

BROOKFIELD HOMES CORP

Form 10-Q

May 10, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2006  
Commission File Number: 001 31524  
BROOKFIELD HOMES CORPORATION  
(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**37-1446709**  
(I.R.S. Employer  
Identification No.)

**8500 Executive Park Avenue  
Suite 300  
Fairfax, Virginia**  
(Address of Principal Executive Offices)

**22031**  
(Zip Code)

**(703) 270-1700**

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

As of May 3, 2006, the registrant had outstanding 27,087,206 shares of its common stock, \$0.01 par value per share.

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**BROOKFIELD HOMES CORPORATION**

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CONSOLIDATED BALANCE SHEETS***(all dollar amounts are in thousands of U.S. dollars)*

		<i>(Unaudited)</i>	
	<b>Note</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>			
Housing and land inventory	2	\$ 999,520	\$ 912,617
Investments in housing and land joint ventures	3	60,728	53,260
Consolidated land inventory not owned	2	18,925	22,100
Receivables and other assets		43,323	94,081
Cash and cash equivalents		63,915	198,411
Deferred income taxes		48,754	49,417
		\$ 1,235,165	\$ 1,329,886
<b>Liabilities and Equity</b>			
Project specific and other financings		\$ 672,015	\$ 691,410
Accounts payable and other liabilities		231,218	320,787
Minority interest	2	52,454	53,040
Preferred stock - 10,000,000 shares authorized, no shares issued			
Common 65,000,000 shares authorized, 32,073,781 shares issued and 27,287,206 outstanding (December 31, 2005 32,073,781 shares issued and 27,378,181 outstanding)		321	321
Additional paid-in-capital		146,890	146,249
Treasury stock, at cost 4,786,575 shares (December 31, 2005 4,695,600 shares)		(221,860)	(217,182)
Retained earnings		354,127	335,261
		\$ 1,235,165	\$ 1,329,886

*See accompanying notes to financial statements*

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**BROOKFIELD HOMES CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

*(all dollar amounts are in thousands of U.S. dollars, except per share amounts)*

		<i>(Unaudited)</i> <b>Three Months Ended</b> <b>March 31,</b>	
	<b>Note</b>	<b>2006</b>	<b>2005</b>
<b>Revenue</b>			
Housing		\$ 121,823	\$ 143,083
Land and other revenues		21,075	9,072
		142,898	152,155
<b>Direct Cost of Sales</b>	2	(91,724)	(103,978)
		51,174	48,177
Equity in earnings from housing and land joint ventures	3	907	7,312
Selling, general and administrative expense		(19,253)	(21,224)
Minority interest		(2,251)	(3,209)
<b>Net Income Before Taxes</b>		30,577	31,056
Income tax expense		(11,711)	(12,112)
<b>Net Income</b>		\$ 18,866	\$ 18,944
<b>Earnings Per Share</b>			
Basic	4	\$ 0.69	\$ 0.61
Diluted	4	\$ 0.68	\$ 0.60
<b>Weighted Average Common Shares Outstanding</b> <i>(in thousands)</i>			
Basic	4	27,375	30,865
Diluted	4	27,817	31,517

*See accompanying notes to financial statements*

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**BROOKFIELD HOMES CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(all dollar amounts are in thousands of U.S. dollars)*

	<i>(Unaudited)</i> <b>Three Months Ended</b> <b>March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Common Stock</b>	\$ 321	\$ 321
 <b>Additional Paid-in Capital</b>		
Opening balance	146,249	142,016
Stock option exercises	641	
Ending balance	146,890	142,016
 <b>Treasury Stock</b>		
Opening balance	(217,182)	(22,091)
Share repurchases	(9,698)	(956)
Stock option exercises	5,020	
Ending balance	(221,860)	(23,047)
 <b>Retained Earnings</b>		
Opening balance	335,261	125,870
Net income	18,866	18,944
Ending balance	354,127	144,814
Total stockholders' equity	\$ 279,478	\$ 264,104

*See accompanying notes to financial statements*

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**BROOKFIELD HOMES CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(all dollar amounts are in thousands of U.S. dollars)*

	<b>(Unaudited)</b> <b>Three Months Ended</b> <b>March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 18,866	\$ 18,944
Adjustments to reconcile net income to net cash used in operating activities:		
Distributed income from housing and land joint ventures	486	29
Minority interest	2,251	3,209
Deferred income taxes	682	(592)
Other changes in operating assets and liabilities:		
Decrease in receivables and other assets	50,758	44,187
Increase in housing and land inventory	(89,793)	(109,338)
Decrease in accounts payable and other	(70,457)	(40,165)
Net cash used in operating activities	(87,207)	(83,726)
<b>Cash Flows From Investing Activities</b>		
Investments in housing and land joint ventures	(8,933)	(5,379)
Recovery from housing and land joint ventures	979	15,513
Net cash (used in)/provided by investing activities	(7,954)	10,134
<b>Cash Flows From Financing Activities</b>		
Net (repayments)/borrowings under revolving project specific and other financings	(19,395)	17,800
Distributions to minority interest	(12,017)	(9,489)
Contributions from minority interest	1,667	4,172
Repurchase of common shares	(9,698)	(956)
Exercise of stock options	108	
Net cash (used in)/provided by financing activities	(39,335)	11,527
Decrease in cash and cash equivalents	(134,496)	(62,065)
Cash and cash equivalents at beginning of period	198,411	186,731
Cash and cash equivalents at end of period	\$ 63,915	\$ 124,666
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 12,026	\$ 5,771

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Income taxes paid	\$ 14,565	\$ 39,411
Non-cash decrease in consolidated land inventory not owned	\$ 6,065	\$ 6,602

*See accompanying notes to financial statements*

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**BROOKFIELD HOMES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in thousands of U.S. dollars except per share amounts)*

**Note 1. Significant Accounting Policies**

*(a) Basis of Presentation*

Brookfield Homes Corporation (the Company or Brookfield Homes) was incorporated on August 28, 2002 as a wholly-owned subsidiary of Brookfield Properties Corporation ( Brookfield Properties ) to acquire as of October 1, 2002 all of the California and Washington D.C. Area homebuilding and land development operations (the Land and Housing Operations ) of Brookfield Properties pursuant to a reorganization of its business (the Spin-off ). On January 6, 2003, Brookfield Properties completed the Spin-off by distributing all of the issued and outstanding common stock it owned in the Company to its common stockholders. Brookfield Homes began trading as a separate company on the New York Stock Exchange on January 7, 2003.

The consolidated financial statements include the accounts of Brookfield Homes and its subsidiaries and investments in joint ventures and variable interests in which the Company is the primary beneficiary.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Since they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements, they should be read in conjunction with the Company's consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2005. In the opinion of management, all adjustments necessary for fair presentation of the accompanying consolidated financial statements have been made.

The Company historically has experienced, and expects to continue to experience, variability in quarterly results. The consolidated statements of income for the three months March 31, 2006 are not necessarily indicative of the results to be expected for the full year.

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

*(b) Earnings Per Share*

Earnings per share is computed in accordance with Statement of Financial Accounting Standards ( SFAS ) 128. Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding including all dilutive potentially issuable shares under various stock option plans.

*(c) Recent Accounting Pronouncements*

In December 2004, the FASB issued SFAS 123(R), Share-Based Payment. SFAS 123(R) establishes accounting standards for transactions in which a company exchanges its equity instruments for goods or services. In particular, this Statement requires companies to record compensation expense for all share-based payments, such as employee stock options, at fair market value. This Statement became effective January 1, 2006 for the Company and did not have a material impact on its consolidated financial statements. See Note 5, Stock-Based Compensation , for further discussion on share-based payments.

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**BROOKFIELD HOMES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in thousands of U.S. dollars except per share amounts)*

*(d) Variable Interest Entities*

In December 2003, the Financial Accounting Standards Board ( FASB ) issued revised Interpretation 46 ( FIN 46R ),

Consolidation of Variable Interest Entities ( VIEs ), an Interpretation of Accounting Research Bulletin 51, Consolidated Financial Statements, which replaces the previous version of FASB Interpretation 46 issued in January 2003 ( FIN 46 ). The decision whether to consolidate a VIE begins with establishing that a VIE exists. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investor lacks one of three characteristics associated with owning a controlling financial interest. Those characteristics are the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights, the obligation to absorb the expected losses of an entity, and the right to receive the expected residual returns. The entity with the majority of the expected losses or expected residual return is considered to be the primary beneficiary of the entity and is required to consolidate such entity. The Company has determined that it is the primary beneficiary of certain VIEs which are presented in these financial statements under Consolidated land inventory not owned with the interest of others included in Minority interest. See Notes 2 and 3 for further discussion on the consolidation of land option contracts and joint ventures.

*(e) Reclassification*

Certain prior period amounts in the consolidated financial statements have been reclassified to conform with the March 31, 2006 presentation. In particular, Treasury Stock, Common Stock and Additional Paid-in Capital, which were previously presented in aggregate, have been presented as separate items in the Consolidated Balance Sheet and Consolidated Statement of Stockholders' Equity.

**Note 2. Housing and Land Inventory**

Housing and land inventory includes homes completed, homes under construction, lots ready for construction, model homes and land under and held for development which will be used in the Company's homebuilding operations or sold as building lots to other homebuilders. The following summarizes the components of housing and land inventory:

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Housing inventory	\$ 459,743	\$ 441,912
Model homes	38,810	20,837
Land and land under development	500,967	449,868
	<b>\$ 999,520</b>	<b>\$ 912,617</b>

The Company capitalizes interest which is expensed as housing units and building lots are sold. For the three months ended March 31, 2006 and 2005, interest incurred and capitalized by the Company was \$12.0 million and \$5.8 million, respectively. Capitalized interest expensed for the same periods was \$2.7 million and \$3.1 million, respectively.

Capitalized costs are expensed as costs of sales on a specific identification basis or on a relative value basis in proportion to anticipated revenue. Included in direct cost of sales is \$84.7 million of costs related to housing revenue for the three months ended March 31, 2006 (March 31, 2005 \$101.6 million) and \$7.0 million of costs related to land sales and other revenues (March 31, 2005 \$2.4 million).

In the ordinary course of business, the Company has entered into a number of option contracts to acquire lots in the future in accordance with specific terms and conditions of such agreements. Under these option agreements, the Company will fund deposits to secure the right to purchase land or lots at a future point in time. The Company has evaluated its option contracts and determined that for those entities considered to be VIEs, it is the primary beneficiary of options for 577 lots with an aggregate exercise price of \$18.9 million (December 31, 2005 577 lots with an

aggregate exercise price of \$22.1 million), which are required to be consolidated. In these cases, the only asset recorded is the Company's exercise price for the option to purchase, with an increase in minority interest of \$12.2 million (December 31, 2005 \$18.3 million) for the assumed third party investment in the VIE. Where the land sellers are not required to provide the Company financial information related to the VIE, certain assumptions by the Company were required in its assessment as to whether or not it is the primary beneficiary.

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*(Tabular amounts in thousands of U.S. dollars except per share amounts)*

Housing and land inventory includes non-refundable deposits and other costs totaling \$74.1 million (December 31, 2005 \$58.3 million) in connection with options that are not required to be consolidated under the provisions of FIN 46R. The total exercise price of these options is \$776.7 million (December 31, 2005 \$720.6 million) including the non-refundable deposits identified above. The number of lots for which the Company has obtained an option to purchase, excluding those already consolidated, and their respective dates of expiry and their exercise price are as follows:

<b>Year of Expiry</b>	<b>Number of Lots</b>	<b>Total Exercise Price</b>
2006	3,777	\$ 210,923
2007	3,807	159,627
2008	418	53,983
Thereafter	8,226	352,144
	16,228	\$ 776,677

The Company holds agreements for a further 3,763 acres of land that may provide upon obtaining entitlements additional lots. However, based on the current stage of land entitlement, the Company has concluded at this time that the level of uncertainty in entitling these properties does not warrant including them in the above totals.

**Note 3. Investments in Housing and Land Joint Ventures**

The Company participates in a number of joint ventures in which it has less than a controlling interest. Summarized condensed financial information on a combined 100% basis of the joint ventures is as follows:

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>		
Housing and land inventory	\$ 336,871	\$ 357,833
Other assets	48,577	64,866
	\$ 385,448	\$ 422,699
<b>Liabilities and Equity</b>		
Accounts payable and other liabilities	\$ 57,616	\$ 90,459
Project specific financings	230,707	289,851
Investment and advances Brookfield Homes	60,728	53,260
Others	36,397	(10,871)
	\$ 385,448	\$ 422,699

**Three Months Ended  
March 31,  
2006 2005**

**Revenue and Expenses**

Revenue	\$ 10,832	\$ 44,349
Expenses	(8,846)	(28,803)
Net income	\$ 1,986	\$ 15,546
Company's share of net income	\$ 907	\$ 7,312

In reporting the Company's share of net income, all inter-company profits or losses from housing and land joint ventures are eliminated on lots purchased by the Company.

Joint ventures in which the Company has a non-controlling interest are accounted for using the equity method. In addition, the Company has performed an evaluation of its existing joint venture relationships by applying the provisions of FIN 46R. The Company has determined that for those entities for which this interpretation applies, none of these joint ventures were considered to be a VIE requiring consolidation pursuant to the requirements of FIN 46R.

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**BROOKFIELD HOMES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in thousands of U.S. dollars except per share amounts)*

The Company and/or its joint venture partners have provided varying levels of guarantees of debt in its joint ventures. At March 31, 2006, the Company had recourse guarantees of \$2.7 million (December 31, 2005 \$2.0 million) and limited maintenance guarantees of \$61.7 million (December 31, 2005 \$91.6 million) with respect to debt in its joint ventures. As of March 31, 2006, the fair market value of the recourse guarantees was insignificant.

**Note 4. Earnings Per Share**

Basic and diluted earnings per share for the three months ended March 31, 2006 and 2005 were calculated as follows (in thousands except per share amounts):

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Numerator:</b>		
Net income	\$ 18,866	\$ 18,944
<b>Denominator:</b>		
Basic average shares outstanding	27,375	30,865
Net effect of stock options assumed to be exercised	442	652
Diluted average shares outstanding	27,817	31,517
Basic earnings per share	\$ 0.69	\$ 0.61
Diluted earnings per share	\$ 0.68	\$ 0.60

**Note 5. Stock Based Compensation**

Pursuant to the Company's stock option plan, Brookfield Homes grants options to purchase shares of the Company's common stock at market price of the shares on the day the options are granted. A maximum of two million shares are authorized for issuance under the plan.

Prior to January 1, 2006, the Company accounted for stock option grants in accordance with APB 25. Accordingly, the Company recorded the intrinsic value of options as a liability using variable plan accounting. Effective January 1, 2006, the Company adopted the provisions of SFAS 123R using the modified-prospective-transition method.

As a result of adopting SFAS 123R, the incremental charge to net income before taxes and net income for the three months ended March 31, 2006 was \$0.5 million and \$0.3 million, respectively. The impact of adopting SFAS 123R on both basic and diluted earnings per share for the three months ended March 31, 2006 was an additional expense of \$0.01 per share.

Compensation expense related to the Company's stock options during the three months ended March 31, 2006 was \$2.8 million (2005 \$5.5 million). If the Company had adopted the provisions of SFAS 123R in 2005, there would be no change to net income before taxes, net income or earnings per share.

The fair value of each of the Company's stock option awards is estimated at each reporting date using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The fair value of the Company's stock option awards, which are subject to graded vesting, is expensed over the vesting period of the stock options. Expected volatility is based on historical volatility of the Company's stock. The risk-free rate for periods within the contractual life of the stock option award is based on the yield curve of a zero-coupon U.S. Treasury bond with a maturity equal to the expected term of the stock option award granted. The Company uses historical data to estimate stock option exercises and forfeitures within its valuation model. The expected term of stock option awards granted for some participants is derived from historical exercise experience under the Company's share-based payment plan and

represents the period of time that stock option awards granted are expected to be outstanding. The expected term of stock options granted for the remaining participants is derived by using the short cut method.

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**BROOKFIELD HOMES CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*(Tabular amounts in thousands of U.S. dollars except per share amounts)*

The significant weighted average assumptions relating to the valuation of the Company's stock options for the three months ended March 31, 2006 were as follows:

	<b>2006</b>
Dividend yield	0.57% 0.88%
Volatility rate	33%
Risk-free interest rate	4.8%
Expected option life (years)	1.0 7.0

The following table sets out the number of common shares that employees of the Company may acquire under options granted under the Company's stock option plan:

	<b>March 31, 2006</b>	<b>Weighted Average for Share Exercise Price</b>
	<b>Shares</b>	
Outstanding, January 1, 2006	678,576	\$ 10.52
Granted	140,000	\$ 52.00
Exercised	(108,525)	\$ 1.00
Cancelled		
Outstanding, March 31, 2006	710,051	\$ 20.15
Options exercisable at March 31, 2006	114,801	\$ 15.88

**Note 6. Commitments, Contingent Liabilities and Other**

(a) The Company is party to various legal actions arising in the ordinary course of business. Management believes that none of these actions, either individually or in the aggregate, will have a material adverse effect on the financial condition or results of operations of the Company.

(b) When selling a home, the Company's subsidiaries provide customers with a limited warranty. The Company estimates the costs that may be incurred under each limited warranty and records a liability in the amount of such costs at the time the revenue associated with the sale of each home is recognized. In addition, the Company has insurance in place where its subsidiaries are subject to the respective warranty statutes in the State where the Company conducts business which range up to ten years for latent construction defects. Factors that affect the Company's warranty liability include the number of homes sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The following table reflects the changes in the Company's warranty liability for the three months ended March 31, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Balance, January 1	\$ 17,743	\$ 18,202
Payments made during the period	(773)	(716)
Warranties issued during the period	1,489	1,198



Balance, March 31	\$ 18,459	\$ 18,684
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(c) The Company entered into an interest rate swap contract during the third quarter of 2004 which effectively fixes \$60.0 million of the Company's variable rate debt at 5.89% until the contract expires in 2009. At March 31, 2006, the fair market value of the contract was \$2.4 million and is included in receivables and other assets. During the second quarter of 2005, the Company entered into an additional interest rate swap contract which effectively fixes \$50.0 million of the Company's variable rate debt at 6.54% until the contract expires in 2010. At March 31, 2006, the fair market value of the contract was \$1.1 million and is included in Receivables and other assets. Income of \$1.4 million was recognized during the three months ended March 31, 2006 and was included in Land and other revenues (March 31, 2005 \$1.3 million). Both interest rate swaps are recorded at fair market value because hedge accounting has not been applied.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion includes forward-looking statements that reflect our current views with respect to future events and financial performance and that involve risks and uncertainties. Our actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of certain factors including risks discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements and Item 1A Risk Factors elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2005.

#### **Overview**

We design, construct and market single-family and multi-family homes primarily to move-up and luxury homebuyers and develop land for sale to other homebuilders. Our operations are currently focused primarily in five regional markets: San Francisco Bay Area; Southland / Los Angeles; San Diego / Riverside; Sacramento; and the Washington D.C. Area. Our goal is to maximize the total return on our common stockholders' equity over the long term. We plan to achieve this by actively managing our assets and creating value on the lots we own or control.

The 29,660 lots that we control, 12,855 of which we own directly or through joint ventures, provide a strong foundation for our future homebuilding business and visibility on our future cash flow and earnings. The lots we own directly or through joint ventures represent approximately an eight year lot supply, based on 2006 planned home closings of 1,625.

Homebuilding is our primary source of revenue and has represented approximately 90% of our total revenue since 2001. Our operations are positioned to close annually between 1,600 and 2,000 homes. Operating in markets with higher price points and catering to move-up and luxury buyers, our average sales price for the three months ended March 31, 2006 of \$634,000 was well in excess of the national average sales price. We also sell serviced and unserviced lots to other homebuilders generally on an opportunistic basis where we can redeploy capital to an asset providing higher returns or reduce risk, in a market. We have previously announced the possible sale of 1,500 lots. To date, we have closed 386 of these lots for net income of \$13 million, or \$0.46 per share.

In addition to our housing and land inventory and investments in housing and land joint ventures which together comprised 87% of our total assets as of March 31, 2006, we had \$64 million in cash and cash equivalents and \$92 million in other assets. Other assets consist of homebuyer receivables of \$12 million, deferred income taxes of \$49 million, and mortgages and other receivables of \$31 million. Homebuyer receivables consist primarily of proceeds due from homebuyers on the closing of homes.

Since 2001, our revenues and net income have grown at compounded annual growth rates of 12% and 53%, respectively. Over the same period, we generated over \$400 million in operating cash flow that was used mainly to return cash to shareholders. At the same time, we believe we have positioned our business for future growth through the selective optioning or acquisition of a significant number of large projects and the level of lots controlled. Our recent growth is primarily the result of strong economic fundamentals in the markets in which we operate and our success in acquiring strategic parcels of land.

#### **Critical Accounting Policies and Estimates**

There have been no significant changes to our critical accounting policies and estimates during the three months ended March 31, 2006 compared to those disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the year ended December 31, 2005.

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**Results of Operations**

***Selected Financial Information***

(\$ millions)	Three Months Ended March 31,	
	2006	2005
Revenue:		
Housing	\$ 122	\$ 143
Land and other revenues	21	9
Total revenues	143	152