homes. Increased demands on the FHA have resulted in a reduction of its cash reserves and additional regulations and requirements. This factor or any increases in down payment requirements or limitations or restrictions on the availability of FHA and VA financing support could adversely affect interest rates, mortgage availability and our sales of new homes and origination of mortgage loans.

Even if potential customers do not need financing, changes in the availability of mortgage products may make it harder for them to sell their current homes to potential buyers who need financing, which has in some cases led to lower demand for new homes.

If interest rates increase, the costs of owning a home will be affected and could reduce the demand for our homes. Similarly, potential changes to the tax code with respect to deduction of home mortgage interest payments or other changes may decrease affordability of and demand for homeownership.

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Many of our homebuyers obtain financing for their home purchases from our M/I Financial subsidiary. If, due to the factors discussed above, M/I Financial is limited in making or unable to make loan products available to our homebuyers, our home sales and our homebuilding and financial services results of operations may be adversely affected.

If land is not available at reasonable prices or terms, our homes sales revenue and results of operations could be negatively impacted and/or we could be required to scale back our operations in a given market.

Our operations depend on our ability to obtain land for the development of our communities at reasonable prices and with terms that meet our underwriting criteria. Our ability to obtain land for new communities may be adversely affected by changes in the general availability of land, the willingness of land sellers to sell land at reasonable prices, competition for available land, availability of financing to acquire land, zoning, regulations that limit housing density and other market conditions. If the supply of land, and especially finished lots, appropriate for development of communities is limited because of these factors, or for any other reason, the number of homes that we build and sell may decline. To the extent that we are unable to timely purchase land or enter into new contracts for the purchase of land at reasonable prices, due to the lag time between the time we acquire land and the time we begin selling homes, our revenue and results of operations could be negatively impacted and/or we could be required to scale back our operations in a given market.

Our strategies in responding to the adverse conditions in the homebuilding industry over the past several years and the implementation of additional strategies may not be successful, despite signs of modest recovery in the housing industry in 2012.

In an effort to generate higher revenues and restore and maintain our homebuilding operations profitability, beginning in late 2008 and continuing into 2013, we have (1) invested in new communities in our markets with higher margins, (2) rolled out new, more flexible product designs, including our Eco Series product line, (3) continued to take steps to reduce our selling, general and administrative expenses and (4) redeployed our capital into housing markets with perceived higher future growth prospects, such as our entry into the Austin, Houston and San Antonio, Texas markets. We believe these steps helped us increase our homes delivered and new contracts and margins in 2012 compared to 2011, as well as increase the number of homes in backlog, the average sales price of the homes in backlog and the overall sales value of our backlog. However, there can be no assurance that these trends will continue, that we will successfully increase our average active community count and inventory base with desirable land assets at a reasonable cost, or that we will maintain profitability in the future.

Our land investment exposes us to significant risks, including potential impairment charges, that could negatively impact our profits if the market value of our inventory declines.

We must anticipate demand for new homes several years prior to homes being sold to homeowners. There are significant risks inherent in controlling or purchasing land, especially as the demand for new homes fluctuates. There is often a significant lag time between when we acquire land for development and when we sell homes in neighborhoods we have planned, developed and constructed. The value of undeveloped land, building lots and housing inventories can fluctuate significantly as a result of changing market conditions. In addition, inventory carrying costs can be significant, and fluctuations in value can result in reduced profits. Economic conditions could result in the necessity to sell homes or land at a loss, or hold land in inventory longer than planned, which could significantly impact our financial condition, results of operations, cash flows and stock performance. Additionally, if conditions in the homebuilding industry worsen in the future, we may be required to evaluate our inventory for potential impairment, which may result in additional valuation adjustments, which could be significant and could negatively impact our financial results and condition. We cannot make any assurances that the measures we employ to manage inventory risks and costs will be successful.

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Supply shortages and other risks related to the demand for skilled labor and building materials could increase costs and delay deliveries.

The residential construction industry experiences labor and material shortages and disruptions from time to time, including: work stoppages; labor disputes; shortages in qualified trades people; lack of availability of adequate utility infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured; and delays in availability, or fluctuations in prices, of building materials. These labor and material shortages can be more severe during periods of strong demand for housing or during periods in which the markets where we operate experience natural disasters that have a significant impact on existing residential and commercial structures. Additionally, we could experience labor shortages as a result of subcontractors going out of business or leaving the residential construction market due to low levels of housing production and volumes. Any of these circumstances could give rise to delays in the start or completion of our communities, increase the cost of developing one or more of our communities and increase the construction cost of our homes. To the extent that market conditions prevent the recovery of increased costs, including, among other things, subcontracted labor, finished lots, building materials, and other resources, through higher sales prices, our gross margins from home sales and results of operations could be adversely affected.

Increased costs of lumber, framing, concrete, steel and other building materials could cause increases in construction costs. We generally are unable to pass on increases in construction costs to customers who have already entered into sales contracts, as those sales contracts generally fix the price of the homes at the time the contracts are signed, which may be in advance of the construction of the home. Sustained increases in construction costs may, over time, erode our gross margins from home sales, particularly if pricing competition restricts our ability to pass on any additional costs of materials or labor, thereby decreasing our gross margins from home sales.

Tax law changes could make home ownership more expensive or less attractive.

Under current U.S. tax law and policy, significant expenses of owning a home, including residential consumer mortgage loan interest costs and real estate taxes, generally are deductible expenses for the purpose of calculating an individual s federal, and in some cases state, taxable income, subject to various limitations. If the federal government or a state government changes income tax laws, as some policy makers and a presidential commission have proposed, by eliminating or substantially reducing these income tax benefits, the after-tax cost of owning a home could increase substantially. This could adversely impact demand for and/or sales prices of new homes.

Increases in our cancellations could have a negative impact on our gross margins from home sales and home sales revenue.

Home order cancellations can result from a number of factors, including declines in the market value of homes, increases in the supply of homes available to be purchased, increased competition, higher mortgage interest rates, homebuyers inability to sell their existing homes, homebuyers inability to obtain suitable financing, including providing sufficient down payments, and adverse changes in economic conditions. Increased levels of home order cancellations would have a negative impact on our home sales revenue and financial and operating results in future reporting periods.

Inflation can adversely affect us, particularly in a period of declining home sale prices.

Inflation can have a long-term impact on us because if the costs of land, materials and labor increase, we would need to attempt to increase the sale prices of homes in order to maintain satisfactory margins. Although an excess of supply over demand for new homes, such as the environment in which we are currently operating, generally requires that we reduce prices, rather than increase them, it does not necessarily result in reductions, or

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prevent increases, in the costs of materials, labor and land development costs. Under those circumstances, the effect of cost increases is to reduce the margins on the homes we sell. Reduced margins in such cases make it more difficult for us to recover the full cost of previously purchased land.

Our limited geographic diversification could adversely affect us if the homebuilding industry in our markets declines.

We have operations in Ohio, Indiana, Illinois, Maryland, Virginia, North Carolina, Florida and Texas. Our limited geographic diversification could adversely impact us if the homebuilding business in our current markets declines, since there may not be a balancing opportunity in a stronger market in other geographic regions.

Operational Risks

We may not be successful in integrating acquisitions or implementing our growth strategies.

We may in the future consider growth or expansion of our operations in our current markets or in other areas of the country, whether through strategic acquisitions of homebuilding companies or otherwise. The magnitude, timing and nature of any future expansion will depend on a number of factors, including our ability to identify suitable additional markets and/or acquisition candidates, the negotiation of acceptable terms, our financial capabilities and general economic and business conditions. Our expansion into new or existing markets, whether through acquisition or otherwise, could have a material adverse effect on our liquidity and/or profitability, and any future acquisitions could result in the dilution of existing shareholders if we issue our common shares as consideration. Acquisitions also involve numerous risks, including difficulties in the assimilation of the acquired company s operations, the incurrence of unanticipated liabilities or expenses, the risk of impairing inventory and other assets related to the acquisition, the diversion of management s attention and resources from other business concerns, risks associated with entering markets in which we have limited or no direct experience and the potential loss of key employees of the acquired company.

We have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets, and disruptions in these markets could have an adverse impact on our results of operations, financial position and/or cash flows.

We have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets. Our requirements for additional capital, whether to finance operations or to service or refinance our existing indebtedness, fluctuate as market conditions and our financial performance and operations change. We cannot provide assurances that we will maintain cash reserves and generate sufficient cash flow from operations in an amount to enable us to service our debt or to fund other liquidity needs.

The availability of additional capital, whether from private capital sources or the public capital markets, fluctuates as our financial condition and general market conditions change. There may be times when the private capital markets and the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we would not be able to access capital from these sources. In addition, a weakening of our financial condition or deterioration in our credit ratings could adversely affect our ability to obtain necessary funds. Even if financing is available, it could be costly or have other adverse consequences.

There are a limited number of third-party purchasers of mortgage loans originated by our financial services operations. The exit of third-party purchasers of mortgage loans from the business, reduced investor demand for mortgage loans and mortgage-backed securities in the secondary mortgage markets and increased investor yield requirements for those loans and securities may have an adverse impact on our results of operations, financial position and/or cash flows. In addition, the sources and terms and conditions of warehouse financing and mortgage repurchase arrangements and other lending arrangements for the mortgage lending industry are changing. These changes may impact, among other things, availability of capital, terms and structures for debt and line of credit agreements, collateral requirements and collateral advance rates.

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The mortgage warehousing agreement of our financial services segment will expire in March 2013.

M/I Financial is party to a $70 million secured mortgage warehousing agreement dated April 18, 2011, as amended, among M/I Financial, the lenders party thereto and the administrative agent (the MIF Mortgage Warehousing Agreement). M/I Financial uses the MIF Mortgage Warehousing Agreement to finance its lending activities until the loans are delivered to third party buyers. The MIF Mortgage Warehousing Agreement will expire on March 30, 2013. If we are unable to renew or replace the MIF Mortgage Warehousing Agreement when it matures, the activities of our financial services segment could be seriously impeded and our home sales and our homebuilding and financial services results of operations may be adversely affected.

Reduced numbers of home sales may force us to absorb additional carrying costs.

We incur many costs even before we begin to build homes in a community. These include costs of preparing land and installing roads, sewage and other utilities, as well as taxes and other costs related to ownership of the land on which we plan to build homes. Reducing the rate at which we build homes extends the length of time it takes us to recover these additional costs. Also, we frequently enter into contracts to purchase land and make deposits that may be forfeited if we do not fulfill our purchase obligation within specified periods.

If our ability to resell mortgages to investors is impaired, we may be required to broker loans.

We sell substantially all of the loans we originate within a short period of time in the secondary mortgage market on a servicing released, nonrecourse basis, although we remain liable for certain limited representations and warranties related to loan sales and for repurchase obligations in certain limited circumstances. If we are unable to sell to viable purchasers in the marketplace, our ability to originate and sell mortgage loans at competitive prices could be limited which would negatively affect our operations and our profitability. Additionally, if there is a significant decline in the secondary mortgage market, our ability to sell mortgages could be adversely impacted and we would be required to make arrangements with banks or other financial institutions to fund our buyers closings. If we became unable to sell loans into the secondary mortgage market or directly to Fannie Mae and Freddie Mac, we would have to modify our origination model, which, among other things, could significantly reduce our ability to sell homes.

Mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties.

M/I Financial originates mortgages, primarily for our homebuilding customers. Substantially all of the mortgage loans originated are sold within a short period of time in the secondary mortgage market on a servicing released, nonrecourse basis, although we remain liable for certain limited representations, such as fraud, and warranties related to loan sales. Accordingly, mortgage investors have in the past and could in the future seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties. We believe there continues to be an industry-wide issue with the number of purchaser claims in which purchasers purport to have found inaccuracies related to sellers representations and warranties in particular loan sale agreements. While we have, from time to time, settled claims relating to loans, which have been fully reserved, we did not repurchase any loans in 2011, 2012 or to date in 2013, and we have established reserves for potential losses. However, there can be no assurance that we will not have significant liabilities in respect of such claims in the future, which could exceed our reserves, or that the impact of such claims on our results of operations will not be material.

We may not be able to benefit from net operating loss carryforwards.

We suffered losses in each fiscal year from 2007 through 2011 for tax (as well as for financial statement) purposes. We were able to carryback 100% of our tax loss in the 2007 fiscal year to recover tax we had paid with regard to a prior year. However, we would not have been able to carryback 100% of our 2008 fiscal year tax loss without legislation enacted in November 2009 that extended the net operating loss (NOL) carryback period to

five years. We were unable to carryback our tax losses for the fiscal years from 2009 through 2011. We will not receive any tax benefits with regard to tax losses we could not carryback unless we have taxable income in the 20-year NOL carryforward period. In our financial statements, we have fully reserved against all our deferred tax assets due to the possibility that we may not have taxable income that will enable us to benefit from our tax losses for the fiscal years from 2009 through 2011. However, those reserves will be reversed when it becomes more likely than not that we will have sufficient future taxable income to take advantage of the deferred tax assets.

Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in Section 382 of the Internal Revenue Code.

Based on impairments and our financial performance during the recent downturn, we generated NOL carryforwards for the years ending December 31, 2009, 2010 and 2011, and it is possible that we will generate net NOL carryforwards in future years. Under the Internal Revenue Code of 1986, as amended (the Code), we may use these NOL carryforwards to offset future earnings and reduce our federal income tax liability. As a result, we believe these NOL carryforwards could be a substantial asset for us.

Section 382 of the Code contains rules that limit the ability of a company that undergoes an ownership change, which is generally defined as any change in ownership of more than 50% of its common stock over a three-year period, to utilize its NOL carryforwards and certain built-in losses recognized in years after the ownership change. These rules generally operate by focusing on ownership changes among shareholders owning, directly or indirectly, 5% or more of the company s common stock (including changes involving a shareholder becoming a 5% shareholder) or any change in ownership arising from a new issuance of stock by the company.

In March 2009, we amended our code of regulations to impose certain restrictions on the transfer of our common shares to preserve the tax treatment of our NOLs and built-in losses (the NOL Protective Amendment). The transfer restrictions imposed by the NOL Protective Amendment generally restrict (unless otherwise approved by our board of directors) any direct or indirect transfer if the effect would be to: (1) increase the direct or indirect ownership of our shares by any person or group of persons from less than 5% to 5% or more of our common shares; or (2) increase the percentage of our common shares owned directly or indirectly by a person or group of persons owning or deemed to own 5% or more of our common shares. Although the NOL Protective Amendment is intended to reduce the likelihood of an ownership change that could adversely affect us, we cannot provide assurance that the restrictions on transferability in the NOL Protective Amendment will prevent all transfers that could result in such an ownership change. There also can be no assurance that the transfer restrictions in the NOL Protective Amendment will be enforceable against all of our shareholders absent a court determination confirming such enforceability. The transfer restrictions may be subject to challenge on legal or equitable grounds.

The acquisition of notes in this offering and common shares upon conversion of the notes is not subject to the NOL Protective Amendment. The NOL Protective Amendment may, however, limit the ability of a person who acquires common shares upon conversion of the notes to dispose of such common shares because it reduces the class of potential acquirers of such common shares. See the risk factor below captioned The NOL Protective Amendment may limit your ability to dispose of the common shares and adversely impact the value of the notes and common shares for more information.

If we undergo an ownership change for purposes of Section 382 of the Code as a result of future transactions involving the 2017 Convertible Notes, the notes or our common shares, including transactions initiated by the Company, and including transactions involving a shareholder becoming an owner of 5% or more of our common shares and purchases and sales of our common shares by existing 5% shareholders, our ability to use our NOL carryforwards and recognize certain built-in losses could be limited by Section 382 of the Code. Depending on the resulting limitation, a significant portion of our NOL carryforwards could expire before we would be able to use them. Our inability to utilize our NOL carryforwards could have a material adverse effect on our financial condition and results of operations.

Our results of operations, financial condition and cash flows could be adversely affected if pending or future legal claims against us are not resolved in our favor.

On March 5, 2009, a resident of Florida and an owner of one of our homes filed a complaint in the United States District Court for the Southern District of Ohio, on behalf of himself and other similarly situated owners and residents of homes in the United States or alternatively in Florida, against the Company and certain other identified and unidentified parties (the Initial Action). The plaintiff alleged that the Company built his home with defective drywall, manufactured and supplied by certain of the defendants, that contains sulfur or other organic compounds capable of harming the health of individuals and damaging property. The plaintiff alleged physical and economic damages and sought legal and equitable relief, medical monitoring and attorney s fees. The Company filed a responsive pleading on or about April 30, 2009. The Initial Action was consolidated with other similar actions not involving the Company and transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation for coordinated pre-trial proceedings (collectively, the In Re: Chinese Manufactured Drywall Product Liability Litigation). In connection with the administration of the In Re: Chinese Manufactured Drywall Product Liability Litigation, the same homeowner and nine other homeowners were named as plaintiffs in omnibus class action complaints filed in and after December 2009 against certain identified manufacturers of drywall and others (including the Company), including one homeowner named as a plaintiff in an omnibus class action complaint filed in March 2010 against various unidentified manufacturers of drywall and others (including the Company) (collectively, the MDL Omnibus Actions). As they relate to the Company, the Initial Action and the MDL Omnibus Actions address substantially the same claims and seek substantially the same relief. The Company has entered into agreements with several of the homeowners named as plaintiffs pursuant to which the Company agreed to make repairs to their homes consistent with repairs made to the homes of other homeowners. As a result of these agreements, the Initial Action has been resolved and dismissed, and seven of the nine other homeowners named as plaintiffs in omnibus class action complaints have dismissed their claims against the Company. One of the two remaining plaintiffs has also filed a complaint in Florida state court asserting essentially the same claims and seeking substantially the same relief as asserted in the MDL Omnibus Actions. The court in the MDL Omnibus Actions recently entered an order and judgment certifying various settlement classes and granting final approval of various class settlements, including a global class action settlement, which is intended to resolve all Chinese drywall-related claims of and against those who participate in the settlement. The Company will participate in the global settlement. The Company intends to vigorously defend against the claims of any plaintiffs who are not bound by or elect to opt out of the class action settlement. Given the inherent uncertainties in this litigation, there can be no assurance that the ultimate resolution of the MDL Omnibus Actions, or any other actions or claims relating to defective drywall that may be asserted in the future, will not have a material adverse effect on our results of operations, financial condition, and cash flows. See the risk factor below captioned Product liability litigation and warranty claims that arise in the ordinary course of business may be costly for more information.

The Company and certain of its subsidiaries have also been named as defendants in other claims, complaints and legal actions which are routine and incidental to our business. While management currently believes that the ultimate resolution of these other matters, individually and in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flows, such matters are subject to inherent uncertainties. We have recorded a liability to provide for the anticipated costs, including legal defense costs, associated with the resolution of these other matters. However, it is possible that the costs to resolve these other matters could differ from the recorded estimates and, therefore, have a material adverse effect on our results of operations, financial condition and cash flows for the periods in which the matters are resolved. Similarly, if additional claims are filed against us in the future, the negative outcome of one or more of such matters could have a material adverse effect on our results of operations, financial condition and cash flows.

The terms of our indebtedness may restrict our ability to operate and, if our financial performance declines, we may be unable to maintain compliance with the covenants in the documents governing our indebtedness.

The Company s $140 million secured revolving credit facility (the Credit Facility) and the indenture governing the 2018 Senior Notes impose restrictions on our operations and activities. These restrictions, and/or our failure to comply with the terms of our indebtedness, could have a material adverse effect on our results of operations, financial condition and ability to operate our business.

The Credit Facility requires compliance with certain financial covenants, including a minimum consolidated tangible net worth requirement and a maximum permitted leverage ratio. Currently, we believe the most restrictive covenant of the Credit Facility is to maintain a minimum consolidated tangible net worth. Failure to comply with this covenant or any of the other restrictions or covenants of the Credit Facility, whether because of a decline in our operating performance or otherwise, could result in a default under the Credit Facility. If a default occurs, the affected lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable, which in turn could cause a default under the documents governing any of our other indebtedness that is then outstanding if we are not able to repay such indebtedness from other sources. If this happens and we are unable to obtain waivers from the required lenders, the lenders could exercise their rights under such documents, including forcing us into bankruptcy or liquidation. Also, while the aggregate commitment of the Credit Facility is $140 million (with the ability to increase the amount of the Credit Facility up to $175 million in aggregate, contingent on obtaining additional commitments from lenders), we can only borrow up to the amount we have secured by real estate and/or cash in accordance with the provisions of the Credit Facility. This secured borrowing base limitation could preclude us from incurring additional borrowings, which could impair our ability to maintain sufficient working capital. In such a situation, there can be no assurance that we would be able to obtain alternative financing.

The indenture governing the 2018 Senior Notes also contains covenants that may restrict our ability to operate our business and may prohibit or limit our ability to enhance our operations or take advantage of potential business opportunities as they arise. Failure to comply with these covenants or any of the other restrictions or covenants contained in the indenture governing the 2018 Senior Notes could result in a default under such document, in which case holders of the 2018 Senior Notes may be entitled to cause the sums evidenced by such notes to become due immediately. This acceleration of our obligations under the 2018 Senior Notes could force us into bankruptcy or liquidation and we may be unable to repay those amounts without selling substantial assets, which might be at prices well below the long-term fair values and carrying values of the assets. Our ability to comply with the foregoing restrictions and covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions.

In addition, while the indentures governing the 2017 Convertible Notes and the notes do not contain any financial or operating covenants relating to or restrictions on the payment of dividends, the incurrence of indebtedness or the repurchase or issuance of securities by us or any of our subsidiaries, such indentures do impose certain other requirements on us, such as the requirement to offer to repurchase the 2017 Convertible Notes and, assuming we consummate the notes offering, the notes upon a fundamental change, as defined in the indentures. Our failure to comply with the requirements contained in the indenture governing the 2017 Convertible Notes and, assuming we consummate the notes offering, the indenture governing the notes could result in a default under such indentures, in which case holders of the 2017 Convertible Notes or the notes, as applicable, may be entitled to cause the sums evidenced by such notes to become due immediately. The acceleration of our obligations under the 2017 Convertible Notes or the notes could have the same effect as an acceleration of the 2018 Senior Notes described above.

In the ordinary course of business, we are required to obtain performance bonds, the unavailability of which could adversely affect our results of operations and/or cash flows.

As is customary in the homebuilding industry, we are often required to provide surety bonds to secure our performance under construction contracts, development agreements and other arrangements. Our ability to obtain surety bonds primarily depends upon our credit rating, capitalization, working capital, past performance, management expertise and certain external factors, including the overall capacity of the surety market and the underwriting practices of surety bond issuers. The ability to obtain surety bonds also can be impacted by the willingness of insurance companies to issue performance bonds. If we were unable to obtain surety bonds when required, our results of operations and/or cash flows could be adversely impacted.

We can be injured by failures of persons who act on our behalf to comply with applicable regulations and guidelines.

There are instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable regulations or guidelines. When we learn of practices relating to homes we build or financing we provide that do not comply with applicable laws, rules or regulations, we actively move to stop the non-complying practices as soon as possible. However, regardless of the steps we take after we learn of practices that do not comply with applicable laws, rules or regulations, we can in some instances be subject to fines or other governmental penalties, and our reputation can be injured, due to the practices having taken place.

Because of the seasonal nature of our business, our quarterly operating results can fluctuate.

We experience noticeable seasonality and quarter-to-quarter variability in homebuilding activity levels. In general, the number of homes delivered and associated home sales revenue have increased during the third and fourth quarters, compared with the first and second quarters. We believe that this type of seasonality reflects the historical tendency of homebuyers to purchase new homes in the spring and summer with deliveries scheduled in the fall or winter, as well as the scheduling of construction to accommodate seasonal weather conditions in certain markets. There can be no assurance that this seasonality pattern will continue to exist in future reporting periods. In addition, as a result of such variability, our historical performance may not be a meaningful indicator of future results.

Product liability litigation and warranty claims that arise in the ordinary course of business may be costly.

As a homebuilder, we are subject to construction defect and home warranty claims, as well as claims associated with the sale and financing of our homes arising in the ordinary course of business. These types of claims can be costly. The costs of insuring against construction defect and product liability claims can be high and the amount of coverage offered by insurance companies may be limited. If we are not able to obtain adequate insurance against these claims, we may incur additional expenses that would have a negative impact on our results of operations in future reporting periods.

There has been significant publicity about homes constructed with defective drywall. Since the discovery of defective drywall, we implemented procedures in every division to investigate homes for signs of the presence of defective drywall. As of December 31, 2012, the Company has identified 93 homes that have been confirmed as having defective drywall installed by our subcontractors. All of these homes are located in Florida. As of December 31, 2012, we have completed the repair of 90 homes. In consideration for performing these repairs, we received from the homeowners a full release of claims (excluding, in nearly all cases, personal injury claims) arising from the defective drywall. All homes have been repaired that have granted us authority to do so. The remaining three homeowners have not granted us authority to repair their homes. Since 2009, the Company has accrued approximately $13.0 million for the repair of these 93 homes. Based on our investigation to date and our evaluation of the defective drywall issue, we believe our accrual is sufficient to cover costs and claims associated with the repair of these homes. However, if and to the extent the scope of the defective drywall issue proves to be

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significantly greater than we currently anticipate, or in the event defective drywall is, through credible evidence, linked to significant adverse health effects of the occupants of the homes containing such defective drywall, or if it is determined that our accrual for costs of repair attributable to defective drywall together with recoveries from our insurance carrier and from other responsible parties and their insurance carriers are not sufficient to cover claims, losses or other issues related to defective drywall, then it is possible that we could incur additional costs or liabilities related to this issue that may have a material adverse effect on our results of operations, financial position and cash flows. See the risk factor above captioned Our results of operations, financial condition and cash flows could be adversely affected if pending or future legal claims against us are not resolved in our favor for more information.

Our subcontractors can expose us to warranty costs and other risks.

We rely on subcontractors to construct our homes, and in many cases, to select and obtain building materials. Despite our detailed specifications and quality control procedures, subcontractors have in some cases used improper construction processes or defective materials in the construction of our homes, such as the defective Chinese drywall that was installed in certain homes built for the Company and many other homebuilders in Florida and elsewhere. When we find these issues, we repair them in accordance with our warranty obligations. Defective products widely used in the homebuilding industry can result in the need to perform extensive repairs to large numbers of homes. The cost of complying with our warranty obligations in these cases may be significant if we are unable to recover the cost of repair from subcontractors, materials suppliers and insurers.

Natural disasters and severe weather conditions could delay deliveries, increase costs and decrease demand for homes in affected areas.

Several of our markets, specifically our operations in Florida, North Carolina, Washington, D.C. and Texas, are situated in geographical areas that are regularly impacted by severe storms, including hurricanes, flooding and tornadoes. In addition, our operations in the Midwest can be impacted by severe storms, including tornados. The occurrence of these or other natural disasters can cause delays in the completion of, or increase the cost of, developing one or more of our communities, and as a result could materially and adversely impact our results of operations.

We are subject to extensive government regulations, which could restrict our homebuilding or financial services business and cause us to incur significant expense.

The homebuilding industry is subject to numerous and increasing local, state and federal statutes, ordinances, rules and regulations concerning zoning, resource protection, building design and construction, and similar matters. This includes local regulations that impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular location. Such regulation also affects construction activities, including construction materials that must be used in certain aspects of building design, as well as sales activities and other dealings with homebuyers. We must also obtain licenses, permits and approvals from various governmental agencies for our development activities, the granting of which are beyond our control. Furthermore, increasingly stringent requirements may be imposed on homebuilders and developers in the future. Although we cannot predict the impact on us to comply with any such requirements, such requirements could result in time-consuming and expensive compliance programs. In addition, we have been, and in the future may be, subject to periodic delays or may be precluded from developing certain projects due to building moratoriums. These moratoriums generally relate to insufficient water supplies or sewage facilities, delays in utility hookups or inadequate road capacity within the specific market area or subdivision. These moratoriums can occur prior or subsequent to commencement of our operations, without notice or recourse.

We are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning consumer protection matters and the protection of health and the environment. These statutes,

ordinances, rules and regulations, and any failure to comply therewith, could give rise to additional liabilities or expenditures and have an adverse effect on our results of operations, financial condition or business. The particular consumer protection matters regulate the marketing, sales, construction, closing and financing of our homes. The particular environmental laws that apply to any given project vary greatly according to the project site and the present and former uses of the property. These environmental laws may result in delays, cause us to incur substantial compliance costs (including substantial expenditures for pollution and water quality control), and prohibit or severely restrict development in certain environmentally sensitive regions.

In addition to the laws and regulations that relate to our homebuilding operations, M/I Financial is subject to a variety of laws and regulations concerning the underwriting, servicing and sale of mortgage loans, as well as anti-money laundering compliance obligations applicable to non-bank residential mortgage lenders.

New government regulations may make it more difficult for potential purchasers to finance home purchases and may reduce the number of mortgage loans our financial services segment makes.

In January 2013, the Consumer Financial Protection Bureau (the CFPB) issued a final rule, effective January 10, 2014, to implement laws requiring mortgage lenders to consider the ability of consumers to repay home loans before extending them credit and imposing minimum qualifications for mortgage borrowers. Also in January 2013, the CFPB sought comments on related proposed rules that could modify the rules for certain narrowly-defined categories of lending programs. These regulations could make it more difficult for some potential buyers to finance home purchases and could result in our financial services segment originating fewer mortgages, which, in turn, could have an adverse effect on our future revenues and earnings.

Information technology failures and data security breaches could harm our business.

We use information technology, digital communications and other computer resources to carry out important operational and marketing activities and to maintain our business records. Many of these resources are provided to us and/or maintained on our behalf by third-party service providers pursuant to agreements that specify to varying degrees certain security and service level standards. Although we and our service providers employ what we believe are adequate security and other preventative and corrective measures, our ability to conduct our business may be impaired if these resources, including our website, are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional penetration or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption or failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure or intentional or unintentional personnel actions (including the failure to follow our security protocols). A significant and extended disruption in the functioning of these resources, including our website, could damage our reputation and cause us to lose customers, sales and revenue, result in the unintended and/or unauthorized public disclosure or the misappropriation of proprietary, personal identifying and confidential information (including information about our homebuyers and business partners), and require us to incur significant expense to address and remediate or otherwise resolve these kinds of issues. The release of confidential information may also lead to litigation or other proceedings against us by affected individuals and/or business partners and/or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a material and adverse effect on our consolidated financial statements. In addition, the costs of maintaining adequate protection against such threats, depending on their evolution, pervasiveness and frequency and/or government-mandated standards or obligations regarding protective efforts, could be material to our consolidated financial statements in a particular period or over various periods.

We are dependent on the services of certain key employees, and the loss of their services could hurt our business.

Our future success depends, in part, on our ability to attract, train and retain skilled personnel. If we are unable to retain our key employees or attract, train and retain other skilled personnel in the future, this could

materially and adversely impact our operations and result in additional expenses for identifying and training new personnel.

Risks Related to the Notes and our Common Shares

Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes, and we and our subsidiaries may incur additional indebtedness, which could increase the risks created by our indebtedness.

As of December 31, 2012, after giving effect to the issuance of notes in this offering, we had approximately $346.3 million of indebtedness outstanding (excluding issuances of letters of credit, the MIF Mortgage Warehousing Agreement, and the $15 million secured mortgage repurchase facility, dated November 13, 2012, entered into by M/I Financial (the MIF Mortgage Repurchase Facility)), $238.8 million of which was senior indebtedness, including $6.7 million of senior secured indebtedness, and we had $47.3 million of available borrowings with respect to secured indebtedness under the Credit Facility. In addition, under the terms of the Credit Facility, the indentures governing the 2018 Senior Notes, the 2017 Convertible Notes and the notes and the documents governing our other indebtedness, we have the ability, subject to applicable debt covenants, to incur additional indebtedness. The incurrence of additional indebtedness could magnify other risks related to us and our business. Our indebtedness and any future indebtedness we may incur could have a significant adverse effect on our future financial condition and our ability to fulfill our obligations under the notes. For example:

- a significant portion of our cash flow may be required to pay principal and interest on our indebtedness, which could reduce the funds available for working capital, capital expenditures, acquisitions or other purposes;

- borrowings under the Credit Facility bear, and borrowings under any new facility entered into before the maturity of the notes could bear, interest at floating rates, which could result in higher interest expense in the event of an increase in interest rates;

- the terms of our indebtedness could limit our ability to borrow additional funds or sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;

- our debt level and the various covenants contained in the Credit Facility, the indentures governing the 2018 Senior Notes, the 2017 Convertible Notes and the notes and the documents governing our other indebtedness could place us at a relative competitive disadvantage as compared to some of our competitors;

- the terms of our indebtedness could prevent us from raising the funds necessary to repurchase all of the 2018 Senior Notes tendered to us upon the occurrence of a change of control or all of the 2017 Convertible Notes or the notes tendered to us upon the occurrence of a fundamental change, which in each case would constitute a default under the applicable indenture, which in turn could trigger a default under the Credit Facility and the documents governing our other indebtedness; and

- the Credit Facility and certain of our other indebtedness have maturity dates prior to the maturity date of the notes, and if we are unable to repay or refinance such indebtedness upon maturity, we could be forced into bankruptcy or liquidation, which would constitute an event of default under the indenture and reduce or eliminate our ability to pay our obligations under the notes when due.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects or ability to satisfy our obligations under the notes. See Description of Other Indebtedness.

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We may be unable to generate a sufficient amount of cash flow to meet our debt obligations, including our obligations under the notes.

Our ability to make scheduled payments or to refinance our obligations with respect to the notes and our other indebtedness will depend on our financial and operating performance, which is subject to prevailing economic conditions and to certain financial, business and other factors beyond our control. If our cash flow and capital resources are insufficient to fund our debt obligations, we could face substantial liquidity problems and may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. We cannot assure you that our operating performance, cash flow and capital resources will be sufficient for the payment of our indebtedness in the future. In the event that we are required to dispose of material assets or operations or restructure our debt to meet our debt obligations, we cannot assure you as to the terms of any such transaction or how quickly any such transaction could be completed.

Your right to receive payments on the notes is subordinated to our senior indebtedness and junior to our secured indebtedness.

The notes and the guarantees of the notes will be our and our subsidiary guarantors general senior subordinated unsecured obligations. The notes and the guarantees of the notes will be subordinated in right of payment to all our and our subsidiary guarantors existing and future senior indebtedness, including our indebtedness under the Credit Facility and our 2018 Senior Notes, will rank equal in right of payment with all our and our subsidiary guarantors existing and future senior subordinated indebtedness, including our indebtedness under our 2017 Convertible Notes, and will rank senior in right of payment to all our and our subsidiary guarantors future subordinated indebtedness. See Description of Notes Subordination.

As of December 31, 2012, after giving effect to the issuance of notes in this offering, we had approximately $346.3 million of indebtedness outstanding (excluding issuances of letters of credit and the MIF Mortgage Warehousing Agreement and the MIF Mortgage Repurchase Facility), $238.8 million of which was senior indebtedness, including $6.7 million of senior secured indebtedness, and we had $47.3 million of available borrowings with respect to secured indebtedness under the Credit Facility.

Our obligations under the Credit Facility are secured by certain of the personal property of the Company and those subsidiaries of the Company that are guarantors under the Credit Facility, including the equity interests in such guarantors owned by the Company and such guarantors, and by certain real property in Ohio, Indiana, Illinois and North Carolina.

The notes and the guarantees of the notes will be junior to our existing and future secured debt, including indebtedness under the Credit Facility, to the extent of the value of the assets securing such indebtedness. In the event that the Company or a subsidiary guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, creditors whose debt is secured by assets of the Company or the subsidiary guarantors will be entitled to the remedies available to secured holders under applicable laws, including the foreclosure of the collateral securing such debt, before any payment may be made with respect to the notes or the affected guarantees. As a result, there may be insufficient assets to pay amounts due on the notes, and holders of the notes may receive less, ratably, than holders of our secured indebtedness. We can create additional borrowing availability under the Credit Facility to the extent we pledge additional assets. Borrowing availability under the Credit Facility can also be increased by increasing investments in assets currently pledged, but this is offset by the collateral value of homes delivered that are within the pledged asset pool. We may also incur additional secured indebtedness in the future.

In addition, all payments on the 2017 Convertible Notes and the notes will be blocked in the event of a payment default on senior indebtedness until such payment default is cured or waived and may be blocked for up to 179 of 360 consecutive days in the event of certain non-payment defaults on senior indebtedness.

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The notes will be structurally subordinated to the liabilities of any of our subsidiaries that do not guarantee the notes to the extent of the assets of such non-guarantor subsidiaries.

The notes will be structurally subordinated to all liabilities of any of our subsidiaries that do not guarantee the notes. Therefore, our rights and the rights of our creditors to participate in the assets of any such subsidiary in the event that such a subsidiary is liquidated or reorganized are subject to the prior claims of such subsidiary s creditors. As a result, all indebtedness and other liabilities, including trade payables, of the non-guarantor subsidiaries, whether secured or unsecured, must be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us in order for us to meet our obligations with respect to the notes. For the year ended December 31, 2012, our non-guarantor subsidiaries accounted for approximately $23.3 million, or 3.1%, of our total revenues, and as of December 31, 2012, our non-guarantor subsidiaries accounted for approximately $109.2 million, or 13.1%, of our total assets and $90.1 million, or 18.2%, of our total liabilities.

Any guarantees provided by our subsidiaries are subject to possible defenses that may limit your right to receive payment from the guarantors with regard to the notes.

Although guarantees by our subsidiaries would provide the holders of the notes with a direct claim against the assets of the guarantors, enforcement of the guarantees against any guarantor would be subject to certain suretyship defenses available to guarantors generally. Enforcement could also be subject to other defenses available to the guarantors in certain circumstances. To the extent that the guarantees are not enforceable, you would not be able to assert a claim successfully against the guarantors.

The notes and the guarantees of the notes may not be enforceable because of fraudulent conveyance laws.

The notes and the guarantees of the notes may be subject to review under federal bankruptcy laws or relevant state fraudulent conveyance laws if a bankruptcy case or lawsuit is commenced by or on behalf of our unpaid creditors. Generally, under these laws, if in such a case or lawsuit a court were to find that at the time we issued the notes or one of our subsidiaries issued a guarantee of the notes:

- we issued the notes or such subsidiary issued a guarantee with the intent of hindering, delaying or defrauding current or future creditors; or

- we or such subsidiary guarantor received less than reasonably equivalent value or fair consideration for issuing the notes or a guarantee of the notes, as the case may be, and we or such subsidiary guarantor:

  - were insolvent or were rendered insolvent by reason of the issuance of the notes or such guarantee;

  - were engaged, or were about to engage, in a business or transaction for which our or such subsidiary guarantor s remaining assets constituted unreasonably small capital to carry on our or such subsidiary guarantor s business; or

  - intended to incur, or believed that we or such subsidiary guarantor would incur, indebtedness or other obligations beyond the ability to pay such indebtedness or obligations as they matured (as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes),

then the court could void the notes or such guarantee, as the case may be, subordinate the amounts owing under the notes or such guarantee to our presently existing or future indebtedness or take other actions detrimental to you.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at the time it incurred indebtedness or issued a guarantee:

it could not pay its debts or contingent liabilities as they become due;

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- the sum of its debts (including contingent liabilities) was greater than its assets, at fair valuation; or
- the present fair saleable value of its assets was less than the amount required to pay the probable liability on its total existing debts and liabilities (including contingent liabilities) as they become absolute and mature.

If a note or a guarantee is voided as a fraudulent conveyance or is found to be unenforceable for any other reason, you will not have a claim against us or such subsidiary guarantor.

Each subsidiary guarantee contains a provision intended to limit the subsidiary guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent conveyance. This provision may not be effective to protect the subsidiary guarantees from being voided under fraudulent conveyance laws.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to repurchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the notes or a make-whole fundamental change requiring an adjustment to the conversion rate.

In the event of any such transaction, the holders of the notes would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

In addition, the definition of change of control in the indenture includes the sale of all or substantially all of our assets. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, upon a sale of less than all of our assets, the ability of a holder of notes to require us to repurchase such notes may be uncertain.

We may not be able to repurchase the notes upon a fundamental change.

If a fundamental change occurs, you will have the right, at your option, to require us to repurchase for cash all or any part (equal to $1,000 or integral multiples of that amount) of your notes. The fundamental change repurchase price will be equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest (including additional amounts, if any), if any, to, but excluding, the fundamental change repurchase date. However, we may not have sufficient funds at the time of the fundamental change to repurchase all of the notes delivered for repurchase and we may not be able to arrange necessary financing on acceptable terms, if at all. In addition, our ability to repurchase the notes may be limited by law, by regulatory authority or by the agreements governing our other indebtedness outstanding at the time. The subordination provisions of the indenture may prohibit us from paying the fundamental change repurchase price as described under Description of Notes Subordination. If we fail to pay the fundamental change repurchase price when due, we will be in default under the indenture governing the notes. A default under the indenture or the fundamental change itself could also lead to a default under the agreements governing our other indebtedness.

Recent regulatory actions may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common shares

underlying the convertible notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on our common shares in lieu of or in addition to short selling the common shares. As a result, any specific rules regulating equity swaps or short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common shares could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and may adopt additional rules in the future that may impact those engaging in short selling activity involving equity securities (including our common shares). In particular, Rule 201 of SEC Regulation SHO generally restricts short selling when the price of a covered security triggers a circuit breaker by falling 10% or more from the security s closing price as of the end of regular trading hours on the prior day. If this circuit breaker is triggered, short sale orders can be displayed or executed only if the order price is above the current national best bid, subject to certain limited exceptions. Because our common shares are a covered security, these Rule 201 restrictions, if triggered, may interfere with the ability of investors in, and potential purchasers of, the notes, to effect short sales in our common shares and conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes.

On June 1, 2012, the SEC, jointly with the national securities exchanges and the Financial Industry Regulatory Authority, Inc. (FINRA), established the Limit Up-Limit Down mechanism which prevents trades in individual listed equity securities from occurring outside of specific price bands during regular trading hours. If trading is unable to occur within those price bands for more than 15 seconds, there would be a five-minute trading pause. The exchanges and FINRA will implement this change on April 8, 2013. The SEC approved the proposal for a one-year pilot period, during which the exchanges, FINRA, and the SEC will assess its operation and consider whether any modifications are appropriate. A second initiative will change existing stock exchange and FINRA rules that establish a market-wide circuit breaker system. The existing market-wide circuit breaker system provides for specified market-wide halts in trading of stock for certain periods following specified market declines. The changes will lower the percentage-decline thresholds for triggering a market-wide trading halt and shorten the amount of time that trading is halted. Market declines under the new system will be measured by reference to the S&P 500 Index rather than the Dow Jones Industrial Average, and the trigger thresholds will be calculated daily rather than quarterly. The changes to the market-wide circuit breaker system are scheduled to go into effect on a one-year pilot basis on April 8, 2013.

The enactment of the Dodd-Frank Act on July 21, 2010 also introduces regulatory uncertainty that may impact trading activities relevant to the notes. This new legislation will require many over-the-counter swaps and security-based swaps to be centrally cleared through regulated clearinghouses and traded on exchanges or comparable trading facilities. In addition, swap dealers, security-based swap dealers, major swap participants and major security-based swap participants will be required to comply with margin and capital requirements as well as public reporting requirements to provide transaction and pricing data on both cleared and uncleared swaps. These requirements could adversely affect the ability of investors in, or potential purchasers of, the notes to maintain a convertible arbitrage strategy with respect to the notes (including increasing the costs incurred by such investors in implementing such strategy). This could, in turn, adversely affect the trading price and liquidity of the notes. The implementation dates for these requirements are subject to regulatory action and at this time cannot be determined with certainty. We cannot predict how this legislation will ultimately be implemented by the SEC and other regulators or the magnitude of the effect that this legislation will have on the trading price or liquidity of the notes.

Although the direction and magnitude of the effect that the amendments to Regulation SHO, FINRA and securities exchange rule changes and/or implementation of the Dodd-Frank Act may have on the trading price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at this time, past regulatory actions have had a significant impact on the trading prices and liquidity of convertible debt instruments. For example, in September 2008, the SEC issued emergency orders generally prohibiting short sales

of the common stock of certain financial services companies while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets.

The orders made the convertible arbitrage strategy that many convertible debt investors employ difficult to execute and adversely affected both the liquidity and trading price of convertible debt instruments issued by many of the financial services companies subject to the prohibition. Any governmental action that similarly restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common shares, including the amendments to Regulation SHO, FINRA and exchange rule changes and the implementation of the Dodd-Frank Act, could similarly adversely affect the trading price and the liquidity of the notes.

Future sales of our common shares or preferred shares in the public market could lower the market price for our common shares and adversely impact our ability to raise capital through the sale of additional equity securities.

We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, to satisfy our obligations upon exercise of outstanding options or conversion of our 2017 Convertible Notes or for other reasons. Our amended and restated articles of incorporation provide that we have authority to issue 38,000,000 common shares and 2,000,000 preferred shares. As of December 31, 2012, 21,687,253 common shares were outstanding, 1,905,632 common shares were issuable related to awards outstanding under our incentive compensation plans, 2,415,914 common shares were issuable upon conversion of our 2017 Convertible Notes and 4,000 of our 9.75% Series A Preferred Shares were outstanding. In addition, assuming completion of this offering of notes, a substantial number of our common shares will be reserved for issuance upon conversion of the notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common shares. The issuance and sale of substantial amounts of common shares or additional preferred shares, or the perception that such issuances and sales may occur, could adversely affect the trading price of the notes and the market price of our common shares and impair our ability to raise capital through the sale of additional equity securities. We are currently offering up to 2,140,000 of our common shares (2,461,000 common shares if the underwriters exercise their option). The issuance of our common shares in such offering of common shares and, assuming completion of this offering of notes, upon conversion of the notes, and/or other issuances of our common shares or convertible or other equity linked securities will dilute the ownership interest of our common shareholders.

The price of our common shares could be affected by possible sales of our common shares by investors who view the 2017 Convertible Notes or the notes as a more attractive means of equity participation in the Company. Sales of a substantial number of our common shares or other equity-related securities in the public market, or any hedging or arbitrage trading activity involving our common shares, could depress the market price of our common shares and impair our ability to raise capital through the sale of additional equity securities. This trading activity could, in turn, affect the trading prices of the notes. This may result in greater volatility in the trading price of the notes than would be expected for non-convertible debt securities.

The notes are not protected by restrictive covenants.

The indenture governing the notes will not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture will not contain covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change except as described under Description of Notes Conversion Rights Repurchase of Notes at Option of Holder Upon a Fundamental Change and Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change or a Notice of Redemption. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the notes and our common shares but may not constitute a fundamental change that permits holders to require us to

repurchase their notes or a make-whole fundamental change that would require an increase in the conversion rate for notes converted in connection therewith.

The fundamental change repurchase feature of the notes may delay or prevent an otherwise beneficial attempt to take over our company.

The fundamental change repurchase rights and the provisions requiring an increase to the conversion rate or conversions in connection with make-whole fundamental changes may in certain circumstances delay or prevent a takeover of the Company and the removal of incumbent management that might otherwise be beneficial to investors.

Any adverse rating of the notes may cause their trading price to fall.

The notes may not be rated. However, if a rating service were to rate the notes and if such rating service were to lower its rating on the notes below the rating initially assigned to the notes or were to announce its intention to put the notes on credit watch, the trading price of the notes could decline.

You may have to pay taxes if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances. If the conversion rate is adjusted, under certain circumstances you may be treated as having received a constructive dividend from us, resulting in income to you for U.S. federal income tax purposes, even though you would not receive any cash related to that adjustment and even though you might not exercise your conversion right. In addition, if we fail to make (or adequately make) an adjustment to the conversion rate after an event that increases your proportionate interest in us, you may be deemed to have received a taxable dividend. Further, if a make-whole fundamental change or optional redemption occurs on or prior to the maturity date of the notes, and we increase the conversion rate for the notes converted in connection with the make-whole fundamental change or optional redemption, as applicable, you may be deemed to have received a taxable dividend. If you are a Non-U.S. Holder (as defined in Material United States Federal Income and Estate Tax Consequences), any deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be withheld from subsequent payments on the notes (or, in certain circumstances, withheld from any payments on our common shares). See Material United States Federal Income and Estate Tax Consequences.

U.S. federal income tax may be imposed on non-U.S. Holders on any gain on a sale or other disposition of the notes.

Because we believe that we are a United States real property holding corporation for U.S. federal income tax purposes, upon a sale or other disposition of the notes, a Non-U.S. Holder may be subject to U.S. federal income tax if either (1) as of the disposition date the notes are not considered regularly traded on an established securities market and the fair market value of the notes owned, actually or constructively, by the Non-U.S. Holder on the date the notes were acquired exceeded the fair market value of 5% of our outstanding common shares or (2) as of the disposition date the notes are considered regularly traded on an established securities market and, at any time during the shorter of the five-year period preceding the disposition date or the Non-U.S. Holder s holding period of such notes, the Non-U.S. Holder owned, actually or constructively, more than 5% of the outstanding notes. See Material United States Federal Income and Estate Tax Consequences Non-U.S. Holders Foreign Investment in Real Property Tax Act.

There is no active trading market for the notes and, if a trading market develops, it may not be liquid.

The notes are a new issue of securities for which there is currently no active trading market. We do not intend to list the notes on any securities exchange or seek their quotation on any automated quotation system. The liquidity of a trading market in the notes, if any, and the future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- the price of our common shares;
- the market for similar securities; and
- other factors, including general economic conditions and our financial condition, performance and prospects.

In addition, the market for convertible debt securities has historically been subject to disruptions that have caused price volatility independent of the operating and financial performance of the issuers of these securities. It is possible that the market for the notes will be subject to these kinds of disruptions. Accordingly, declines in the liquidity and market price of the notes may occur independent of our financial performance. We cannot assure you that any active or liquid market for the notes will develop or be maintained. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case, you may not be able to sell your notes at a particular time or at a favorable price.

The underwriters have advised us that they currently intend to make a market in the notes, but they are not obligated to do so. The underwriters may discontinue any market making activities in the notes at any time in their sole discretion and without notice, which could further negatively impact your ability to sell the notes or the prevailing market price at the time you choose to sell.

If you hold notes, you will not be entitled to any rights with respect to our common shares, but you will be subject to all changes made with respect to our common shares.

If you hold notes, you will not be entitled to any rights with respect to our common shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common shares), but you will be subject to all changes affecting the common shares. You will only have rights with respect to our common shares when we deliver common shares to you upon conversion of your notes and, to a limited extent, under the conversion rate adjustments applicable to the notes. For example, if an amendment is proposed to our articles of incorporation or code of regulations requiring shareholder approval, a holder of notes will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common shares.

The accounting for convertible debt securities is subject to uncertainty.

The accounting for convertible debt securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change would be made and it is possible any such change could have an adverse impact on our reported financial results and could adversely affect the market price of our common shares and our financial position and in turn negatively impact the trading price of the notes.

The value of our common shares may not increase sufficiently to compensate for the relatively low rate of fixed interest on the notes.

The rate of interest we are required to pay with regard to the notes is less than the rate of interest we would be required to pay with regard to non-convertible unsecured debt securities primarily because of value attributed to the right to convert the notes into our common shares. However, the applicable market price of our common

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shares when the notes are being issued is less than the applicable conversion price. Therefore, unless the market price of our common shares increases, the conversion right may have no value. Even if the market price of our common shares increases, it may not increase to the point where the common shares issuable on conversion of a note have sufficient value to compensate for the relatively low interest we are required to pay with regard to the notes.

Upon conversion of the notes, the sum you receive may be less than expected because the value of our common shares may decline after you exercise your conversion right.

Under the notes, a converting holder will be exposed to fluctuations in the value of our common shares during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation. Upon conversion of the notes, we will be required to deliver the common shares, together with cash for any fractional share, on the third business day following the relevant conversion date. Accordingly, if the price of our common shares decreases during this period, the value of the shares that you receive will be adversely affected and would be less than the conversion value of the notes on the conversion date.

Your notes may become convertible into something other than our common shares.

There is nothing in the indenture governing the notes that prevents us from entering into mergers or other transactions in which our common shares are converted into the right to receive shares of another company or securities or assets (including cash) other than our common shares. While the indenture contains provisions intended to ensure that upon conversion you will receive what you would have received as a result of the transaction with regard to the common shares into which your notes were convertible, what you become entitled to receive upon conversion may not be as attractive to you as our common shares.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common shares, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, cash dividends and certain issuer tender or exchange offers as described under Description of Notes Conversion Rights Conversion Rate Adjustments. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of our common shares for cash, that may adversely affect the trading price of the notes or our common shares. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change or a notice of redemption may not adequately compensate you for any lost option value of your notes as a result of such transaction or a redemption. In addition, the definition of a make-whole fundamental change is limited and may not protect you from losing some of the option value of your notes in the event of a variety of transactions that do not constitute a make-whole fundamental change.

Upon the occurrence of a make-whole fundamental change or a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder that converts its notes in connection with such make-whole fundamental change or such redemption notice. The increase in the conversion rate will be determined based on the date on which the make-whole fundamental change becomes effective or the date of the redemption notice, as the case may be, and the price paid (or deemed paid) per common share in such make-whole fundamental change or redemption, as the case may be, all as described below under Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change or a Notice of Redemption.

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Although the adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change or a notice of redemption is designed to compensate you for the option value of your notes that you lose as a result of a make-whole fundamental change or redemption, it is only an estimate of such value and may not adequately compensate you for such lost option value. In addition, if the price paid (or deemed paid) for our common shares in the make-whole fundamental change or the redemption is greater than $ per share or less than $ per share (in each case, subject to adjustment in accordance with the indenture), then we will not be required to adjust the conversion rate if you convert your notes in connection with such make-whole fundamental change or notice of redemption. Moreover, in no event will we increase the conversion rate solely because of such an adjustment to a rate that exceeds common shares per $1,000 principal amount of notes, subject to adjustments in accordance with the indenture.

Furthermore, the definition of a make-whole fundamental change contained in the indenture is limited to certain enumerated transactions. As a result, the make-whole fundamental change provisions of the indenture will not afford protection to holders of the notes in the event that other transactions occur that could adversely affect the option value of the notes. For example, transactions, such as a spin-off or sale of a subsidiary with volatile earnings, or a change in our subsidiaries lines of business, could significantly affect the trading characteristics of our common shares and thereby reduce the option value embedded in the notes without triggering a make-whole fundamental change.

In addition, our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change or notice of redemption could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Provisions of our charter documents, the Ohio General Corporation Law and our debt covenants could make it more difficult for a third party to acquire us, even if the offer may be considered beneficial by our shareholders.

Certain provisions of our amended and restated articles of incorporation and code of regulations, as well as provisions in the Ohio General Corporation Law and our debt covenants, could discourage potential takeover attempts and make attempts by shareholders to change management more difficult. These provisions could also adversely affect the market price of our common shares. For example:

Preferred shares

Our amended and restated articles of incorporation authorize our board of directors to issue, without any further vote or action by our shareholders, subject to certain limitations prescribed by law and the rules and regulations of the New York Stock Exchange, up to an aggregate of 2,000,000 preferred shares in one or more classes or series. With respect to any classes or series, the board of directors may determine the designation and the number of shares, rights, preferences, privileges, qualifications and restrictions, including dividend rights, voting rights, conversion rights, redemption rights and liquidation preferences. Absent a determination by the board of directors to establish different voting rights, holders of preferred shares are entitled to one vote per share on matters to be voted upon by the holders of common shares and preferred shares voting together as a single class, except that the Ohio General Corporation Law entitles the holders of preferred shares to exercise a class vote on certain matters. Our board of directors may authorize the issuance of preferred shares with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common shares. The issuance of preferred shares could have the effect of decreasing the market price of our common shares. The issuance of preferred shares also could have the effect of delaying, deterring or preventing a change in control without further action by our shareholders.

Classified board of directors

Our board of directors is divided into three classes, with regular three-year staggered terms. This classification system increases the difficulty of replacing a majority of the directors and may tend to discourage a third party from making a tender offer or otherwise attempting to gain control of us. It also may maintain the incumbency of our board of directors. In addition, our code of regulations provides that the number of directors in each class and the total number of directors may only be changed by the affirmative vote of a majority of the directors or the holders of record of at least 75% of our voting power. Under the Ohio General Corporation Law, shareholders may not remove any directors on a classified board of directors, except for cause.

Limited shareholder action by written consent

Section 1701.54 of the Ohio General Corporation Law requires that an action by written consent of the shareholders in lieu of a meeting be unanimous, except that, pursuant to Section 1701.11, the code of regulations may be amended by an action by written consent of holders of shares entitling them to exercise two-thirds of the voting power of the corporation or, if the articles of incorporation or code of regulations otherwise provide, such greater or lesser amount, but not less than a majority. Our regulations provide that they may be amended or repealed without a meeting by the written consent of a majority of our voting power; provided, however, that the affirmative vote of two-thirds of our voting power is required (whether at a meeting or without a meeting in an action by written consent) to amend or repeal certain provisions of our regulations, as discussed below under Supermajority voting provisions. This provision may have the effect of delaying, deferring or preventing a tender offer or takeover attempt that a shareholder might consider in its best interest.

Supermajority voting provisions

The affirmative vote of two-thirds of our voting power is required to amend or repeal our existing regulations, or adopt a new code of regulations, with respect to any of the following:

- the requirements for calling special meetings of shareholders;
- the requirements for giving notice of annual or special meetings of shareholders;
- the provisions regarding our number of directors and our staggered board of directors;
- the provisions for filling vacancies or newly created directorships on our board of directors;
- the procedures for nominating directors;
- the provisions regarding conflicts of interest;
- the requirement that directors can only be removed for cause;
- the indemnification provisions;
- our non-statutory Control Share Acquisition Act provisions; and

amendments to these supermajority provisions.

In addition, the affirmative vote of 75% of our voting power is required to amend or repeal the provision regarding changes in the number of directors in our regulations. On all other proposed amendments to our regulations, the required vote is a majority of our voting power.

Under the Ohio General Corporation Law, in the case of most mergers, sales of all or substantially all the assets of a corporation and most amendments to a corporation s articles of incorporation, the affirmative vote of two-thirds of the voting power of the corporation is required unless the corporation s articles of incorporation

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provide for a lower amount not less than a majority. Our articles do not change the default voting requirement provided by the Ohio General Corporation Law.

Shareholder nominations

Our regulations provide that shareholders seeking to nominate candidates for election as directors at an annual or special meeting of shareholders must provide timely notice to us in writing. To be timely, a shareholder s notice must be received at our principal executive offices not less than 60 days nor more than 90 days prior to the first anniversary of the date of the previous year s annual meeting (or, if the date of the annual meeting is changed by more than 30 days from the anniversary date of the preceding year s annual meeting, or in the case of a special meeting, within seven days after we mail the notice of the meeting or otherwise give notice of the meeting). The regulations also prescribe the proper written form for a shareholder s notice. These provisions may preclude some shareholders from making nominations for directors at an annual or special meeting.

Control Share Acquisition Act

Section 1701.831 of the Ohio General Corporation Law, known as the Control Share Acquisition Act, provides that certain notice and informational filings, and special shareholder meeting and voting procedures, must occur prior to any person s acquisition of an issuer s shares that would entitle the acquirer to exercise or direct the voting power of the issuer in the election of directors within any of the following ranges:

- one-fifth or more (but less than one-third) of such voting power;

- one-third or more (but less than a majority) of such voting power; and

- a majority or more of such voting power.

The Control Share Acquisition Act does not apply to a corporation if its articles of incorporation or code of regulations so provide. We have opted out of the application of the Control Share Acquisition Act. However, we have adopted a substantially similar provision in our regulations with one significant exception: under our regulations, no shareholder meeting or vote is required if the board of directors has approved the acquisition of voting power. In addition, our regulations provide our board of directors with more flexibility than provided by the Control Share Acquisition Act in setting a date for the special meeting of shareholders to consider the proposed control share acquisition.

NOL Protective Amendment

Although the basis for the NOL Protective Amendment is to preserve the tax treatment of our NOLs and built-in losses, the NOL Protective Amendment could be deemed to have an anti-takeover effect because, among other things, it restricts the ability of a person or group of persons to accumulate 5% or more of our common shares, and restricts the ability of a person or group of persons now owning 5% or more of our common shares from acquiring additional common shares, without the approval of our board of directors.

Debt covenants

In addition, some of our debt covenants contained in the indentures governing the 2018 Senior Notes, the 2017 Convertible Notes and the notes and/or our Credit Facility may delay or prevent a change in control.

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The price of our common shares may fluctuate significantly, which could cause the value of your investment to decline.

The price of our common shares as reported on the New York Stock Exchange constantly changes. Over the course of the last 12 months, the price of our common shares has ranged from $10.42 to $29.07 per share. The market price of our common shares may fluctuate in response to numerous factors, including:

- actual or anticipated fluctuations in our operating results;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- governmental regulatory action;
- changes in market valuations of similar companies;
- changes in the U.S. housing market;
- a change in analyst ratings or our credit ratings;
- the operating and stock performance of our competitors;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- adverse market reaction to any additional debt we incur in the future;
- changes in interest rates;
- general domestic or international economic, market and political conditions;
- additions or departures of key personnel;
- terrorist activity may adversely affect the markets in which our securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending; and
- future sales of our common shares.

In addition, the stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These broad fluctuations may adversely affect the trading price of our common shares, regardless of our actual operating performance.

Any of these factors could have a material adverse effect on the price of our common shares, and our common shares may trade at prices significantly below the offering price. A decrease in the market price of our common shares would likely adversely impact the trading price of the notes.

We have no immediate plans to pay any cash dividends on our common shares.

The indenture governing our 2018 Senior Notes contains covenants that, among other things, limit our ability to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the amount of the positive balance in our restricted payments basket, as defined in the indenture. Additionally, the terms of our outstanding 9.75% Series A Preferred Shares prevent us from paying cash dividends on our common shares unless we have paid cash dividends on our 9.75% Series A Preferred Shares for the then-current quarterly dividend period. We were prohibited from paying dividends on our common shares and 9.75% Series A Preferred Shares from the third quarter of 2008 until the completion of our offering of common shares in September 2012 as a result of a deficit in our restricted payments basket under the indenture governing our 2018 Senior Notes and the terms of prior indebtedness that is no longer outstanding. The restricted payments basket became positive with the completion of our offering of common shares in September 2012 and, as a result of that offering and our net income in 2012, was $39.4 million at December 31, 2012. The restricted payments basket

will not be increased by the amount of the net proceeds from this offering of notes (but will be increased by the net proceeds from the concurrent offering of our common shares). We are permitted to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the extent of the positive balance in our restricted payments basket. Our board of directors has determined that we will pay the quarterly dividend on our 9.75% Series A Preferred Shares for the second quarter of 2013 (with such dividend being payable on June 17, 2013 (the next business day after the regular payment date of June 15 which is not a business day) to holders of record on June 1, 2013). Although we will be permitted to pay cash dividends on our common shares after we have paid the then-current quarterly dividend on our 9.75% Series A Preferred Shares, we have no immediate plans to pay any cash dividends on our common shares. Any future payment of cash dividends on, or repurchases of, our common shares and 9.75% Series A Preferred Shares will depend upon our results of operations, financial condition, capital requirements and compliance with debt covenants and the terms of our 9.75% Series A Preferred Shares, and other factors considered relevant by our board of directors.

Furthermore, we are permitted under the terms of our debt agreements to incur additional indebtedness, the terms of which may severely restrict or prohibit the payment of dividends. We cannot assure you that the agreements governing our current and future indebtedness will permit us to pay dividends on our common shares.

The NOL Protective Amendment may limit your ability to dispose of the common shares and adversely impact the value of the notes and common shares.

The NOL Protective Amendment restricts the ability of a person or group of persons to acquire, directly or indirectly, our common shares if after such acquisition the acquiring person or group of persons owns, directly or indirectly, 5% or more of the common shares. Accordingly, the NOL Protective Amendment reduces the class of potential acquirers for our common shares.

For so long as the NOL Protective Amendment is in effect, our board of directors intends to require the placement of a legend reflecting the NOL Protective Amendment on certificates representing newly issued or transferred shares. Because certain buyers, including persons who may wish to acquire 5% or more of our common shares and certain institutional holders who do not or choose not to hold common shares with restrictive legends, may not purchase our common shares, the NOL Protective Amendment could depress the value of the notes and our common shares in an amount that might more than offset any value conserved as a result of the preservation of the NOLs and built-in losses.

Non-U.S. holders may be subject to U.S. federal income taxes on payments in connection with a disposition of our common shares.

Because we believe that we are a United States real property holding corporation for U.S. federal income tax purposes, upon a sale or other disposition of our common shares, a Non-U.S. Holder may be subject to U.S. federal income tax if (1) our common shares are not regularly traded on an established securities market, or (2) our common shares are regularly traded on an established securities market, and the Non-U.S. Holder at any time during the shorter of the five-year period preceding the disposition date or the Non-U.S. Holder s holding period of such common shares, owned (actually or constructively) common shares with a fair market value on the relevant date of determination that is greater than 5% of the total fair market value of our common shares. See Material United States Federal Income and Estate Tax Consequences.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of (1) the notes offered hereby will be approximately $47.8 million (or $55.0 million if the underwriters option to purchase up to an additional $7,500,000 aggregate principal amount of notes is exercised in full) and (2) the common shares offered pursuant to the concurrent offering of common shares will be approximately $47.3 million (or $54.4 million if the underwriters option to purchase up to 321,000 additional common shares is exercised in full) (assuming an offering price of $23.39 per share, the last reported sale price of our common shares on the New York Stock Exchange on March 4, 2013), in each case after deducting underwriting discounts and the estimated offering expenses payable by us. Of such net proceeds, we intend to use up to $50 million to redeem a portion of our outstanding 9.75% Series A Preferred Shares. To the extent that the total net proceeds of the concurrent offerings are less than the amounts estimated above, we intend to redeem a lesser amount (if any) of the 9.75% Series A Preferred Shares, and to the extent that the total net proceeds of the concurrent offerings are greater than the amounts estimated above, we may redeem a greater amount of the 9.75% Series A Preferred Shares. We intend to use the balance of such net proceeds for general corporate purposes, which may include acquisitions of land, land development, home construction, repayment of indebtedness or the payment of dividends on, or further redemptions of, our 9.75% Series A Preferred Shares. Neither this notes offering nor the concurrent offering of common shares is contingent on the completion of the other. To the extent we redeem any of our 9.75% Series A Preferred Shares with the net proceeds of the offerings, it will be deemed to have the effect of using the proceeds on a pro rata basis from each offering.

Certain of our executive officers and directors beneficially own a portion of our outstanding 9.75% Series A Preferred Shares. To the extent that we redeem any 9.75% Series A Preferred Shares, any such executive officers and directors will participate in any such redemption on the same terms and conditions as any other beneficial owner.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges, or the deficiency of earnings available to cover fixed charges, as appropriate, for each of the periods indicated:

	Fiscal Year Ended December 31,				
(Dollars in Thousands)	**2012**	**2011**	**2010**	**2009**	**2008**
Ratio of earnings to fixed charges	1.59				
Coverage deficiency		$ 32,673	$ 24,085	$ 90,820	$ 211,906

The ratio of earnings to fixed charges and coverage deficiency is determined by dividing earnings by fixed charges. Earnings consists of (loss) income from continuing operations before income taxes, loss (income) of unconsolidated joint ventures, fixed charges and interest amortized to cost of sales, excluding capitalized interest. Fixed charges consists of interest incurred, amortization of debt costs and that portion of operating lease rental expense (33%) deemed to be representative of interest.

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CAPITALIZATION

The following table sets forth our consolidated cash and restricted cash and capitalization as of December 31, 2012:

on an actual basis; and

on an as adjusted basis to reflect the issuance of (1) $50,000,000 aggregate principal amount of our % Convertible Senior Subordinated Notes due 2018 in this offering (assuming no exercise of the underwriters option for this offering) and (2) the 2,140,000 common shares offered in the concurrent offering of common shares (assuming an offering price of $23.39 per share, the last reported sale price of our common shares on the New York Stock Exchange on March 4, 2013, and no exercise of the underwriters option for the offering of common shares). See Summary Concurrent Offering of Common Shares.

Neither this offering nor the offering of common shares is contingent on the completion of the other.

You should read this table in conjunction with our consolidated financial statements and the notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus supplement.

	As of December 31, 2012	
(Dollars in thousands, except par values)	**Actual**	**As adjusted for this offering and the concurrent offering of common shares**
Cash and restricted cash[1]	$ 154,178	$ 199,230
Debt:		
Homebuilding revolving credit facility[2]		
8.625% senior notes due 2018, net of discount	227,670	227,670
3.25% convertible senior subordinated notes due 2017	57,500	57,500
% convertible senior subordinated notes due 2018		50,000
Note payable other[3]	11,105	11,105
Total homebuilding debt	296,275	346,275
M/I Financial credit facilities[4]	67,957	67,957
Total debt	364,232	414,232
Shareholders Equity:		
Preferred shares $.01 par value; authorized 2,000,000 shares; 4,000 shares issued and outstanding[5]	96,325	48,163
Common shares $.01 par value; authorized 38,000,000 shares; 21,687,253 shares (actual) and 23,827,253 shares (as adjusted) outstanding[6]	246	248
Additional paid-in capital	180,289	227,589
Retained earnings	117,048	115,212
Treasury shares at cost (2,944,470 common shares)	(58,480)	(58,480)
Total shareholders equity	335,428	332,732
Total capitalization	$ 699,660	$ 746,964

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(1) At December 31, 2012, the Company had $8.7 million of restricted cash, which primarily consisted of homebuilding cash the Company had designated as collateral in accordance with the Letter of Credit Facilities and also included cash held in escrow of less than $0.2 million.

(2) The Credit Facility has an aggregate commitment amount of up to $140 million (as determined by a borrowing base calculation), which may be increased up to $175 million in the aggregate, contingent on obtaining additional commitments from the lenders, including a $40 million sub-facility for letters of credit, and a maturity date of December 31, 2014. As of December 31, 2012, there were no borrowings outstanding and $17.3 million of letters of credit outstanding under the Credit Facility, and, after giving effect to the borrowing base calculation, the Company had net remaining borrowing availability of $47.3 million.

(3) Represents the mortgage for our principal executive offices and other indebtedness.

(4) The MIF Mortgage Warehousing Agreement has an aggregate commitment amount of $70 million and an expiration date of March 30, 2013. The MIF Mortgage Repurchase Facility has an aggregate commitment amount of $15 million and an expiration date of November 12, 2013. These facilities are used by M/I Financial primarily to provide financing for the origination of mortgage loans.

(5) As adjusted for this offering and the concurrent offering of common shares gives effect to the use of net proceeds of the concurrent offerings to redeem $50 million of our outstanding 9.75% Series A Preferred Shares. To the extent that the total net proceeds of the concurrent offerings are less than the estimated amounts set forth in Use of Proceeds, the Company intends to redeem a lesser amount (if any) of the 9.75% Series A Preferred Shares, and to the extent that the total net proceeds of the concurrent offerings are greater than the estimated amounts set forth in Use of Proceeds, the Company may redeem a greater amount of the 9.75% Series A Preferred Shares. See Use of Proceeds.

(6) As adjusted does not give effect to the conversion of the 2017 Convertible Notes or the notes.

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PRICE RANGE OF COMMON SHARES; DIVIDEND POLICY

Our common shares are listed on the New York Stock Exchange under the symbol MHO. The following table sets forth the high and low sales prices for transactions involving our common shares during each fiscal quarter indicated, as reported on the New York Stock Exchange.

	High	Low
Year ended December 31, 2011:		
First quarter	$ 17.50	$ 12.58
Second quarter	$ 15.12	$ 11.03
Third quarter	$ 13.06	$ 5.88
Fourth quarter	$ 10.45	$ 5.08
Year ended December 31, 2012:		
First quarter	$ 13.99	$ 9.20
Second quarter	$ 17.54	$ 11.26
Third quarter	$ 21.98	$ 15.81
Fourth quarter	$ 26.76	$ 19.21
Year ended December 31, 2013:		
First quarter (through March 4, 2013)	$ 29.07	$ 20.82

On March 4, 2013, the last reported sales price of our common shares on the New York Stock Exchange was $23.39 per share. As of February 21, 2013, there were approximately 405 record holders of the Company s common shares.

The indenture governing our 2018 Senior Notes limits our ability to pay dividends on our common shares and 9.75% Series A Preferred Shares to the amount of the positive balance in our restricted payments basket, as defined in the indenture. Additionally, the terms of our outstanding 9.75% Series A Preferred Shares prevent us from paying cash dividends on our common shares unless we have paid cash dividends on our 9.75% Series A Preferred Shares for the then-current quarterly dividend period. We were prohibited from paying dividends on our common shares and 9.75% Series A Preferred Shares from the third quarter of 2008 until the completion of our offering of common shares in September 2012 as a result of a deficit in our restricted payments basket under the indenture governing our 2018 Senior Notes and the terms of prior indebtedness that is no longer outstanding. The restricted payments basket became positive with the completion of our offering of common shares in September 2012 and, as a result of that offering and our net income in 2012, was $39.4 million at December 31, 2012. The restricted payments basket will not be increased by the amount of the net proceeds from this offering of notes (but will be increased by the net proceeds from the concurrent offering of our common shares). We are permitted to pay dividends on our common shares and 9.75% Series A Preferred Shares to the extent of the positive balance in our restricted payments basket. Our board of directors has determined that we will pay the quarterly dividend on our 9.75% Series A Preferred Shares for the second quarter of 2013 (with such dividend being payable on June 17, 2013 (the next business day after the regular payment date of June 15 which is not a business day) to holders of record on June 1, 2013). Although we will be permitted to pay cash dividends on our common shares after we have paid the then-current quarterly dividend on our 9.75% Series A Preferred Shares, we have no immediate plans to pay any cash dividends on our common shares. Any future payment of cash dividends on, or repurchases of, our common shares and 9.75% Series A Preferred Shares will depend upon our results of operations, financial condition, capital requirements and compliance with debt covenants and the terms of our 9.75% Series A Preferred Shares, and other factors considered relevant by our board of directors.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of our and our subsidiaries indebtedness.

Homebuilding Credit Facility

The following description is a summary of the material provisions of the Credit Facility. The Credit Facility is governed by a Credit Agreement (the Credit Agreement) among the Company, as borrower, the lenders party thereto and PNC Bank, National Association, as administrative agent for the lenders. We have not included the definitions of certain defined terms contained in the Credit Agreement, and we urge you to refer to the Credit Agreement for the definitions of capitalized terms used in the following summary. Copies of the Credit Agreement are available as set forth under the caption Where You Can Find More Information.

Term; Maturity

The Company entered into the Credit Facility on June 9, 2010, as amended by an Amendment, dated January 31, 2012. The Credit Facility matures on December 31, 2014.

Borrowing Capacity

The Credit Facility provides revolving credit financing for the Company in the aggregate commitment amount of up to $140 million (as determined by a borrowing base), which aggregate commitment may be increased up to $175 million, contingent on obtaining additional commitments from the lenders. The aggregate commitment amount includes a $40 million sub-facility for letters of credit. The aggregate commitment will begin to decrease in increments of $20 million on a quarterly basis, beginning September 30, 2013, if the Interest Coverage Ratio and ACFO Ratio are both less than 1.50 to 1.0, unless, at the time of determination, the aggregate commitments of the lenders are less than or equal to $80 million and the Company has maintained an ACFO Ratio of greater than 1.10 to 1.0 for the trailing two fiscal quarters. As of December 31, 2012, the Company had no outstanding borrowings and $17.3 million of letters of credit outstanding under the Credit Facility, and the Company had pledged $163.2 million in aggregate book value of inventory to secure those outstanding letters of credit and any borrowings that the Company may make in the future under the Credit Facility.

Interest

Borrowings under the Credit Facility are at the Alternate Base Rate plus a margin of 350 basis points or at the Eurodollar Rate plus a margin of 450 basis points, as described in the Credit Agreement.

Collateral

The obligations under the Credit Facility are secured by certain of the personal property of the Company and the Guarantors, including the equity interests in the Guarantors owned by the Company and the Guarantors, and by certain real property in Ohio, Indiana, Illinois and North Carolina. The security documents impose certain restrictions on the transfer of the property that is subject to the lien created thereby.

Borrowing Base

Availability under the Credit Facility is based on a borrowing base equal to 100% of cash, if any, pledged as security plus 45% of the aggregate appraised value of mortgaged real property. The Credit Facility provides for additional availability, for a period of up to 120 days, of up to $25 million based on mortgaged real property for which appraisals and other requirements have not been completed, based on 35% of the aggregate book value of such mortgaged real property. The borrowing base also includes certain limits on the percentage of real property in a single geographic market and on the percentage of real property consisting of lots under development and unimproved land. As of December 31, 2012, there was $64.6 million of availability under the Credit Facility in

accordance with the borrowing base calculation, and there were no borrowings outstanding and $17.3 million of letters of credit outstanding under the Credit Facility, leaving net remaining borrowing availability of $47.3 million. The Company can create additional borrowing availability under the Credit Facility to the extent it pledges additional assets. The borrowing availability can also be increased by increasing investments in assets currently pledged, offset by decreases equal to the collateral value of homes delivered that are within the pledged asset pool.

Guarantees

The Company s obligations under the Credit Facility are guaranteed by all of the Company s subsidiaries, with the exception of subsidiaries that are primarily engaged in the business of mortgage financing, the origination of mortgages for resale, title insurance or similar financial businesses relating to the homebuilding and home sales business and certain subsidiaries that are not wholly-owned by the Company or another subsidiary, and other subsidiaries designated by the Company as Non-Guarantor Subsidiaries, subject to limitations on the aggregate amount invested in such Non-Guarantor Subsidiaries.

Covenants

The Credit Facility contains various representations, warranties and affirmative, negative and financial covenants. The covenants, as more fully described in the Credit Agreement, require, among other things, that the Company:

Maintain a minimum level of Consolidated Tangible Net Worth equal to or exceeding (i) $200 million, plus (ii) 50% of Consolidated Earnings (without deduction for losses and excluding the effect of any decreases in any Deferred Tax Valuation Allowance) earned for each completed fiscal quarter ending after March 31, 2011 to the date of determination, excluding any quarter in which the Consolidated Earnings are less than zero, plus (iii) the amount of any reduction or reversal in Deferred Tax Valuation Allowance for each completed fiscal quarter ending after March 31, 2011, minus (iv) the costs of the Company s repurchase of the 2012 Senior Notes up to $10 million. As of December 31, 2012, the Company s Consolidated Tangible Net Worth was $326.3 million and the minimum required Consolidated Tangible Net Worth was $ 202.4 million.

Maintain a leverage ratio (Consolidated Indebtedness to Consolidated Tangible Net Worth) not in excess of 1.50 to 1.00. As of December 31, 2012, the Company s leverage ratio was 1.17 to 1.00.

Maintain one or more of the following: (i) a minimum Interest Coverage Ratio of 1.50 to 1.00; (ii) a minimum ACFO Ratio of 1.50 to 1.00; or (iii) either (or a combination of) unrestricted cash pledged as security to the lenders or unused availability under the Secured Borrowing Base of not less than $25 million. As of December 31, 2012, the Company s Interest Coverage Ratio was greater than the required minimum ratio for the quarter then ended.

Not incur any secured indebtedness outside of the Credit Facility exceeding $25 million at any one time outstanding other than an aggregate amount not in excess of $50 million of issued and outstanding secured letters of credit. As of December 31, 2012, the Company had $8.4 million of letters of credit issued and outstanding under the Letter of Credit Facilities and $6.7 million of other secured indebtedness outstanding outside of the Credit Facility.

Not incur any liens except for liens permitted by the Credit Agreement, which permitted liens include liens on the permitted amount of secured indebtedness and liens incurred in the normal operation of the Company s homebuilding and related business.

Not allow the number of unsold housing units and model homes to exceed, as of the end of any fiscal quarter, the greater of (i) the number of housing unit closings occurring during the period of twelve months ending on the last day of such fiscal quarter, multiplied by 35%, or (ii) the number of housing unit closings occurring during the period of six months ending on the last day of such fiscal quarter,

multiplied by 70%. As of December 31, 2012, the number of unsold housing units and model homes was 626 and the maximum amount allowed was 1,143.

Not allow adjusted land value to exceed 110% of Consolidated Tangible Net Worth. As of December 31, 2012, the Company s adjusted land value was $171.2 million and the maximum amount allowed was $359.0 million.

Not make or commit to make any Investments except for Investments permitted by the Credit Agreement, which permitted Investments include (i) Investments made in the normal operation of the Company s homebuilding and related business, (ii) Investments in cash and equivalents and (iii) Investments in Non-Guarantor Subsidiaries, Financial Subsidiaries and Joint Ventures up to a maximum of 30% of Consolidated Tangible Net Worth. As of December 31, 2012, the amount of Investments in such Subsidiaries and Joint Ventures was $20.6 million and the maximum amount allowed was $97.9 million.

As of December 31, 2012, the Company was in compliance with all covenants of the Credit Facility.

Events of Default

The Credit Agreement contains customary events of default, including:

nonpayment of principal, interest and fees;

defaults in the performance of covenants;

inaccuracy of representations and warranties;

material defaults on other agreements; and

bankruptcy and other insolvency events.

In the event of a default under the Credit Agreement, the lenders may terminate their commitments under the Credit Agreement and declare the amounts outstanding, including all accrued and unpaid interest and fees, payable immediately.

Homebuilding Letter of Credit Facilities

In addition to the letter of credit sub-facility contained in the Credit Facility, the Company is a party to three Letter of Credit Facilities. The following description is a summary of the material provisions of the agreements governing the Letter of Credit Facilities (the Letter of Credit Facilities Agreements). Copies of the Letter of Credit Facilities Agreements are available as set forth under the caption Where You Can Find More Information.

Term; Maturity; Collateral

The Company is a party to three separate secured Letter of Credit Facilities with different banks with maturity dates ranging from June 1, 2013 to September 30, 2013. Under the terms of the Letter of Credit Facilities, letters of credit can be issued for maximum terms ranging from one year up to three years. The Letter of Credit Facilities contain cash collateral requirements ranging from 100% to 105%. Upon maturity or the earlier termination of the Letter of Credit Facilities, letters of credit that have been issued under the Letter of Credit Facilities remain outstanding with cash collateral in place through their respective expiration dates.

Borrowing Capacity

The Letter of Credit Facility Agreements contain limits for the issuance of letters of credit ranging from $5 million to $8 million, for a combined letter of credit capacity of $18.0 million as of December 31, 2012, of which $2.8

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million was uncommitted at December 31, 2012 and could be withdrawn at anytime. As of December 31, 2012, there was a total of $8.4 million of letters of credit issued under the Letter of Credit Facilities, which was collateralized with $8.5 million of restricted cash.

Interest

If a beneficiary draws on a letter of credit and the Company does not reimburse the letter of credit issuing bank (either from the cash that collateralizes the letter of credit or otherwise) immediately upon demand for reimbursement, interest rates per annum for unreimbursed draws on letters of credit issued under the Letter of Credit Facilities range from (i) the prime rate to (ii) the prime rate plus a margin of 500 basis points.

Events of Default

The Letter of Credit Facilities contain certain events of default, including:

- the failure to pay obligations under the Letter of Credit Facilities when due;
- a default under the Credit Facility;
- a change of control; and
- bankruptcy and other insolvency events.

In the event of a default under the Letter of Credit Facilities, the issuing banks may terminate any commitment to issue letters of credit under the Letter of Credit Facilities and declare the amounts outstanding, including all accrued and unpaid interest and fees, payable immediately.

M/I Financial Mortgage Warehousing Facility

The following description is a summary of the material provisions of the MIF Mortgage Warehousing Agreement. We have not included the definitions of certain defined terms contained in the MIF Mortgage Warehousing Agreement, and we urge you to refer to the MIF Mortgage Warehousing Agreement for the definitions of capitalized terms used in the following summary. Copies of the MIF Mortgage Warehousing Agreement are available as set forth under the caption Where You Can Find More Information.

Term; Maturity

M/I Financial entered into the MIF Mortgage Warehousing Agreement on April 18, 2011, as amended by a First Amendment, dated November 29, 2011, by a Second Amendment, dated March 23, 2012 and by a Third Amendment, dated September 26, 2012. The MIF Mortgage Warehousing Agreement expires on March 30, 2013 and is used to finance eligible residential mortgage loans originated by M/I Financial.

Borrowing Capacity

The MIF Mortgage Warehousing Agreement provides M/I Financial with maximum borrowing availability of $70 million.

Interest

M/I Financial pays interest on each advance under the MIF Mortgage Warehousing Agreement at a per annum rate equal to the greater of (i) the floating LIBOR rate plus 225 basis points and (ii) 3.50%.

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Collateral

The MIF Mortgage Warehousing Agreement is secured by certain mortgage loans that have been originated by M/I Financial and are being warehoused prior to their sale to investors. The MIF Mortgage Warehousing Agreement provides for limits with respect to certain loan types that can secure outstanding borrowings. There are currently no guarantors of the MIF Mortgage Warehousing Agreement, although M/I Financial may, at its election, designate from time to time any one or more of its subsidiaries as guarantors.

Covenants

M/I Financial must comply with certain representations, warranties and covenants set forth in the MIF Mortgage Warehousing Agreement. The covenants, as more fully described in the MIF Mortgage Warehousing Agreement, require, among other things, that M/I Financial:

- Maintain Tangible Net Worth of at least $10 million. As of December 31, 2012, M/I Financial s Tangible Net Worth was $14.6 million.

- Maintain liquidity (unencumbered cash and cash equivalents) of at least $5 million. As of December 31, 2012, M/I Financial s liquidity was $17.6 million.

- Maintain a leverage ratio (Debt to Tangible Net Worth) of not more than 10.0 to 1.0. As of December 31, 2012, M/I Financial s leverage ratio was 5.2 to 1.0.

- Maintain, as of the end of each calendar month, for the 12 months then ending, positive Adjusted Net Income. As of December 31, 2012, M/I Financial s Adjusted Net Income for the 12 months then ending was $5.2 million.

- Not incur any Indebtedness, except as permitted by the MIF Mortgage Warehousing Agreement, which permitted Indebtedness includes other mortgage collateralized facilities and Indebtedness incurred in the normal operation of M/I Financial s mortgage finance and related business.

- Not incur any liens, except as permitted by the MIF Mortgage Warehousing Agreement, which permitted liens include liens securing other mortgage collateralized facilities and liens incurred in the normal operation of M/I Financial s mortgage finance and related business.

- Not make any Investments, except as permitted by the MIF Mortgage Warehousing Agreement, which permitted Investments include Investments in cash and equivalents and Investments made in the normal operation of M/I Financial s mortgage finance and related business.

As of December 31, 2012, M/I Financial had $61.3 million outstanding under the MIF Mortgage Warehousing Agreement and was in compliance with all covenants of the MIF Mortgage Warehousing Agreement.

Events of Default

The MIF Mortgage Warehousing Agreement contains customary events of default, including:

- the failure to pay obligations under the MIF Mortgage Warehousing Agreement when due;

- the failure to meet financial covenants;
- an acceleration event under any other credit facility which M/I Financial may enter into in the future;
- failure to satisfy any judgment in excess of $200,000 that is not bonded pending appeal;
- a change of control; and
- bankruptcy and other insolvency events.

In the event of a default under the MIF Mortgage Warehousing Agreement, the lenders may terminate their commitments under the MIF Mortgage Warehousing Agreement and declare the amounts outstanding, including all accrued and unpaid interest and fees, payable immediately.

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M/I Financial Mortgage Repurchase Facility

The following description is a summary of the material provisions of the MIF Mortgage Repurchase Facility. We have not included the definitions of certain defined terms contained in the MIF Mortgage Repurchase Facility, and we urge you to refer to the MIF Mortgage Repurchase Facility for the definitions of capitalized terms used in the following summary. Copies of the MIF Mortgage Repurchase Facility are available as set forth under the caption Where You Can Find More Information.

Term; Maturity

M/I Financial entered into the MIF Mortgage Repurchase Facility with Sterling National Bank, as buyer, on November 13, 2012. The MIF Mortgage Repurchase Facility expires on November 12, 2013 and is used to finance eligible residential mortgage loans originated by M/I Financial until the loans are delivered to third party buyers.

Capacity

The Maximum Purchase Price (i.e., the maximum amount of credit available) under the MIF Mortgage Repurchase Facility is $15 million at any time.

Interest

M/I Financial pays interest on each Transaction under the MIF Mortgage Repurchase Facility at a per annum rate equal to (i) the floating LIBOR rate plus 350 basis points with respect to Transactions the subject of which are Conforming Mortgage Loans and Agency High Balance Mortgage Loans and (ii) the floating LIBOR rate plus 412.5 basis points with respect to Transactions the subject of which are Jumbo Mortgage Loans and Aged Mortgage Loans.

Repurchase Obligations/Collateral

Under the MIF Mortgage Repurchase Facility, M/I Financial is required to repurchase Purchased Mortgage Loans at certain times set forth therein unless such Purchased Mortgage Loans are sold to third party buyers prior to the applicable Repurchase Date. Although the parties intend that all Transactions under the MIF Mortgage Repurchase Facility be sales and purchases and not loans, in the event that any Transactions are deemed to be loans, such loans would be secured by certain mortgage loans that have been originated by M/I Financial until the loans are delivered to third party buyers. There are currently no guarantors of the MIF Mortgage Repurchase Facility.

Covenants

M/I Financial must comply with certain representations, warranties and covenants set forth in the MIF Mortgage Repurchase Facility. The covenants, as more fully described in the MIF Mortgage Repurchase Facility, are substantially similar to the covenants in the MIF Mortgage Warehousing Agreement.

As of December 31, 2012, M/I Financial had $6.7 million outstanding under the MIF Mortgage Repurchase Facility and was in compliance with all covenants of the MIF Mortgage Repurchase Facility.

Events of Default

The MIF Mortgage Repurchase Facility contains customary events of default, which are substantially similar to the events of default in the MIF Mortgage Warehousing Agreement.

In the event of a default under the MIF Mortgage Repurchase Facility, the buyer may terminate its commitments under the MIF Mortgage Repurchase Facility and, at the buyer s option, may require that all Purchased Mortgage Loans be immediately repurchased by M/I Financial.

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2018 Senior Notes

The following description is a summary of the material terms of the 2018 Senior Notes. The 2018 Senior Notes were issued pursuant to an Indenture, dated November 12, 2010, by and among the Company, the subsidiary guarantors and U.S. Bank National Association, as trustee. We have not included the definitions of certain defined terms contained in the indenture governing the 2018 Senior Notes, and we urge you to refer to the indenture governing the 2018 Senior Notes for the definitions of capitalized terms used in the following summary. Copies of the indenture governing the 2018 Senior Notes are available as set forth under the caption Where You Can Find More Information.

In November 2010, the Company issued $200 million aggregate principal amount of 2018 Senior Notes. In May 2012, we issued an additional $30 million aggregate principal amount of 2018 Senior Notes (for a total outstanding balance of $230 million 2018 Senior Notes). The 2018 Senior Notes mature on November 15, 2018. The 2018 Senior Notes bear interest at the rate of 8.625% per year (payable semi-annually in arrears on May 15 and November 15 of each year).

The 2018 Senior Notes are fully and unconditionally guaranteed jointly and severally by all of our subsidiaries, with the exception of subsidiaries that are primarily engaged in the business of mortgage financing, the origination of mortgages for resale, title insurance or similar financial businesses relating to the homebuilding and home sales business and certain subsidiaries that are not wholly-owned by the Company or another subsidiary, and certain subsidiaries that are otherwise designated by the Company as Unrestricted Subsidiaries in accordance with the terms of the indenture. The 2018 Senior Notes and the related guarantees are general, unsecured senior obligations of the Company and the subsidiary guarantors and rank equally in right of payment with all our existing and future unsecured senior indebtedness.

The Company must comply with certain covenants set forth in the indenture governing the 2018 Senior Notes. The covenants, as more fully described and defined in the indenture, limit the ability of the Company and the restricted subsidiaries to, among other things:

- Incur additional Indebtedness unless, after giving effect to such additional Indebtedness, either (i) the Consolidated Fixed Charge Coverage Ratio would be at least 2.00 to 1.00 or (ii) the ratio of Consolidated Indebtedness to Consolidated Tangible Net Worth would be less than 3.00 to 1.00, provided, however, this limitation does not generally apply to certain types of Indebtedness, including Indebtedness under Credit Facilities not to exceed $350 million, purchase money Indebtedness, non-recourse Indebtedness, and up to $40 million of other Indebtedness.

- Make certain payments, including dividends, or repurchase any shares, in an aggregate amount exceeding our restricted payments basket.

- Make Investments in other entities in the form of capital contributions or loans or purchases of securities, in an amount exceeding our restricted payments basket (as described in the indenture) except for certain Permitted Investments, which include, among other things, (i) Investments in Subsidiaries or Joint Ventures that are not Guarantors under the indenture, in an aggregate amount subsequent to the Issue Date (net of any such Investment amounts re-distributed) not to exceed 15% of Consolidated Tangible Assets at any one time outstanding and (ii) other Investments in an aggregate amount not to exceed $40 million at any one time outstanding.

- Create or incur certain liens (other than Permitted Liens which include liens securing certain indebtedness in an amount not to exceed 20% of Consolidated Tangible Assets), consolidate or merge with or into other companies or liquidate or sell or transfer all or substantially all of our assets.

These covenants are subject to a number of exceptions and qualifications as described in the indenture governing our 2018 Senior Notes. As of December 31, 2012, the Company was in compliance with all terms, conditions, and financial covenants under the indenture.

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The indenture governing the 2018 Notes contains customary events of default, including, without limitation:

- failure to pay principal on the 2018 Senior Notes when due;
- failure to pay interest on the 2018 Senior Notes for 30 days after becoming due;
- failure to comply with agreements or covenants contained in the indenture governing the 2018 Notes regarding limitations on indebtedness, restricted payments, asset sales and consolidation and mergers and regarding change of control offers and such failure continues for 60 days;
- failure to comply with certain other agreements or covenants contained in the indenture governing the 2018 Notes for a period of 60 days after written notice from the trustee or the holders of 25% of the aggregate principal amount of 2018 Senior Notes then outstanding;
- acceleration of $25 million or more of certain other indebtedness;
- certain judgments in excess of $25 million that have not been satisfied, stayed, annulled or rescinded within 60 days of being entered; and
- certain bankruptcy events.

If an event of default occurs under the indenture governing the 2018 Notes, the trustee or the holders of at least 25% in aggregate principal amount of the 2018 Senior Notes then outstanding may declare all amounts owing under the 2018 Senior Notes to be immediately due and payable, and the trustee may pursue any available remedy to collect payment on the 2018 Senior Notes or to enforce the performance of any provision of the 2018 Senior Notes or the indenture governing the 2018 Notes.

2017 Convertible Notes

The following description is a summary of the material terms of the 2017 Convertible Notes. The 2017 Convertible Notes were issued pursuant to a base indenture, dated as of September 11, 2012, by and among the Company, the subsidiary guarantors and U.S. Bank National Association, as trustee, as supplemented by a supplemental indenture, dated as of September 11, 2012, by and among the Company, the subsidiary guarantors and U.S. Bank National Association, as trustee. We have not included in this description the definitions of certain defined terms contained in the indenture governing the 2017 Convertible Notes, and we urge you to refer to the indenture governing the 2017 Convertible Notes for the definitions of capitalized terms used in the following summary. Copies of the indenture governing the 2017 Convertible Notes are available as set forth under the caption Where You Can Find More Information.

In September 2012, the Company issued $57.5 million aggregate principal amount of 2017 Convertible Notes. The 2017 Convertible Notes mature on September 15, 2017, unless earlier repurchased or converted. The 2017 Convertible Notes bear interest at a rate of 3.25% per year (payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2013).

The 2017 Convertible Notes are fully and unconditionally guaranteed by all of the Company s subsidiaries that are guarantors under the 2018 Senior Notes. The 2017 Convertible Notes and the guarantees thereof are the Company s and the Guarantors senior subordinated unsecured obligations and are subordinated in right of payment to all of the Company s and the Guarantors existing and future senior indebtedness and effectively subordinated to all of the Company s and the Guarantors existing and future secured indebtedness.

At any time prior to the close of business on the second scheduled trading day immediately preceding the stated maturity date, holders may convert their 2017 Convertible Notes into the Company s common shares. The current conversion rate is 42.0159 of the Company s common

shares per $1,000 principal amount of 2017 Convertible Notes (equivalent to a conversion price of approximately $23.80 per common share). The conversion rate is subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued but unpaid interest. The Company may not redeem the 2017 Convertible Notes prior to the stated maturity date.

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If a fundamental change (as defined in the indenture) occurs prior to the stated maturity date, holders of the 2017 Convertible Notes may require the Company to repurchase for cash all or any portion of their 2017 Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2017 Convertible Notes to be repurchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the fundamental change repurchase date.

The Company and the Guarantors must comply with certain covenants set forth in the indenture governing the 2017 Convertible Notes. The covenants, as more fully described and defined in the indenture, provide for, among other things, compliance with applicable laws upon repurchases, SEC reporting requirements and restrictions on layering of debt.

As of December 31, 2012, the Company was in compliance with all terms, conditions and covenants under the indenture governing the 2017 Convertible Notes.

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DESCRIPTION OF NOTES

We will issue the notes under an indenture dated as of September 11, 2012 (the base indenture), among us, the subsidiary guarantors and U.S. Bank National Association, as trustee, as amended and supplemented by a supplemental indenture dated as of , 2013, among us, the subsidiary guarantors and U.S. Bank National Association, as trustee (the supplemental indenture and, together with the base indenture, the indenture). Each holder may request a copy of the indenture from us at the address provided herein. See Where You Can Find More Information.

The following description is a summary of the material provisions of the notes and the indenture and does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of certain terms used in the indenture. Wherever particular provisions or defined terms of the indenture or the notes are referred to, these provisions or defined terms are incorporated in this prospectus supplement by reference. We urge you to read the indenture because that document, and not this description, will define each holder s rights as a holder of the notes.

As used in this Description of Notes section, references to the company, we, us and our refer only to M/I Homes, Inc., an Ohio corporation, its successors, and do not include our subsidiaries except in references to financial data determined on a consolidated basis, and references to common stock refer only to our common shares, par value $0.01 per share.

General

The notes will mature on March 1, 2018, unless earlier converted, redeemed or repurchased. Each holder has the option to convert its notes at an initial conversion rate of shares of common stock per $1,000 principal amount of notes. This is equivalent to an initial conversion price of approximately $ per share of common stock. The conversion rate is subject to adjustment if certain events described below occur. We will settle conversions of notes by delivering shares of our common stock, as described under Conversion Rights Settlement Upon Conversion. A holder will not receive any cash payment for interest (or additional amounts, if any) accrued but unpaid to the conversion date except under the limited circumstances described below.

If any interest payment date, maturity date, repurchase date, redemption date or settlement date (including upon the occurrence of a fundamental change, as described below) falls on a day that is not a business day, then the required payment will be made on the next succeeding business day with the same force and effect as if made on the date that the payment was due, and no additional interest will accrue on that payment for the period from and after the interest payment date, maturity date, repurchase date, redemption date or settlement date, as the case may be, to that next succeeding business day.

Neither we nor any of our subsidiaries will be subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing our securities.

You are not afforded protection under the indenture in the event of a highly leveraged transaction or a change in control of us except to the extent described below under Repurchase of Notes at Option of Holder Upon a Fundamental Change and Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change or a Notice of Redemption.

The notes will be issued only in denominations of $1,000 principal amount and integral multiples of that amount. References to a note or each note in this prospectus supplement refer to $1,000 principal amount of the notes. The notes will be limited to $50,000,000 aggregate principal amount, or $57,500,000 aggregate principal amount if the underwriters option to purchase additional notes is fully exercised.

As used in this prospectus supplement, business day means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in the City of New York.

Ranking

The notes will be our general unsecured, senior subordinated obligations. The notes will be subordinated in right of payment to all our existing and future senior indebtedness, equal in right of payment to any of our existing and future senior subordinated indebtedness, including the 2017 Convertible Notes, and senior in right of payment to our future subordinated indebtedness. The notes will be structurally subordinated to all existing and future obligations (including trade payables) of our Subsidiaries which are not then guaranteeing the notes, and effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness.

The guarantee of each subsidiary guarantor will be a general, unsecured senior subordinated obligation of such subsidiary guarantor and will be subordinated to such subsidiary guarantor s guarantee of any senior indebtedness, and will rank equally in right of payment with all existing and future unsecured senior subordinated indebtedness of such subsidiary guarantor, including the guarantees of the 2017 Convertible Notes, and will rank senior in right of payment to any existing or future indebtedness of such subsidiary guarantor that is expressly subordinated in right of payment to the guarantee of such subsidiary.

The notes offered hereby will rank *pari passu* in right of payment with the 2017 Convertible Notes.

In the event of bankruptcy, liquidation, reorganization or other winding up of the company or any subsidiary guarantor, the assets of the company or any subsidiary guarantor, as applicable, that secure secured debt of the company or such subsidiary guarantor, as applicable, will be available to pay obligations on the notes or the applicable subsidiary guarantee only after all the indebtedness secured by those assets has been repaid in full from the assets that secure it. That will reduce the assets available to pay amounts due on the notes or the applicable subsidiary guarantee and other unsecured indebtedness.

As of December 31, 2012, after giving effect to the issuance of notes in this offering, we and our Subsidiaries had approximately $346.3 million of indebtedness outstanding (excluding issuances of letters of credit and indebtedness of our Subsidiaries that are not guarantors of the notes), $238.8 million of which was senior indebtedness, including $6.7 million of secured indebtedness, and $47.3 million of available borrowings with respect to secured indebtedness under the Credit Facility.

Guarantees

Each of our Restricted Subsidiaries that is a guarantor of our obligations under the 2018 Senior Notes and the 2017 Convertible Notes will unconditionally, jointly and severally, and irrevocably guarantee, on a senior subordinated basis, punctual payment when due whether at stated maturity or otherwise, by acceleration or otherwise, of all of our obligations under the indenture and the notes, whether for payment of principal of or interest on the notes, or otherwise.

Not all of our Subsidiaries are guarantors of the notes. Unrestricted Subsidiaries will not be guarantors. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, these non-guarantor Subsidiaries will pay the holders of their debts and their trade creditors before they will be able to distribute any of their assets to us.

As of the Closing Date, all of our Subsidiaries will be guarantors, other than M/I Financial Corp.; M/I Title Agency Ltd.; TransOhio Residential Title Agency Ltd.; Washington/Metro Residential Title Agency LLC; K-Tampa, LLC; WPE Ventures, LLC; and The M/I Homes Foundation, which will be Unrestricted Subsidiaries and, therefore, will not be guarantors. For the year ended December 31, 2012, the

Unrestricted Subsidiaries accounted for approximately $23.3 million, or 3.1%, of our total revenues, and as of December 31, 2012, the Unrestricted Subsidiaries accounted for approximately $109.2 million, or 13.1%, of our total assets and $90.1 million, or 18.2%, of our total liabilities.

The obligations of each subsidiary guarantor under its guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such guarantor and after giving effect to any collections from or payments made by or on behalf of any other guarantor in respect of the obligations of such other guarantor under its guarantee or pursuant to its contribution obligations under the indenture, result in the obligations of such guarantor under its guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. See Risk Factors Risks Related to the Notes and our Common Shares The notes and the guarantees of the notes may not be enforceable because of fraudulent conveyance laws. Each guarantor that makes a payment for distribution under its guarantee is entitled to a contribution from each other guarantor in a *pro rata* amount based on the adjusted net assets of each guarantor.

Except for guarantees issued in connection with Debt Securities (other than the 2017 Convertible Notes) effective prior to the Closing Date, we will not permit any Restricted Subsidiary that has not previously guaranteed the notes on a senior subordinated basis to, directly or indirectly, guarantee, assume or in any manner become liable with respect to any Debt Securities unless such Restricted Subsidiary contemporaneously executes and delivers a supplemental indenture to the indenture providing for the guarantee of the notes on a senior subordinated basis.

The guarantee of a subsidiary guarantor will be released upon:

(a) the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of such subsidiary guarantor (or all or substantially all its assets or its capital stock) to an entity which is not (after giving effect to such transaction) a Restricted Subsidiary or us;

(b) such subsidiary guarantor ceasing to be a Restricted Subsidiary; or

(c) such subsidiary guarantor ceasing to guarantee all 2018 Senior Notes and any other Debt Securities;

and in each such case such subsidiary guarantor shall be deemed automatically and unconditionally released and discharged from all the subsidiary guarantor s obligations under the guarantee with respect to the notes without any further action required on the part of the subsidiary guarantor, the company, the trustee or any holder of the notes. In the event of a transfer of all or substantially all of the assets or capital stock of any subsidiary guarantor to an entity which is not (after giving effect to such transaction) one of our Restricted Subsidiaries, the person acquiring such assets or stock of such subsidiary guarantor shall not be subject to the subsidiary guarantor s obligations under the guarantee. An Unrestricted Subsidiary that is a subsidiary guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under the guarantee upon notice from the company to the trustee to such effect, without any further action required on the part of the subsidiary guarantor, the company, the trustee or any holder of the notes.

As used in this section Guarantees and under the caption Events of Default; Notice and Waiver :

2017 Convertible Notes means our 3.25% Convertible Senior Subordinated Notes due 2017.

2018 Senior Notes means our 8.625% Senior Notes due 2018.

Debt Securities means any bonds, notes, debentures or other debt securities issued by us under an indenture or under comparable documents to indentures used in jurisdictions outside of the United States.

Restricted Subsidiary means any Subsidiary that is a Restricted Subsidiary under the 2018 Senior Notes or any other Debt Securities.

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Significant Subsidiary means any Restricted Subsidiary that would be a significant subsidiary as defined in Regulation S-X promulgated pursuant to the Securities Act as such Regulation is in effect on the Closing Date.

Subsidiary means (a) a corporation or other entity of which a majority in voting power of the stock or other interests is owned by us, by a Subsidiary or by us and one or more Subsidiaries or (b) a partnership, of which we are, or any Subsidiary is, the sole general partner.

Unrestricted Subsidiary means any Subsidiary that is not a Restricted Subsidiary.

Subordination

The payment of principal of, interest and additional interest, if any, on, the notes will be subordinated to the prior payment in full in cash or cash equivalents of all obligations due in respect of existing and future senior indebtedness, including senior indebtedness created, incurred, assumed or guaranteed after the date of the indenture. The holders of our senior indebtedness will be entitled to receive payment in full in cash or cash equivalents of all obligations due in respect of such senior indebtedness (including, with respect to designated senior debt (as defined below), any interest accruing after the commencement of any proceeding described in provisions (1)-(4) below at the rate specified in the applicable designated senior debt, whether or not interest is an allowed claim enforceable against us in such proceeding) before the holders of notes will be entitled to receive any payment with respect to the notes, including any amount payable upon acceleration of the notes, any payment to acquire any of the notes for cash, property or securities or any distribution with respect to the notes of any cash, property, or securities, in the event of any distribution to our creditors:

(1) in a liquidation or dissolution of us;

(2) in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to us or our property;

(3) in an assignment for the benefit of creditors; or

(4) in any marshaling of our assets and liabilities.

We also may not make any payment or distribution to the trustee or any holder in respect of obligations with respect to the notes, including any amount payable upon acceleration of the notes if:

(1) a payment default on designated senior debt occurs and is continuing; or

(2) any other default (a non-payment default) occurs and is continuing on any series of designated senior debt that permits holders of that series of designated senior debt to accelerate its maturity and the trustee receives a notice of such default (a payment blockage notice) from us, the trustee, a representative for the holders of such series of designated senior debt or the holders of at least a majority of the outstanding principal amount of such series of designated senior debt.

We may and will resume payments on, and distributions in respect of, the notes:

(1) in the case of a payment default in respect of designated senior debt, upon the date on which such default is cured or waived; and

(2) in the case of a non-payment default in respect of designated senior debt, upon the earlier of (x) the date on which such non-payment default is cured or waived or (y) 179 days after the date on which the applicable payment blockage notice is received unless the

maturity on any designated senior debt has been accelerated.

No new payment blockage notice may be delivered unless and until:

(1) at least 360 days have elapsed since the delivery of the immediately prior payment blockage notice; and

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(2) all scheduled payments of principal of, and interest and additional interest, if any, on, the notes that have come due have been paid in full in cash.

No non-payment default that existed or was continuing on the date of delivery of any payment blockage notice to the trustee will be, or be made, the basis for a subsequent payment blockage notice unless such default shall have been waived for a period of not less than 90 days.

If the trustee or any holder of the notes receives any payment of any obligations with respect to the notes when:

(1) the payment is prohibited by these subordination provisions; and

(2) the trustee or the holder has actual knowledge that the payment is prohibited,

the trustee or the holder, as the case may be, will hold the payment in trust for the benefit of the holders of senior indebtedness. Upon the proper written request of the holders of senior indebtedness, the trustee or the holder, as the case may be, will deliver the amounts held in trust to the holders of senior indebtedness or their proper representative.

We will promptly notify holders of senior indebtedness if payment on the notes is accelerated because of an event of default and we will promptly notify the agent for the lenders under our Credit Agreement of the acceleration.

The indenture will contain provisions with respect to the subordination of each subsidiary guarantee to senior indebtedness of the relevant subsidiary guarantor comparable to those set forth above for the subordination of the notes. The indenture requirements described above (i.e., that the trustee or a holder of the notes hold in trust for holders of senior indebtedness any payments prohibited by the subordination provisions of the indenture, and deliver such payments in trust to the holders of senior indebtedness) apply in respect of any payments received by the trustee or a holder pursuant to a subsidiary guarantee of the notes only to senior indebtedness of the relevant subsidiary guarantor and not to our senior indebtedness.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to us or any subsidiary guarantor or relating to our property or any subsidiary guarantor s property, holders of notes may recover less ratably than our creditors or such subsidiary guarantor s creditors who are holders of senior indebtedness, as the case may be. As a result of the obligation to deliver amounts received in trust to holders of senior indebtedness, holders of notes may recover less ratably than our trade creditors or such subsidiary guarantor s trade creditors, as the case may be. See Risk Factors Your right to receive payments on the notes is subordinated to our senior indebtedness and junior to our secured indebtedness.

For purposes of these subordination provisions:

attributable indebtedness, when used with respect to any sale and leaseback transaction, means, as at the time of determination, the present value (discounted at a rate equivalent to the company s then-current weighted average cost of funds for borrowed money as at the time of determination, compounded on a semi-annual basis) of the total obligations of the lessee for rental payments during the remaining terms of any capitalized lease included in any such sale and leaseback transaction.

Credit Agreement means the Credit Agreement, dated June 9, 2010, among the company, as borrower, and the banks and other financial institutions from time to time parties thereto as agents and lenders, and any related notes, guarantees, collateral and other security documents, instruments and agreements executed in connection therewith (including hedging obligations related to the indebtedness incurred thereunder), including, without limitation, by Subsidiaries, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time (including, without limitation, increases in the amount that may be borrowed thereunder and/or alterations of the maturity date thereof).

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Credit Facilities means, with respect to the company or any Restricted Subsidiaries:

(1) the Credit Agreement;

(2) any agreement with banks or other financial institutions from time to time with respect to the issuance of letters of credit, including, without limitation, the letter of credit facilities, and any related notes, guarantees, collateral and other security documents, instruments and agreements executed in connection therewith, including, without limitation, by Restricted Subsidiaries, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time (including, without limitation, increases in the amount of letters of credit that may be borrowed thereunder and/or alterations of the maturity date thereof);

(3) the Indenture, dated November 12, 2010, with respect to the 2018 Senior Notes, including any amendments, supplements, modifications, extensions, renewals, restatements or refunding thereof and any indenture that replaces, refunds or refinances any of the notes thereunder; and

(4) one or more debt facilities (which may be outstanding at the same time) or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans or other long-term indebtedness, including any notes, mortgages, guarantees, collateral and other security documents, instruments and agreements executed in connection therewith, including, without limitation, by Restricted Subsidiaries, and, in each case, any amendments, supplements, modifications, extensions, renewals, restatements or refunding thereof and any indentures or credit facilities or commercial paper facilities that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

designated senior debt means:

(1) any indebtedness outstanding under our Credit Facilities; and

(2) any other senior indebtedness permitted under the indenture that, at the date of determination, has an aggregate principal amount outstanding of at least $10.0 million and that has been designated by us as designated senior debt, or, in the alternative, as to which the trustee is given written notice that such debt is designated senior debt.

indebtedness means, with respect to the company or any Restricted Subsidiary:

(1) all liabilities, contingent or otherwise, of such person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof);

(2) all obligations of such person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such person in respect of letters of credit or other similar instruments (or reimbursement obligations with respect thereto);

(4) all obligations of such person to pay the deferred and unpaid purchase price of property or services, except trade payables and accrued expenses incurred by such person in the ordinary course of business in connection with obtaining goods, materials or services;

(5) the maximum fixed redemption or repurchase price of all disqualified equity interests of such person;

(6) all capitalized lease obligations of such person;

(7) all indebtedness of others secured by a lien on any asset of such person, whether or not such indebtedness is assumed by such person;

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(8) all indebtedness of others guaranteed by such person to the extent of such guarantee; *provided, however*, that indebtedness of us or our subsidiaries that is guaranteed by us or our subsidiaries shall be counted only once in the calculation of the amount of indebtedness of us and our subsidiaries on a consolidated basis;

(9) all attributable indebtedness (as defined above);

(10) to the extent not otherwise included in this definition, hedging obligations of such person;