

CENTEX CORP
Form 10-K
June 03, 2003

Table of Contents

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

JOINT ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended March 31, 2003

Commission File No. 1-6776
CENTEX CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State of incorporation)

75-0778259

(I.R.S. Employer Identification No.)

2728 N. Harwood, Dallas, Texas 75201

(Address of principal executive office, including zip code)

(214) 981-5000

(Registrant's telephone number)

Commission File Nos. 1-9624 and 1-9625, respectively
3333 HOLDING CORPORATION and
CENTEX DEVELOPMENT COMPANY, L.P.

(Exact name of registrants as specified in their charters)

Nevada and Delaware, respectively

(States of incorporation or organization)

75-2178860 and 75-2168471, respectively

(I.R.S. Employer Identification Nos.)

2728 N. Harwood, Dallas, Texas 75201

(Address of principal executive office, including zip code)

(214) 981-6770

(Registrants' telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered	Title of each class	Name of each exchange on which registered
Centex Corporation Common Stock (\$0.25 par value)	New York Stock Exchange London Stock Exchange	3333 Holding Corporation Common Stock (\$0.01 par value)	New York Stock Exchange London Stock Exchange
		Centex Development Company, L.P. Warrants to Purchase Class B Units of Limited Partnership Interest Expiring November 30, 2007	New York Stock Exchange London Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether each 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 each such registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [] .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrants are an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [] .

On September 30, 2002 (the last business day of the registrants' most recently completed second fiscal quarter), the aggregate market value of the tandem traded Centex Corporation common stock, 3333 Holding Corporation common stock and Centex Development Company, L.P. warrants to purchase Class B units of limited partnership interest held by non-affiliates of the registrants was \$2.68 billion based upon the last

Edgar Filing: CENTEX CORP - Form 10-K

sale price reported for such date on the New York Stock Exchange. For purposes of determining this amount only, registrants have defined affiliates as the executive officers and directors of Centex Corporation.

Indicate the number of shares of each of the registrants' classes of common stock (or other similar equity securities) outstanding as of the close of business on May 15, 2003:

Centex Corporation	Common Stock	62,251,136 shares
3333 Holding Corporation	Common Stock	1,000 shares
Centex Development Company, L.P.	Class A Units of Limited Partnership Interest	32,260 units
Centex Development Company, L.P.	Class C Units of Limited Partnership Interest	208,330 units

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in Parts A.III and B.III of this Report:

(a) Proxy statements for the annual meetings of stockholders of Centex Corporation and 3333 Holding Corporation to be held on July 17, 2003.

TABLE OF CONTENTS

JOINT EXPLANATORY STATEMENT

PART A. CENTEX CORPORATION AND SUBSIDIARIES

PART I

ITEM 1. BUSINESS

ITEM 2. PROPERTIES

ITEM 3. LEGAL PROCEEDINGS

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

ITEM 6. SELECTED FINANCIAL DATA

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

ITEM 14. CONTROLS AND PROCEDURES

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

ITEM 16. PRINCIPAL ACCOUNTANT FEES AND SERVICES

SIGNATURES

PART B. 3333 HOLDING CORPORATION AND SUBSIDIARY AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES

PART I

ITEM 1. BUSINESS

ITEM 2. PROPERTIES

ITEM 3. LEGAL PROCEEDINGS

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

ITEM 6. SELECTED FINANCIAL DATA

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS

ITEM 11. EXECUTIVE COMPENSATION

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

ITEM 16. PRINCIPAL ACCOUNTANT FEES AND SERVICES

SIGNATURES

INDEX TO EXHIBITS

EX-10.2 6th Amended/Restated ENQ Stock Option Plan

EX-10.3 Amended Centex Corp 2001 Stock Plan

Ex-10.A 1st Amendment to Employment Agreement

EX-10.3B Profits Agreement with Richard C. Decker

Ex-10.6A Supplemental Agreement

EX-10.8 Amended and Restated SERP

EX-10.10 Amended/Restated Long Term Incentive Plan

EX-21 List of Subsidiaries

EX-23.A Consent of Independent Auditors

EX-23.B Consent of Independent Auditors

EX-24.1 Powers of Attorney

EX-24.2 Powers of Attorney

EX-24.3 Powers of Attorney

EX-99.1 Schedule III

Table of Contents

JOINT ANNUAL REPORT ON
FORM 10-K
FOR THE FISCAL YEAR ENDED MARCH 31, 2003
CENTEX CORPORATION AND SUBSIDIARIES
AND
3333 HOLDING CORPORATION AND SUBSIDIARY
AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES
JOINT EXPLANATORY STATEMENT

On November 30, 1987, Centex Corporation distributed as a dividend to its stockholders, through a nominee, all of the 1,000 issued and outstanding shares of common stock of 3333 Holding Corporation and 900 warrants to purchase Class B Units of limited partnership interest in Centex Development Company, L.P. Pursuant to an agreement with the nominee, the nominee is the record holder of the 3333 Holding Corporation common stock and warrants to purchase Class B Units of Centex Development Company on behalf of and for the benefit of persons who are from time to time the holders of the Centex Corporation common stock. Each Centex Corporation stockholder owns a beneficial interest in that portion of the common stock of 3333 Holding Corporation and the warrants to purchase Class B Units of Centex Development Company that the total number of shares of Centex Corporation common stock held by such stockholder bears to the total number of shares of Centex Corporation common stock outstanding from time to time. This beneficial interest is not represented by a separate certificate or receipt. Instead, each stockholder's beneficial interest in such pro rata portion of the shares of 3333 Holding Corporation common stock and the Centex Development Company warrants is represented by the certificate or certificates evidencing his Centex Corporation common stock and is currently tradable only in tandem with, and as a part of, each stockholder's Centex Corporation common stock. The tandem securities are listed and traded on the New York Stock Exchange and the London Stock Exchange and are registered with the Securities and Exchange Commission separately under Section 12(b) of the Securities Exchange Act of 1934, or the Exchange Act. 3333 Holding Corporation and Centex Development Company were each organized in 1987 in connection with the distribution described above. 3333 Development Corporation, a wholly-owned subsidiary of 3333 Holding Corporation, holds a 1% interest in, and is the sole general partner of, Centex Development Company. Centex Corporation indirectly owns 100% of the Class A Units and 100% of the Class C Units of the limited partnership interest in Centex Development Company. These units are collectively convertible into 20% of the Class B Units of the limited partnership in Centex Development Company. Please refer to the ownership chart on page 3.

At present, Centex Corporation, 3333 Holding Corporation and Centex Development Company have elected to satisfy their respective periodic reporting obligations under the Exchange Act by preparing and filing joint periodic reports. **Part A** of this Annual Report on Form 10-K for the fiscal year ended March 31, 2003, or fiscal 2003, relates to Centex Corporation and its subsidiaries. **Part B** of this Report relates to 3333 Holding and its subsidiary, 3333 Development Corporation and to Centex Development Company and its subsidiaries.

You should read this Report together with the proxy statements of Centex Corporation and 3333 Holding Corporation for their respective 2003 annual meetings of stockholders, the Annual Report to Stockholders of Centex Corporation for fiscal 2003 and the Annual Report to Stockholders of 3333 Holding Corporation and Centex Development Company for fiscal 2003. For a complete understanding of the tandem-traded securities, you should read both **Part A** and **Part B** of this Report.

We include information concerning the earnings and financial condition of the three companies, on an aggregate basis, in Note (G), Centex Development Company, L.P., of the Notes to Consolidated Financial Statements of Centex Corporation and subsidiaries on pages 84-85 of this Report.

Table of Contents

For a description of this ownership chart, please see the Joint Explanatory Statement on the previous page.

OWNERSHIP CHART

Table of Contents

TABLE OF CONTENTS

FORM 10-K

	<u>Page</u>
JOINT EXPLANATORY STATEMENT	2
<u>Part A. CENTEX CORPORATION AND SUBSIDIARIES</u>	
PART I	
Item 1. Business	6
Item 2. Properties	23
Item 3. Legal Proceedings	24
Item 4. Submission of Matters to a Vote of Security Holders	24
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	26
Item 6. Selected Financial Data	27
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	56
Item 8. Financial Statements and Supplementary Data	59
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	101
PART III	
Item 10. Directors and Executive Officers of the Registrant	101
Item 11. Executive Compensation	102
Item 12. Security Ownership of Certain Beneficial Owners and Management	102
Item 13. Certain Relationships and Related Transactions	102
Item 14. Controls and Procedures	102
PART IV	
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K	102
Item 16. Principal Accountant Fees and Services	103
SIGNATURES	104

Table of Contents

TABLE OF CONTENTS (continued)

<u>Part B.</u>	3333 HOLDING CORPORATION AND SUBSIDIARY AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES	Page
		<hr/>
PART I		
Item 1. Business		107
Item 2. Properties		114
Item 3. Legal Proceedings		117
Item 4. Submission of Matters to a Vote of Security Holders		117
PART II		
Item 5. Market for Registrants' Common Equity and Related Stockholder Matters		119
Item 6. Selected Financial Data		121
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations		122
Item 7A. Quantitative and Qualitative Disclosures about Market Risk		134
Item 8. Financial Statements and Supplementary Data		135
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure		160
PART III		
Item 10. Directors and Executive Officers of the Registrants		161
Item 11. Executive Compensation		162
Item 12. Security Ownership of Certain Beneficial Owners and Management		163
Item 13. Certain Relationships and Related Transactions		166
Item 14. Controls and Procedures		166
PART IV		
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K		167
Item 16. Principal Accountant Fees and Services		168
SIGNATURES		169

INDICES TO EXHIBITS

CENTEX CORPORATION AND SUBSIDIARIES
 3333 HOLDING CORPORATION AND SUBSIDIARY
 CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES

Table of Contents

PART A.

CENTEX CORPORATION AND SUBSIDIARIES

PREFATORY STATEMENT

Part A of this Report (pages 6 through 106) includes information relating to Centex Corporation and its subsidiaries, SEC File No. 1-6776. See Joint Explanatory Statement on page 2 of this Report. *Part B* of this Report (pages 107 through 174) includes information relating separately to 3333 Holding Corporation and its subsidiary, to 3333 Development Corporation and to Centex Development Company, L.P. and subsidiaries.

PART I

ITEM 1. BUSINESS

General Development of Business

Centex Corporation is a Nevada corporation. Our common stock, par value \$.25 per share, began trading publicly in 1969. Our common stock is traded on the New York Stock Exchange, or the NYSE, and the London Stock Exchange. As of May 15, 2003, 62,251,136 shares of our common stock were outstanding. Any reference herein to we, us or our includes Centex Corporation and its subsidiary companies.

Since our founding in 1950 as a Dallas, Texas-based residential construction company, we have evolved into a multi-industry company. Our subsidiary companies operate in five principal business segments: Home Building, Financial Services, Construction Products, Construction Services and Investment Real Estate. We provide a brief overview of each segment below, and we provide a more detailed discussion of each segment later in this section.

Our Home Building operations currently involve the purchase and development of land or lots and the construction and sale of single-family homes, townhomes and low-rise condominiums. We have participated in the conventional homebuilding business since 1950. Home Building internally tracks its performance compared to the last reported twelve months of revenues for its competitors. Based on Home Building's comparisons, we believe that it ranked as the nation's fourth largest homebuilder at March 31, 2003.

Our Financial Services operations primarily are engaged in the residential mortgage banking business, as well as in other financial services that are in large part related to the residential mortgage market. These operations include mortgage origination, servicing and other related services for purchasers of homes sold by our Home Building operations and other homebuilders, as well as sub-prime home equity lending and the sale of title insurance and various other insurance coverages. We have been in the mortgage banking business since 1973.

Our Construction Products operations involve the manufacture, production, distribution and sale of cement, gypsum wallboard, recycled paperboard, aggregates and readymix concrete. Our involvement in the construction products business started in 1963 when we began construction of our first cement plant. During the quarter ended June 30, 1994, our construction products subsidiary, Centex Construction

Table of Contents

Products, Inc., completed an initial public offering of 51% of its stock and began trading on the NYSE under the symbol CXP. Primarily as a result of Construction Products' repurchase of its own stock, our ownership has increased to 65.1% as of March 31, 2003. Accordingly, we have consolidated Construction Products' financial statements with our financial statements for the years ended March 31, 2003, 2002 and 2001, or fiscal 2003, 2002 and 2001.

Our Construction Services operations involve the construction of buildings for both private and government interests, including office, commercial and industrial buildings, hospitals, hotels, correctional facilities, educational institutions, museums, libraries, airport facilities and sports facilities. We entered the Construction Services business in 1966 by acquiring a Dallas-based contractor that had been in business since 1936. We also acquired significant construction companies in 1978, 1982, 1987 and 1990.

Our Investment Real Estate operations involve the acquisition, development and sale of land, primarily for industrial, office, multi-family, retail, residential and mixed-use projects. Through our investment in Centex Development Company, the operations also include the International Home Building business located in the United Kingdom.

In fiscal 1988, we established Centex Development Company. Please refer to **Part B** of this Report for a discussion of the business of Centex Development Company.

Financial Information about Industry Segments

Note (J), **Business Segments**, of the Notes to Consolidated Financial Statements of Centex Corporation and subsidiaries on pages 88-91 of this Report contains additional information about our business segments for fiscal 2003, 2002 and 2001.

Narrative Description of Business

HOME BUILDING

Our conventional homebuilding subsidiary, Centex Homes, purchases and develops land or lots and constructs and sells single-family homes, townhomes and low-rise condominiums. Centex Homes is the only company to rank among the nation's top 10 homebuilders for each of the past 35 years according to *Professional Builder* magazine. Centex Homes sells to both first-time and move-up buyers. In fiscal 2003, over 81% of the homes we sold were single-family detached homes, and the remainder were townhomes and low-rise condominiums.

Markets

Centex Homes follows a strategy of reducing exposure to local market volatility by diversifying operations across geographically and economically diverse markets. As of March 31, 2003, Centex Homes was building in 92 market areas, including Washington, D.C., and in 26 states. The markets are listed below by geographic areas.

Table of Contents

Region	States	Markets	
Mid-Atlantic	Maryland	Baltimore	
	New Jersey	Atlantic/Cape May Middlesex/Hunterdon/Sommerset Monmouth/Ocean Trenton	
	North Carolina	Charlotte/Gastonia/Rock Hill Greensboro/Winston Salem/High Point Raleigh/Durham/Chapel Hill Wilmington	
	Pennsylvania	Philadelphia Pittsburgh	
	South Carolina	Charleston/North Charleston Hilton Head Myrtle Beach	
	Virginia	Norfolk/Virginia Beach/Newport Richmond/Petersburg Washington, D.C.	
	Midwest	Colorado	Boulder/Longmont Denver Eagle Fort Collins/Loveland Greeley
		Indiana	Indianapolis Fort Wayne
		Illinois	Chicago
		Kentucky	Louisville
Michigan		Ann Arbor Detroit Grand Rapids/Muskegon/Holland Kalamazoo/Battle Creek	
Minnesota		Minneapolis/St. Paul Rochester	
Missouri		St. Louis	
Ohio		Akron Canton/Massillon Cincinnati Cleveland/Lorain/Elyria Columbus Dayton/Springfield Mansfield Steubenville/Weirton Toledo Youngstown/Warren	
Utah		Salt Lake City	

Table of Contents

Region	States	Markets
Southwest	Arizona	Phoenix/Mesa
	Nevada	Las Vegas
	New Mexico	Albuquerque
		Santa Fe
	Texas	Austin/San Marcos
		Brazoria
		Dallas
		Ft. Worth/Arlington
		Galveston/Texas City
		Houston
		Killeen/Temple
		San Antonio
	Southeast	Florida
Ft. Lauderdale		
Ft. Myers/Cape Coral		
Ft. Pierce/St. Lucie		
Ft. Walton Beach		
Jacksonville		
Lakeland/Winter Haven		
Naples		
Orlando		
Punta Gorda		
Sarasota/Bradenton		
Tampa/St. Petersburg/Clearwater		
West Palm Beach/Boca Raton		
Georgia	Atlanta	
South Carolina	Columbia	
	Greenville/Spartanburg/Anderson	
Tennessee	Nashville	
West Coast	California	Bakersfield
		Fresno
		Kings County
		Los Angeles/Long Beach
		Oakland
		Orange County
		Riverside/San Bernardino
		Sacramento
		San Diego
		San Jose
		San Luis Obispo
		Visalia/Tulare/Porterville
		Yolo
	Hawaii	Hawaii
	Nevada	Reno
	Oregon	Eugene
		Portland/Vancouver
Washington	Seattle/Bellevue/Everett	
	Tacoma	

Table of Contents

In fiscal 2003, Centex Homes closed 26,427 homes, including first-time, move-up and, in some markets, custom homes, ranging in price from approximately \$57,000 to about \$1.6 million. The average sale price in fiscal 2003 was \$220,183.

Our practice has been to acquire land, build homes on the land and sell the homes within 24 to 36 months from the date of land acquisition. Generally, this involves acquiring land that is properly zoned and is either ready for development or, to some degree, already developed. The purchase of finished lots generally allows us to shorten the lead time to commence construction and reduces the risk of unforeseen improvement costs and volatile market conditions. We have acquired a substantial amount of finished and partially improved lots and land through option agreements that we exercise over specified time periods or, in certain cases, as the lots are needed. At March 31, 2003, Centex Homes owned approximately 60,000 lots and had rights to purchase approximately 71,000 lots. In addition, Centex Homes enters into joint ventures for land acquisition, development and other activities. Centex Homes holds less than a majority interest in these joint ventures, therefore we do not consolidate these joint ventures in our financial statements.

Our growth strategy for Centex Homes has been focused primarily on internally generated, organic growth opportunities through land acquisition and development in existing business units. As a secondary driver, we have also grown the business through the acquisition of other homebuilding companies. Since April 1998 we have acquired homebuilding operations of the following companies:

Company	Date Acquired	Description
Wayne Homes	April 1998	Builds single-family homes in the on-your-lot market segment.
Teal Homes	May 1998	Builds single-family homes for the first-time and move-up buyer in the Richmond, Virginia area.
Calton Homes	December 1998	Builds single-family homes for the first-time and move-up buyer in New Jersey.
Real Homes	September 1999	Builds single-family homes for the first-time and move-up buyer in the Las Vegas, Nevada area.
Selective Group	March 2001	Builds single-family homes for the first-time and move-up buyer in the Detroit, Michigan area.
CityHomes	March 2001	Builds upscale urban townhomes and condominiums in the Dallas, Texas area.
Jones Company	January 2003	Builds single-family homes for the first-time and move-up buyer in the St. Louis, Missouri and Indianapolis, Indiana areas.

In addition, in July 1999, we acquired substantially all of the land and other operating assets for the construction of single-family homes, townhomes and duplexes from Sundance Homes, a suburban Chicago homebuilder. Sundance Homes retained its name and continues to operate in other markets in which we do not compete.

The table below summarizes by geographic area Centex Homes home closings, sales (orders) backlog and sales (orders) for the five most recent fiscal years. Some of the prior year balances have been reclassified to be consistent with the fiscal 2003 presentation.

Table of Contents**Closings (in units):***For the Years Ended March 31,*

	2003	2002	2001	2000	1999
Mid-Atlantic	4,501	3,877	3,395	3,058	2,332
Southeast	4,851	4,440	4,137	4,142	3,559
Midwest	4,695	3,688	3,296	3,089	2,062
Southwest	8,157	6,910	5,661	4,923	3,779
West Coast	4,223	4,045	4,170	3,692	3,060
	26,427	22,960	20,659	18,904	14,792
Average Sales Price (in 000 s)	\$ 220	\$ 214	\$ 206	\$ 192	\$ 186

Sales (Orders) Backlog, at the end of the period (in units):*For the Years Ended March 31,*

	2003	2002	2001	2000	1999
Mid-Atlantic	2,148	1,503	1,365	1,210	1,061
Southeast	2,713	2,315	1,936	1,891	1,831
Midwest	2,920	2,093	2,037	1,628	1,355
Southwest	2,258	2,361	2,546	1,861	1,624
West Coast	2,011	1,099	1,381	989	921
	12,050	9,371	9,265	7,579	6,792

Sales (Orders) (in units):*For the Years Ended March 31,*

	2003	2002	2001	2000	1999
Mid-Atlantic	5,146	3,936	3,550	3,207	2,464
Southeast	5,249	4,819	4,182	4,202	3,952
Midwest	5,087	3,744	3,572	3,207	2,515
Southwest	8,054	6,725	6,325	5,031	4,010
West Coast	5,132	3,763	4,562	3,760	2,990
	28,668	22,987	22,191	19,407	15,931

We define backlog units as units that have been sold, as indicated by a signed contract, but not closed. Substantially all of these orders are expected to be filled during fiscal year 2004.

Competition and Other Factors

The conventional homebuilding industry is essentially a local business and is highly competitive. We compete in each of Centex Homes market areas with numerous other homebuilders, including national, regional and local builders. Centex Homes top six competitors based on revenues for their most recent year-end are as follows: Beazer Homes, D. R. Horton, Inc., KB Homes, Lennar Corporation, Pulte and Ryland. Centex Homes operations accounted for approximately 1.6% of the total for-sale housing starts in the United States for the twelve months ended March 31, 2003. The main competitive factors affecting

Table of Contents

Centex Homes operations are location, price, availability of mortgage financing for customers, construction costs, design and quality of homes, customer service, marketing expertise, availability of land, price of land and