

M I HOMES INC
Form 10-Q
April 25, 2014

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, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES ACT OF
1934

Commission File Number 1-12434

M/I HOMES, INC.
(Exact name of registrant as specified in it charter)

Ohio
(State or other jurisdiction of incorporation or
organization)

31-1210837
(I.R.S. Employer Identification No.)

3 Easton Oval, Suite 500, Columbus, Ohio 43219
(Address of principal executive offices) (Zip Code)
(614) 418-8000
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	

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

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares, par value \$.01 per share: 24,466,921 shares outstanding as of April 23, 2014.

M/I HOMES, INC.
FORM 10-Q

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M/I HOMES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par values)	March 31, 2014	December 31, 2013
ASSETS:		
Cash and cash equivalents	\$89,360	\$ 128,725
Restricted cash	11,551	13,902
Mortgage loans held for sale	55,750	81,810
Inventory	723,627	690,934
Property and equipment - net	10,506	10,536
Investment in unconsolidated joint ventures	44,847	35,266
Deferred income taxes, net of valuation allowance of \$4.0 million and \$9.3 million at March 31, 2014 and December 31, 2013, respectively	111,214	110,911
Other assets	38,048	38,092
TOTAL ASSETS	\$1,084,903	\$ 1,110,176
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	\$71,376	\$ 70,226
Customer deposits	12,984	11,262
Other liabilities	59,057	71,341
Community development district ("CDD") obligations	2,060	3,130
Obligation for consolidated inventory not owned	1,627	1,775
Notes payable bank - financial services operations	51,532	80,029
Notes payable - other	7,757	7,790
Convertible senior subordinated notes due 2017	57,500	57,500
Convertible senior subordinated notes due 2018	86,250	86,250
Senior notes	228,169	228,070
TOTAL LIABILITIES	578,312	617,373
Commitments and contingencies (Note 6)	—	—
SHAREHOLDERS' EQUITY:		
Preferred shares - \$.01 par value; authorized 2,000,000 shares; 2,000 shares issued at both March 31, 2014 and December 31, 2013; 2,000 shares outstanding at both March 31, 2014 and December 31, 2013	48,163	48,163
Common shares - \$.01 par value; authorized 38,000,000 shares; issued 27,092,723 shares at both March 31, 2014 and December 31, 2013	271	271
Additional paid-in capital	236,270	236,060
Retained earnings	274,038	262,625
Treasury shares - at cost - 2,625,802 and 2,734,780 shares at March 31, 2014 and December 31, 2013, respectively	(52,151)	(54,316)
TOTAL SHAREHOLDERS' EQUITY	506,591	492,803
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,084,903	\$ 1,110,176

See Notes to Unaudited Condensed Consolidated Financial Statements.

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M/I HOMES, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2014	2013
Revenue	\$234,841	\$190,727
Costs and expenses:		
Land and housing	183,964	151,513
Impairment of inventory and investment in unconsolidated joint ventures	—	900
General and administrative	18,315	15,979
Selling	15,969	13,109
Equity in income of unconsolidated joint ventures	(62) —
Interest	4,170	4,340
Total costs and expenses	222,356	185,841
Income before income taxes	12,485	4,886
(Benefit) provision for income taxes	(147	) 299
Net income	12,632	4,587
Preferred dividends	1,219	—
Excess of fair value over book value of preferred shares redeemed	—	2,190
Net income to common shareholders	\$11,413	\$2,397
Earnings per common share:		
Basic	\$0.47	\$0.11
Diluted	\$0.41	\$0.11
Weighted average shares outstanding:		
Basic	24,417	22,273
Diluted	29,870	22,688

See Notes to Unaudited Condensed Consolidated Financial Statements.

M/I HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in thousands)	Preferred Shares		Common Shares		Additional Paid-in Capital	Retained Earnings	Treasury Shares	Total Shareholders' Equity
	Shares Outstanding	Amount	Shares Outstanding	Amount				
Balance at December 31, 2013	2,000	\$48,163	24,357,943	\$ 271	\$236,060	\$262,625	\$(54,316)	\$ 492,803
Net income	—	—	—	—	—	12,632	—	12,632
Dividends to shareholders, \$609.375 per preferred share	—	—	—	—	—	(1,219)	—	(1,219)
Stock options exercised	—	—	101,630	—	(653)	—	2,019	1,366
Stock-based compensation expense	—	—	—	—	710	—	—	710
Deferral of executive and director compensation	—	—	—	—	299	—	—	299
Executive and director deferred compensation distributions	—	—	7,348	—	(146)	—	146	—
Balance at March 31, 2014	2,000	\$48,163	24,466,921	\$ 271	\$236,270	\$274,038	\$(52,151)	\$ 506,591

See Notes to Unaudited Condensed Consolidated Financial Statements.

M/I HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Three Months Ended March 31,	
	2014	2013
OPERATING ACTIVITIES:		
Net income	\$12,632	\$4,587
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Inventory valuation adjustments and abandoned land transaction write-offs	—	900
Equity in income of unconsolidated joint ventures	(62) —
Mortgage loan originations	(124,362	) (121,244
Proceeds from the sale of mortgage loans	153,210	135,568
Fair value adjustment of mortgage loans held for sale	(2,788	) (924
Depreciation	1,126	1,317
Amortization of debt discount and debt issue costs	786	821
Stock-based compensation expense	710	519
Deferred income tax expense	5,024	1,788
Deferred tax asset valuation allowances	(5,327	) (1,788
Change in assets and liabilities:		
Cash held in escrow	(44	) (193
Inventory	(33,250	) (23,567
Other assets	(645	) 1,397
Accounts payable	1,150	9,380
Customer deposits	1,722	2,007
Accrued compensation	(13,034	) (5,959
Other liabilities	1,049	3,949
Net cash (used in) provided by operating activities	(2,103	) 8,558
INVESTING ACTIVITIES:		
Change in restricted cash	2,395	(621
Purchase of property and equipment	(400	) (229
Investment in unconsolidated joint ventures	(10,874	) (11,852
Net cash used in investing activities	(8,879	) (12,702
FINANCING ACTIVITIES:		
Proceeds from issuance of convertible senior subordinated notes due 2018	—	86,250
Repayments of bank borrowings - net	(28,497	) (14,831
Principal repayments of notes payable-other and CDD bond obligations	(33	) (789
Dividends paid on preferred shares	(1,219) —
Net proceeds from issuance of common shares	—	54,617
Debt issue costs	—	(3,544
Proceeds from exercise of stock options	1,366	—
Net cash (used in) provided by financing activities	(28,383	) 121,703
Net (decrease) increase in cash and cash equivalents	(39,365	) 117,559
Cash and cash equivalents balance at beginning of period	128,725	145,498
Cash and cash equivalents balance at end of period	\$89,360	\$263,057

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

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Interest — net of amount capitalized	\$(209)	\$(1,112)
Income taxes	\$765		\$73	

NON-CASH TRANSACTIONS DURING THE PERIOD:

Community development district infrastructure	\$(1,070	)	\$(368)
Consolidated inventory not owned	\$(148	)	\$(2,111)
Distribution of single-family lots from unconsolidated joint ventures	\$1,355		\$1,303	
Reclassification of preferred shares subject to redemption	\$—		\$50,352	

See Notes to Unaudited Condensed Consolidated Financial Statements.

M/I HOMES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements (the “financial statements”) of M/I Homes, Inc. and its subsidiaries (the “Company”) and notes thereto have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial information. The financial statements include the accounts of M/I Homes, Inc. and its subsidiaries. All intercompany transactions have been eliminated. Results for the interim period are not necessarily indicative of results for a full year. In the opinion of management, the accompanying financial statements reflect all adjustments (all of which are normal and recurring in nature) necessary for a fair presentation of financial results for the interim periods presented. These financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (the “2013 Form 10-K”).

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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that period. Actual results could differ from these estimates and have a significant impact on the financial condition and results of operations and cash flows. With regard to the Company, estimates and assumptions are inherent in calculations relating to valuation of inventory and investment in unconsolidated joint ventures, property and equipment depreciation, valuation of derivative financial instruments, accounts payable on inventory, accruals for costs to complete inventory, accruals for warranty claims, accruals for self-insured general liability claims, litigation, accruals for health care and workers' compensation, accruals for guaranteed or indemnified loans, stock-based compensation expense, income taxes, and contingencies. Items that could have a significant impact on these estimates and assumptions include the risks and uncertainties listed in “Item 1A. Risk Factors” in Part I of our 2013 Form 10-K, as the same may be updated from time to time in our subsequent filings with the SEC.

Reclassifications

Certain amounts in our Unaudited Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2013 were adjusted to conform to our 2014 presentation. The Company also reclassified certain amounts presented in the Supplemental Condensed Consolidating Statement of Cash Flows for the three months ended March 31, 2013 included in Note 11. The Company believes these reclassifications are immaterial to the supplemental condensed consolidating financial statements which are presented as supplemental information. These reclassifications do not affect the Company's consolidated financial statements for either period.

Impact of New Accounting Standards

In January 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-04: Receivables - Troubled Debt Restructurings by Creditors (“ASU 2014-04”), which clarifies when an in substance repossession or foreclosure of residential real estate property collateralizing a consumer mortgage loan has occurred. This guidance helps determine when the creditor should derecognize the loan receivable and recognize the real estate property. The guidance is effective for the Company beginning October 1, 2015 and is not expected to have a material impact on the Company's unaudited condensed consolidated financial statements or disclosures.

NOTE 2. Fair Value Measurements

There are three measurement input levels for determining fair value: Level 1, Level 2, and Level 3. Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Assets Measured on a Recurring Basis

The Company measures both mortgage loans held for sale and interest rate lock commitments (“IRLCs”) at fair value. Fair value measurement results in a better presentation of the changes in fair values of the loans and the derivative instruments used to economically hedge them.

In the normal course of business, our financial services segment enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers “lock-in” a specified interest rate within established time frames. Market risk arises if interest rates move adversely between the time of the “lock-in” of rates by the borrower and the sale date of the loan to an investor. To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the Company enters into optional or mandatory delivery forward sale contracts to sell whole loans and mortgage-backed securities to broker/dealers. The forward sale contracts lock in an interest rate and price for the sale of loans similar to the specific rate lock commitments. The Company does not engage in speculative trading or derivative activities. Both the rate lock commitments to borrowers and the forward sale contracts to broker/dealers or investors are undesignated derivatives, and accordingly, are marked to fair value through earnings. Changes in fair value measurements are included in earnings in the accompanying statements of operations.

The fair value of mortgage loans held for sale is estimated based primarily on published prices for mortgage-backed securities with similar characteristics. To calculate the effects of interest rate movements, the Company utilizes applicable published mortgage-backed security prices, and multiplies the price movement between the rate lock date and the balance sheet date by the notional loan commitment amount. The Company generally sells loans on a servicing released basis, and receives a servicing release premium upon sale. Thus, the value of the servicing rights included in the fair value measurement is based upon contractual terms with investors and depends on the loan type. The Company applies a fallout rate to IRLCs when measuring the fair value of rate lock commitments. Fallout is defined as locked loan commitments for which the Company does not close a mortgage loan and is based on management’s judgment and company experience.

The fair value of the Company’s forward sales contracts to broker/dealers solely considers the market price movement of the same type of security between the trade date and the balance sheet date. The market price changes are multiplied by the notional amount of the forward sales contracts to measure the fair value.

Interest Rate Lock Commitments. IRLCs are extended to certain home-buying customers who have applied for a mortgage loan and meet certain defined credit and underwriting criteria. Typically, the IRLCs will have a duration of less than six months; however, in certain markets, the duration could extend to twelve months.

Some IRLCs are committed to a specific third party investor through the use of best-efforts whole loan delivery commitments matching the exact terms of the IRLC loan. Uncommitted IRLCs are considered derivative instruments and are fair value adjusted, with the resulting gain or loss recorded in current earnings.

Forward Sales of Mortgage-Backed Securities. Forward sales of mortgage-backed securities (“FMBSs”) are used to protect uncommitted IRLC loans against the risk of changes in interest rates between the lock date and the funding date. FMBSs related to uncommitted IRLCs are classified and accounted for as non-designated derivative instruments and are recorded at fair value, with gains and losses recorded in current earnings.

Mortgage Loans Held for Sale. Mortgage loans held for sale consists primarily of single-family residential loans collateralized by the underlying property. Generally, all of the mortgage loans and related servicing rights are sold to third-party investors shortly after origination. During the intervening period between when a loan is closed and when it is sold to an investor, the interest rate risk is covered through the use of a best-efforts contract or by FMBSs. The FMBSs are classified and accounted for as non-designated derivative instruments, with gains and losses recorded in

current earnings.

The table below shows the notional amounts of our financial instruments at March 31, 2014 and December 31, 2013:

Description of financial instrument (in thousands)	March 31, 2014	December 31, 2013
Best efforts contracts and related committed IRLCs	\$3,104	\$2,494
Uncommitted IRLCs	58,687	49,710
FMBSs related to uncommitted IRLCs	64,000	48,000
Best efforts contracts and related mortgage loans held for sale	36,072	63,386
FMBSs related to mortgage loans held for sale	19,000	20,000
Mortgage loans held for sale covered by FMBSs	18,737	19,884

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The table below shows the level and measurement of assets and liabilities measured on a recurring basis at March 31, 2014 and December 31, 2013:

Description of Financial Instrument (in thousands)	Fair Value	Quoted Prices in	Significant Other	Significant
	Measurements	Active Markets for	Observable	Unobservable
	March 31, 2014	Identical Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Mortgage loans held for sale	\$55,750	\$—	\$55,750	\$—
Forward sales of mortgage-backed securities	180	—	180	—
Interest rate lock commitments	402	—	402	—
Best-efforts contracts	66	—	66	—
Total	\$56,398	\$—	\$56,398	\$—
Description of Financial Instrument (in thousands)	Fair Value	Quoted Prices in	Significant Other	Significant
	Measurements	Active Markets for	Observable	Unobservable
	December 31,	Identical Assets	Inputs	Inputs
	2013	(Level 1)	(Level 2)	(Level 3)
Mortgage loans held for sale	\$81,810	\$—	\$81,810	\$—
Forward sales of mortgage-backed securities	745	—	745	—
Interest rate lock commitments	(319)	—	(319)	—
Best-efforts contracts	479	—	479	—
Total	\$82,715	\$—	\$82,715	\$—

The following table sets forth the amount of gain (loss) recognized, within our revenue in the Unaudited Condensed Consolidated Statements of Operations, on assets and liabilities measured on a recurring basis for the three months ended March 31, 2014 and 2013:

Description (in thousands)	Three Months Ended March	
	2014	2013
Mortgage loans held for sale	\$2,788	\$924
Forward sales of mortgage-backed securities	(565)	(330)
Interest rate lock commitments	721	193
Best-efforts contracts	(413)	(123)
Total gain recognized	\$2,531	\$664

The following tables set forth the fair value of the Company's derivative instruments and their location within the Unaudited Condensed Consolidated Balance Sheets for the periods indicated (except for mortgage loans held for sale which is disclosed as a separate line item):

Description of Derivatives	Asset Derivatives		Liability Derivatives	
	March 31, 2014	Fair Value	March 31, 2014	Fair Value
	Balance Sheet	(in thousands)	Balance Sheet	(in thousands)
	Location		Location	
Forward sales of mortgage-backed securities	Other assets	\$180	Other liabilities	\$—
Interest rate lock commitments	Other assets	402	Other liabilities	—
Best-efforts contracts	Other assets	66	Other liabilities	—
Total fair value measurements		\$648		\$—
	Asset Derivatives		Liability Derivatives	
	December 31, 2013		December 31, 2013	

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Description of Derivatives	Balance Sheet Location	Fair Value (in thousands)	Balance Sheet Location	Fair Value (in thousands)
Forward sales of mortgage-backed securities	Other assets	\$745	Other liabilities	\$—
Interest rate lock commitments	Other assets	—	Other liabilities	319
Best-efforts contracts	Other assets	479	Other liabilities	—
Total fair value measurements		\$1,224		\$319

Assets Measured on a Non-Recurring Basis

The Company assesses inventory for recoverability on a quarterly basis if events or changes in local or national economic conditions indicate that the carrying amount of an asset may not be recoverable. In conducting our quarterly review for indicators of impairment on a community level, we evaluate, among other things, margins on sales contracts in backlog, the margins on homes that have

been delivered, expected changes in margins with regard to future home sales over the life of the community, expected changes in margins with regard to future land sales, the value of the land itself as well as any results from third party appraisals. We pay particular attention to communities in which inventory is moving at a slower than anticipated absorption pace, and communities whose average sales price and/or margins are trending downward and are anticipated to continue to trend downward. We also evaluate communities where management intends to lower the sales price or offer incentives in order to improve absorptions even if the community's historical results do not indicate a potential for impairment. From the review of all of these factors, we identify communities whose carrying values may exceed their estimated undiscounted future cash flows and run a test for recoverability. For those communities whose carrying values exceed the estimated undiscounted future cash flows and which are deemed to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the communities exceeds the estimated fair value. Due to the fact that the Company's cash flow models and estimates of fair values are based upon management estimates and assumptions, unexpected changes in market conditions and/or changes in management's intentions with respect to the inventory may lead the Company to incur additional impairment charges in the future.

Our determination of fair value is based on projections and estimates, which are Level 3 measurement inputs. Our analysis is completed at a phase level within each community; therefore, changes in local conditions may affect one or several of our communities. For all of the categories listed below, the key assumptions relating to the valuations are dependent on project-specific local market and/or community conditions and are inherently uncertain. Because each inventory asset is unique, there are numerous inputs and assumptions used in our valuation techniques. Market factors that may impact these assumptions include:

- historical project results such as average sales price and sales pace, if closings have occurred in the project;
- competitors' market and/or community presence and their competitive actions;
- project specific attributes such as location desirability and uniqueness of product offering;
- potential for alternative product offerings to respond to local market conditions; and
- current economic and demographic conditions and related trends and forecasts.

These and other market factors that may impact project assumptions are considered by personnel in our homebuilding divisions as they prepare or update the forecasts for each community. Quantitative and qualitative factors other than home sales prices could significantly impact the potential for future impairments. The sales objectives can differ between communities, even within a given sub-market. For example, facts and circumstances in a given community may lead us to price our homes with the objective of yielding a higher sales absorption pace, while facts and circumstances in another community may lead us to price our homes to minimize deterioration in our gross margins, although it may result in a slower sales absorption pace. Furthermore, the key assumptions included in our estimated future undiscounted cash flows may be interrelated. For example, a decrease in estimated base sales price or an increase in home sales incentives may result in a corresponding increase in sales absorption pace or a reduction in base house costs. Changes in our key assumptions, including estimated average selling price, construction and development costs, absorption pace (reflecting any product mix change strategies implemented or to be implemented), selling strategies, alternative land uses (including disposition of all or a portion of the land owned), or discount rates, could materially impact future cash flow and fair value estimates.

As of March 31, 2014, our projections generally assume a gradual improvement in market conditions over time. If communities are not recoverable based on estimated future undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The fair value of a community is estimated by discounting management's cash flow projections using an appropriate risk-adjusted interest rate. As of March 31, 2014, we utilized discount rates ranging from 13% to 16% in our valuations. The discount rate used in determining each asset's estimated fair value reflects the inherent risks associated with the related estimated cash flow stream, as well as current risk-free rates available in the market and estimated market risk premiums. For example, construction in progress inventory, which is closer to completion, will generally

require a lower discount rate than land under development in communities consisting of multiple phases spanning several years of development.

Operating Communities. If an indicator for impairment exists for existing operating communities, the recoverability of assets is evaluated by comparing the carrying amount of the assets to estimated future undiscounted net cash flows expected to be generated by the assets based on home sales. These estimated cash flows are developed based primarily on management's assumptions relating to the specific community. The significant assumptions used to evaluate the recoverability of assets include: the timing of development and/or marketing phases; projected sales price and sales pace of each existing or planned community; the estimated land development, home construction, and selling costs of the community; overall market supply and demand; the local market; and competitive conditions. Management reviews these assumptions on a quarterly basis. While we consider available information to determine what we believe to be our best estimates as of the end of a reporting period, these estimates are subject to change in future reporting periods as facts and circumstances change. We believe the most critical assumptions in the Company's cash flow

models are projected absorption pace for home sales, sales prices, and costs to build and deliver homes on a community by community basis.

In order to estimate the assumed absorption pace for home sales included in the Company's cash flow models, the Company analyzes the historical absorption pace in the community as well as other communities in the geographic area. In addition, the Company considers internal and external market studies and trends, which may include, but are not limited to, statistics on population demographics, unemployment rates, foreclosure sales, and availability of competing products in the geographic area where a community is located. When analyzing the Company's historical absorption pace for home sales and corresponding internal and external market studies, the Company places greater emphasis on more current metrics and trends such as the absorption pace realized in its most recent quarters and management's most current assessment of sales pace.

In order to estimate the sales prices included in its cash flow models, the Company considers the historical sales prices realized on homes it delivered in the community and other communities in the geographic area, as well as the sales prices included in its current backlog for such communities. In addition, the Company considers internal and external market studies and trends, which may include, but are not limited to, statistics on sales prices in neighboring communities, which include the impact of short sales, if any, and sales prices on similar products in non-neighboring communities in the geographic area where the community is located. When analyzing its historical sales prices and corresponding market studies, the Company places greater emphasis on more current metrics and trends such as the sales prices realized in its most recent quarters and the sales prices in current backlog. Based upon this analysis, the Company sets a sales price for each house type in the community which it believes will achieve an acceptable gross margin and sales pace in the community. This price becomes the price published to the sales force for use in its sales efforts. The Company then considers the average of these published sales prices when estimating the future sales prices in its cash flow models, assuming no increase in weighted average sales price in 2014, a 4% increase in 2015 and 2016, and a 2% increase in 2017 and beyond.

In order to arrive at the Company's assumed costs to build and deliver homes, the Company generally assumes a cost structure reflecting contracts currently in place with its vendors and subcontractors, adjusted for any anticipated cost reduction initiatives or increases in cost structure. With respect to overhead included in the cash flow models, the Company uses forecasted rates included in the Company's annual budget adjusted for actual experience that is materially different than budgeted rates. The Company anticipates no increase in assumed weighted average costs in 2014, a 4% increase in 2015 and 2016, and a 2% increase in 2017 and beyond.

Future communities. If an indicator of impairment exists for raw land, land under development, or lots that management anticipates will be utilized for future homebuilding activities, the recoverability of assets is evaluated by comparing the carrying amount of the assets to the estimated future undiscounted cash flows expected to be generated by the assets based on home sales, consistent with the evaluations performed for operating communities discussed above.

For raw land, land under development, or lots that management intends to market for sale to a third party, but that do not meet all of the criteria to be classified as land held for sale as discussed below, the estimated fair values of the assets are determined based on either the estimated net sales proceeds expected to be realized on the sale of the assets or the estimated fair value determined using cash flow valuation techniques.

If the Company has not yet determined whether raw land, land under development, or lots will be utilized for future homebuilding activities or marketed for sale to a third party, the Company assesses the recoverability of the inventory using a probability-weighted approach.

Land held for sale. Land held for sale includes land that meets all of the following six criteria: (1) management, having the authority to approve the action, commits to a plan to sell the asset; (2) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (4) the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company records land held for sale at the lower of its carrying value or estimated fair value less costs to sell. In performing the impairment evaluation for land held for sale, management considers, among other things, prices for land in recent comparable sales transactions, market analysis and recent bona fide offers received from outside third parties, as well as actual contracts. If the estimated fair value less the costs to sell an asset is less than the asset's current carrying value, the asset is written down to its estimated fair value less costs to sell.

Our quarterly assessments reflect management's best estimates. Due to the inherent uncertainties in management's estimates and uncertainties related to our operations and our industry as a whole, we are unable to determine at this time if and to what extent continuing future impairments will occur. Additionally, due to the volume of possible outcomes that can be generated from changes in the various model inputs for each community, we do not believe it is possible to create a sensitivity analysis that can provide meaningful information for the users of our financial statements.

Variable Interest Entities. In order to minimize our investment and risk of land exposure in a single location, we have periodically partnered with other land developers or homebuilders to share in the land investment and development of a property through joint ownership and development agreements, joint ventures, and other similar arrangements. During the three month period ended March 31, 2014, we increased our total investment in such joint venture arrangements from December 31, 2013 by \$9.6 million primarily due to a joint investment with another builder in a land development in our Southern region.

For joint venture arrangements where a special purpose entity is established to own the property, we generally enter into limited liability company or similar arrangements ("LLCs") with the other partners. The Company's ownership interest in these LLCs as of March 31, 2014 ranged from 25% to 61%. These entities typically engage in land development activities for the purpose of distributing or selling developed lots to the Company and its partners in the LLC. With respect to our investments in these LLCs, we are required, under ASC 810-10, Consolidation ("ASC 810-10"), to evaluate whether or not such entities should be consolidated into our financial statements. We initially perform these evaluations when each new entity is created and upon any events that require reconsideration of the entity. In order to determine if we should consolidate an LLC, we determine (1) if the LLC is a variable interest entity ("VIE") and (2) if we are the primary beneficiary of the entity. To determine whether we are the primary beneficiary of an entity, we consider whether we have the ability to control the activities of the VIE that most significantly impact its economic performance. This analysis considers, among other things, whether we have the ability to determine the budget and scope of land development work, if any; the ability to control financing decisions for the VIE; the ability to acquire additional land into the VIE or dispose of land in the VIE not under contract with M/I Homes; and the ability to change or amend the existing option contract with the VIE. If we determine that we are not able to control such activities, we are not considered the primary beneficiary of the VIE.

As of March 31, 2014, we have determined that one of the LLCs in which we have an interest meets the requirements of a VIE due to a lack of equity at risk in the entity. However, we have determined that we do not have substantive control over any of these LLCs, including our VIE, as we do not have the ability to control the activities that most significantly impact their economic performance. As a result, we are not required to consolidate any of the LLCs into our financial statements and we instead recorded the LLCs in Investment in Unconsolidated Joint Ventures on our Unaudited Condensed Consolidated Balance Sheets.

We enter into option or purchase agreements to acquire land or lots, for which we generally pay non-refundable deposits. We also analyze these agreements under ASC 810-10 to determine whether we are the primary beneficiary of the VIE, if applicable, using an analysis similar to that described above. If we are deemed to be the primary beneficiary of the VIE, we will consolidate the VIE in our consolidated financial statements. In cases where we are the primary beneficiary, even though we do not have title to such land, we are required to consolidate these purchase/option agreements and reflect such assets and liabilities as Consolidated Inventory not Owned in our Unaudited Condensed Consolidated Balance Sheets. At both March 31, 2014 and December 31, 2013, we were not required to consolidate any of our option or purchase agreements.

Investment In Unconsolidated Joint Ventures. We use the equity method of accounting for investments in unconsolidated joint ventures over which we exercise significant influence but do not have a controlling interest. Under the equity method, our share of the unconsolidated joint ventures' earnings or loss, if any, is included in our

statement of operations. We evaluate our investments in unconsolidated joint ventures for impairment at least quarterly as described below.

If the fair value of the investment is less than the investment's carrying value and the Company has determined that the decline in value is other than temporary, the Company would write down the value of the investment to fair value. The determination of whether an investment's fair value is less than the carrying value requires management to make certain assumptions regarding the amount and timing of future contributions to the unconsolidated joint venture, the timing of distribution of lots to the Company from the unconsolidated joint venture, the projected fair value of the lots at the time of distribution to the Company, and the estimated proceeds from, and timing of, the sale of land or lots to third parties. In determining the fair value of investments in unconsolidated joint ventures, the Company evaluates the projected cash flows associated with each unconsolidated joint venture. As of March 31, 2014, the Company used a discount rate of 16% in determining the fair value of investments in unconsolidated joint ventures. In addition to the assumptions management must make to determine if the investment's fair value is less than the carrying value, management must also use judgment in determining whether the impairment is other than temporary. The factors management considers are: (1) the length of time and the extent to which the market value has been less than cost; (2) the financial condition and near-term prospects of the company; and (3) the intent and ability of the Company to retain its investment in the

unconsolidated joint venture for a period of time sufficient to allow for any anticipated recovery in market value. We believe that the Company's maximum exposure related to its investment in these unconsolidated joint ventures as of March 31, 2014 is the amount invested of \$44.8 million, which is reported as Investment in Unconsolidated Joint Ventures on our Unaudited Condensed Consolidated Balance Sheets, in addition to a \$2.5 million note due to the Company from one of the unconsolidated joint ventures (reported in Other Assets), although we expect to invest further amounts in these unconsolidated joint ventures as development of the properties progresses. Included in the Company's investment in unconsolidated joint ventures at both March 31, 2014 and December 31, 2013 were \$0.8 million of capitalized interest and other costs.

Because of the high degree of judgment involved in developing these assumptions, it is possible that the Company may determine the investment is not impaired in the current period; however, due to the passage of time, change in market conditions, and/or changes in management's intentions with respect to the inventory, a change in assumptions could result and impairment could occur.

The table below shows the level and measurement of the Company's assets measured on a non-recurring basis as of and for the three months ended March 31, 2014 and 2013:

Description (in thousands)	Hierarchy	Three Months Ended March 31,	
		2014	2013 (2)
Adjusted basis of inventory (1)	Level 3	\$—	\$2,015
Total losses		—	900
Initial basis of inventory		\$—	\$2,915

(1) The fair values in the table above represent only assets whose carrying values were adjusted in the respective period.

(2) The carrying values for these assets may have subsequently increased or decreased from the fair value reported due to activities that have occurred since the measurement date.

Financial Instruments

Counterparty Credit Risk. To reduce the risk associated with losses that would be recognized if counterparties failed to perform as contracted, the Company limits the entities with whom management can enter into commitments. This risk of accounting loss is the difference between the market rate at the time of non-performance by the counterparty and the rate to which the Company committed.

The following table presents the carrying amounts and fair values of the Company's financial instruments at March 31, 2014 and December 31, 2013. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

(In thousands)	March 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash, cash equivalents and restricted cash	\$ 100,911	\$ 100,911	\$ 142,627	\$ 142,627
Mortgage loans held for sale	55,750	55,750	81,810	81,810
Split dollar life insurance policies	185	185	171	171
Notes receivable	4,692	3,780	3,151	2,784
Commitments to extend real estate loans	402	402	—	—
	66	66	479	479

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Best-efforts contracts for committed IRLCs and mortgage loans held for sale				
Forward sales of mortgage-backed securities	180	180	745	745
Liabilities:				
Notes payable - banks	51,532	51,532	80,029	80,029
Notes payable - other	7,757	7,651	7,790	7,452
Convertible senior subordinated notes due 2017	57,500	69,431	57,500	74,391
Convertible senior subordinated notes due 2018	86,250	91,748	86,250	95,845
Senior notes due 2018	228,169	248,113	228,070	248,975
Commitments to extend real estate loans	—	—	319	319
Off-Balance Sheet Financial Instruments:				
Letters of credit	—	356	—	413

The following methods and assumptions were used by the Company in estimating its fair value disclosures of financial instruments at March 31, 2014 and December 31, 2013:

Cash, Cash Equivalents and Restricted Cash. The carrying amounts of these items approximate fair value because they are short-term by nature.

Mortgage Loans Held for Sale, Forward Sales of Mortgage-Backed Securities, Commitments to Extend Real Estate Loans, Best-Efforts Contracts for Committed IRLCs and Mortgage Loans Held for Sale, 2017 Convertible Senior Subordinated Notes, 2018 Convertible Senior Subordinated Notes and 2018 Senior Notes. The fair value of these financial instruments was determined based upon market quotes at March 31, 2014 and December 31, 2013. The market quotes used were quoted prices for similar assets or liabilities along with inputs taken from observable market data by correlation. The inputs were adjusted to account for the condition of the asset or liability.

Split Dollar Life Insurance Policies and Notes Receivable. The estimated fair value was determined by calculating the present value of the amounts based on the estimated timing of receipts using discount rates that incorporate management's estimate of risk associated with the corresponding note receivable.

Notes Payable - Banks. The Company is a party to three primary credit agreements: (1) a \$200 million unsecured revolving credit facility dated July 18, 2013, with M/I Homes, Inc. as borrower and guaranteed by the Company's wholly owned homebuilding subsidiaries (the "Credit Facility"); (2) a \$110 million secured mortgage warehousing agreement, with M/I Financial as borrower, amended on March 28, 2014 (the "MIF Mortgage Warehousing Agreement"); and (3) a \$15 million mortgage repurchase agreement, with M/I Financial as borrower, amended on November 6, 2013 (the "MIF Mortgage Repurchase Facility"). For each of these credit facilities, the interest rate is based on a variable rate index, and thus their carrying value is a reasonable estimate of fair value. The interest rate available to the Company during the first quarter of 2014 fluctuated with the Alternate Base Rate or the Eurodollar Rate (for the Credit Facility) or LIBOR (for the MIF Mortgage Warehousing Agreement and the MIF Mortgage Repurchase Facility).

Notes Payable - Other. The estimated fair value was determined by calculating the present value of the future cash flows using the Company's current incremental borrowing rate.

Letters of Credit. Letters of credit of \$25.7 million and \$25.8 million represent potential commitments at March 31, 2014 and December 31, 2013, respectively. The letters of credit generally expire within one or two years. The estimated fair value of letters of credit was determined using fees currently charged for similar agreements.

NOTE 3. Inventory

A summary of the Company's inventory as of March 31, 2014 and December 31, 2013 is as follows:

(In thousands)	March 31, 2014	December 31, 2013
Single-family lots, land and land development costs	\$337,137	\$323,673
Land held for sale	3,623	8,059
Homes under construction	325,439	305,499
Model homes and furnishings - at cost (less accumulated depreciation: March 31, 2014 - \$5,642; December 31, 2013 - \$5,173)	36,831	34,433
Community development district infrastructure	2,060	3,130
Land purchase deposits	16,910	14,365
Consolidated inventory not owned	1,627	1,775

Total inventory	\$723,627	\$690,934
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Single-family lots, land and land development costs include raw land that the Company has purchased to develop into lots, costs incurred to develop the raw land into lots, and lots for which development has been completed, but which have not yet been used to start construction of a home.

Homes under construction include homes that are in various stages of construction. As of March 31, 2014 and December 31, 2013, we had 782 homes (with a carrying value of \$119.0 million) and 798 homes (with a carrying value of \$123.3 million), respectively, included in homes under construction that were not subject to a sales contract.

Model homes and furnishings include homes that are under construction or have been completed and are being used as sales models. The amount also includes the net book value of furnishings included in our model homes. Depreciation on model home furnishings is recorded using an accelerated method over the estimated useful life of the assets, typically three years.

The Company assesses inventory for recoverability on a quarterly basis. Refer to Note 2 of our Unaudited Condensed Consolidated Financial Statements for additional details relating to our procedures for evaluating our inventories for impairment.

Land purchase deposits include both refundable and non-refundable amounts paid to third party sellers relating to the purchase of land. On an ongoing basis, the Company evaluates the land option agreements relating to the land purchase deposits. In the period during which the Company makes the decision not to proceed with the purchase of land under an agreement, the Company writes off any deposits and accumulated pre-acquisition costs relating to such agreement.

NOTE 4. Capitalized Interest

The Company capitalizes interest during land development and home construction. Capitalized interest is charged to land and housing costs and expenses as the related inventory is delivered to a third party. The summary of capitalized interest for the three months ended March 31, 2014 and 2013 is as follows:

(In thousands)	Three Months Ended March 31,	
	2014	2013
Capitalized interest, beginning of period	\$13,802	\$15,376
Interest capitalized to inventory	3,250	2,777
Capitalized interest charged to land and housing costs and expenses	(3,108	) (3,528
Capitalized interest, end of period	\$13,944	\$14,625
Interest incurred	\$7,420	\$7,117

NOTE 5. Guarantees and Indemnifications

Warranty

Warranty reserves are recorded for warranties under our Home Builder's Limited Warranty ("HBLW") and our 10-year (Texas markets only) and 30-year (all markets excluding Texas) transferable structural warranty in Other Liabilities on the Company's Unaudited Condensed Consolidated Balance Sheets.

The warranty reserves for the HBLW are established as a percentage of average sales price and adjusted based on historical payment patterns determined, generally, by geographic area and recent trends. Factors that are given consideration in determining the HBLW reserves include: (1) the historical range of amounts paid per average sales price on a home; (2) type and mix of amenity packages added to the home; (3) any warranty expenditures not considered to be normal and recurring; (4) timing of payments; (5) improvements in quality of construction expected to impact future warranty expenditures; and (6) conditions that may affect certain projects and require a different percentage of average sales price for those specific projects. Changes in estimates for warranties occur due to changes in the historical payment experience and differences between the actual payment pattern experienced during the period and the historical payment pattern used in our evaluation of the warranty reserve balance at the end of each quarter. Actual future warranty costs could differ from our current estimated amount.

Our warranty reserves for our transferable structural warranty programs are established on a per-unit basis. While the structural warranty reserve is recorded as each house closes, the sufficiency of the structural warranty per unit charge and total reserve is re-evaluated on an annual basis, with the assistance of an actuary, using our own historical data and trends, industry-wide historical data and trends, and other project specific factors. The reserves are also evaluated quarterly and adjusted if we encounter activity that is inconsistent with the historical experience used in the annual analysis. These reserves are subject to variability due to uncertainties regarding structural defect claims for products we build, the markets in which we build, claim settlement history, insurance and legal interpretations, among other factors.

While we believe that our warranty reserves are sufficient to cover our projected costs, there can be no assurances that historical data and trends will accurately predict our actual warranty costs.

A summary of warranty activity for the three months ended March 31, 2014 and 2013 is as follows:

(In thousands)	Three Months Ended March 31,	
	2014	2013
Warranty reserves, beginning of period	\$ 12,291	\$ 10,438
Warranty expense on homes delivered during the period	1,359	1,338
Changes in estimates for pre-existing warranties	238	—
Settlements made during the period	(2,119	) (1,376
Warranty reserves, end of period	\$ 11,769	\$ 10,400

Guarantees

In the ordinary course of business, M/I Financial, LLC (“M/I Financial”), a 100%-owned subsidiary of M/I Homes, Inc., enters into agreements that guarantee certain purchasers of its mortgage loans that M/I Financial will repurchase a loan if certain conditions occur, primarily if the mortgagor does not meet those terms of the loan within the first six months after the sale of the loan. Loans totaling approximately \$6.5 million and \$5.2 million were covered under the above guarantees as of March 31, 2014 and December 31, 2013, respectively. A portion of the revenue paid to M/I Financial for providing the guarantees on the above loans was deferred at March 31, 2014, and will be recognized in income as M/I Financial is released from its obligation under the guarantees. M/I Financial did not repurchase any loans under the above agreements during the three months ended March 31, 2014. The risk associated with the guarantees above is offset by the value of the underlying assets.

M/I Financial has received inquiries concerning underwriting matters from purchasers of its loans regarding certain loans totaling approximately \$7.9 million and \$8.2 million at March 31, 2014 and December 31, 2013, respectively. The risk associated with the guarantees above is offset by the value of the underlying assets.

M/I Financial has also guaranteed the collectability of certain loans to third party insurers (U.S. Department of Housing and Urban Development and U.S. Veterans Administration) of those loans for periods ranging from five to thirty years. As of March 31, 2014 and December 31, 2013, the total of all loans indemnified to third party insurers relating to the above agreements was \$1.6 million and \$1.5 million, respectively. The maximum potential amount of future payments is equal to the outstanding loan value less the value of the underlying asset plus administrative costs incurred related to foreclosure on the loans, should this event occur.

The Company has recorded a liability relating to the guarantees described above totaling \$2.8 million and \$3.1 million at March 31, 2014 and December 31, 2013, respectively, which is management's best estimate of the Company's liability.

At March 31, 2014, the Company had outstanding \$230.0 million aggregate principal amount of 8.625% Senior Notes due 2018 (the “2018 Senior Notes”), \$57.5 million aggregate principal amount of 3.25% Convertible Senior Subordinated Notes due 2017 (the “2017 Convertible Senior Subordinated Notes”) and \$86.3 million aggregate principal amount of 3.0% Convertible Senior Subordinated Notes due 2018 (the “2018 Convertible Senior Subordinated Notes”). The Company's obligations under the 2018 Senior Notes and the Credit Facility are guaranteed jointly and severally on a senior unsecured basis by all of the Company's subsidiaries, with the exception of subsidiaries that are primarily engaged in the business of mortgage financing, title insurance or similar financial businesses relating to the homebuilding and home sales business, certain subsidiaries that are not 100%-owned by the Company or another subsidiary, and other subsidiaries designated by the Company as Unrestricted Subsidiaries (as defined in Note 11), subject to limitations on the aggregate amount invested in such Unrestricted Subsidiaries in accordance with the terms of the Credit Facility and the Indenture for the 2018 Senior Notes. The Company's obligations under the 2017 Convertible Senior Subordinated Notes and the 2018 Convertible Senior Subordinated Notes are guaranteed jointly and severally on a senior subordinated unsecured basis by the same subsidiaries of the Company that are guarantors

for the 2018 Senior Notes and the Credit Facility (the “Guarantor Subsidiaries”).

NOTE 6. Commitments and Contingencies

At March 31, 2014, the Company had outstanding approximately \$96.0 million of completion bonds and standby letters of credit, some of which were issued to various local governmental entities that expire at various times through October 2018. Included in this total are: (1) \$66.0 million of performance and maintenance bonds and \$14.0 million of performance letters of credit that serve as completion bonds for land development work in progress; (2) \$11.7 million of financial letters of credit, of which \$6.2 million represent deposits on land and lot purchase agreements; and (3) \$4.3 million of financial bonds.

At March 31, 2014, the Company also had options and contingent purchase agreements to acquire land and developed lots with an aggregate purchase price of approximately \$445.3 million. Purchase of properties under these agreements is contingent upon satisfaction of certain requirements by the Company and the sellers.

The Company and certain of its subsidiaries have been named as defendants in certain claims, complaints and legal actions that are incidental to our business. Certain of the liabilities resulting from these matters are covered by insurance. While management currently believes that the ultimate resolution of these matters, individually and in the aggregate, will not have a material effect on the Company's financial position, results of operations and cash flows, such matters are subject to inherent uncertainties. The Company has recorded a liability to provide for the anticipated costs, including legal defense costs, associated with the resolution of these matters. However, it is possible that the costs to resolve these matters could differ from the recorded estimates and, therefore, have a material effect on the Company's net income for the periods in which the matters are resolved. At March 31, 2014 and December 31, 2013, we had \$0.1 million and \$0.3 million reserved for legal expenses, respectively.

NOTE 7. Debt

Notes Payable - Homebuilding

The Credit Facility matures on July 18, 2016, and provides revolving credit financing for the Company with a maximum borrowing availability of \$200 million and a sub-limit of \$100 million for the issuance of letters of credit. The Credit Facility contains an uncommitted \$25 million accordion feature under which its aggregate principal amount can be increased to up to \$225 million, subject to certain conditions, including obtaining additional commitments from existing or new lenders. Interest on amounts borrowed under the Credit Facility is payable at a rate based on either the Alternate Base Rate plus 2.25% or at the Eurodollar Rate plus 3.25%. Borrowings under the Credit Facility are unsecured and availability is subject to, among other things, a borrowing base. The Credit Facility also contains certain financial covenants. At March 31, 2014, the Company was in compliance with all financial covenants of the Credit Facility.

At March 31, 2014, borrowing availability under the Credit Facility in accordance with the borrowing base calculation was \$320.5 million, so the full amount of the \$200 million facility was available. There were no borrowings outstanding and \$14.6 million of letters of credit outstanding, leaving net remaining borrowing availability of \$185.4 million as of March 31, 2014.

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, title insurance or similar financial businesses relating to the homebuilding and home sales business, certain subsidiaries that are not 100%-owned by the Company or another subsidiary, and other subsidiaries designated by the Company as Unrestricted Subsidiaries (as defined in Note 11 to our Unaudited Condensed Consolidated Financial Statements), subject to limitations on the aggregate amount invested in such Unrestricted Subsidiaries in accordance with the terms of the Credit Facility and the indenture for the 2018 Senior Notes. The guarantors for the Credit Facility are the same subsidiaries that guarantee the 2018 Senior Notes, the 2017 Convertible Senior Subordinated Notes, and the 2018 Convertible Senior Subordinated Notes.

The Company's obligations under the Credit Facility 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. Our obligations under the Credit Facility are effectively subordinated to our existing and future secured indebtedness with respect to any assets comprising security or collateral for such indebtedness.

The Company is party to three secured credit agreements for the issuance of letters of credit outside of the Credit Facility (collectively, the "Letter of Credit Facilities"), with maturities ranging from June 1, 2014 to September 30, 2014. The agreements governing the Letter of Credit Facilities contain limits for the issuance of letters of credit ranging from \$5.0 million to \$10.0 million, for a combined letter of credit capacity of \$20.0 million, of which \$1.3 million was uncommitted at March 31, 2014 and could be withdrawn at any time. At March 31, 2014 and December 31, 2013, there was \$11.0 million and \$13.4 million of outstanding letters of credit in aggregate under the Company's three Letter of Credit Facilities, respectively, which were collateralized with \$11.3 million and

\$13.7 million of the Company's cash, respectively.

Notes Payable — Financial Services

In March 2014, M/I Financial entered into an amendment to the MIF Mortgage Warehousing Agreement, which, among other things, increased the maximum borrowing availability to \$110.0 million from \$100.0 million and included an accordion feature which allows for an increase of the maximum borrowing availability of up to an additional \$20.0 million (subject to certain conditions, including obtaining additional commitments from existing or new lenders), extended the expiration date to March 27, 2015, increased the maximum principal amount permitted to be outstanding at any one time in aggregate under all warehouse credit lines to \$150.0 million from \$125.0 million, and, effective with the quarter ending September 30, 2014, increased M/I Financial's minimum required tangible net worth requirement from \$10.0 million to \$11.0 million and the minimum required liquidity requirement from \$5.0 million to \$5.5 million. The interest rate was also adjusted to a per annum rate equal to the greater of (1) the floating LIBOR rate plus 275 basis points and (2) 3.0%.

In November 2012, M/I Financial entered into the MIF Mortgage Repurchase Facility, an additional mortgage financing agreement structured as a mortgage repurchase facility with a maximum borrowing availability of \$15.0 million, to provide the Company with additional financing capacity. The MIF Mortgage Repurchase Facility, as amended on November 6, 2013, has an expiration date of November 5, 2014 and is used to finance eligible residential mortgage loans originated by M/I Financial. M/I Financial pays interest on each advance under the MIF Mortgage Repurchase Facility at a per annum rate equal to the floating LIBOR rate plus 275 or 300 basis points depending on the loan type.

At March 31, 2014 and December 31, 2013, M/I Financial's total combined maximum borrowing availability under the two credit facilities was \$125.0 million and \$115.0 million, respectively. At March 31, 2014 and December 31, 2013, M/I Financial had \$51.5 million and \$80.0 million outstanding on a combined basis under its credit facilities, respectively, and was in compliance with all financial covenants of those agreements for both periods.

Senior Notes

In November 2010, the Company issued \$200 million aggregate principal amount of 2018 Senior Notes. In May 2012, we issued an additional \$30 million of 2018 Senior Notes under our 2018 Senior Notes indenture for a total outstanding balance of \$230 million. As of both March 31, 2014 and December 31, 2013, we had \$230.0 million of our 2018 Senior Notes outstanding. The 2018 Senior Notes bear interest at a rate of 8.625% per year, payable semiannually in arrears on May 15 and November 15 of each year, and mature on November 15, 2018. The 2018 Senior Notes 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 2018 Senior Notes are effectively subordinated to our existing and future secured indebtedness with respect to any assets comprising security or collateral for such indebtedness. The 2018 Senior Notes contain certain covenants, as more fully described and defined in the indenture, which limit the ability of the Company and the restricted subsidiaries to, among other things: incur additional indebtedness; make certain payments, including dividends, or repurchase any shares, in an aggregate amount exceeding our "restricted payments basket"; make certain investments; and create or incur certain liens, 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 the 2018 Senior Notes. As of March 31, 2014, the Company was in compliance with all terms, conditions, and financial covenants under the indenture.

The 2018 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our subsidiaries, with the exception of subsidiaries that are primarily engaged in the business of mortgage financing, title insurance or similar financial businesses relating to the homebuilding and home sales business, certain subsidiaries that are not 100%-owned by the Company or another subsidiary, and other subsidiaries designated by the Company as Unrestricted Subsidiaries (as defined in Note 11 to our Unaudited Condensed Consolidated Financial Statements), subject to limitations on the aggregate amount invested in such Unrestricted Subsidiaries in accordance with the terms of the Credit Facility and the indenture for the 2018 Senior Notes. As of March 31, 2014, the guarantors for the 2018 Senior Notes are the same subsidiaries that guarantee the Credit Facility, the 2017 Convertible Senior Subordinated Notes, and the 2018 Convertible Senior Subordinated Notes.

The Company may redeem all or any portion of the 2018 Senior Notes on or after November 15, 2014 at a stated redemption price, together with accrued and unpaid interest thereon. The redemption price will initially be 104.313% of the principal amount outstanding, but will decline to 102.156% of the principal amount outstanding if redeemed during the 12-month period beginning on November 15, 2015, and will further decline to 100.000% of the principal amount outstanding if redeemed on or after November 15, 2016, but prior to maturity.

The indenture governing our 2018 Senior Notes limits our ability to pay dividends on, and repurchase, our common shares and our 9.75% Series A Preferred Shares (the "Series A Preferred Shares") to the amount of the positive balance in our "restricted payments basket," as defined in the indenture. The "restricted payments basket" is equal to \$40 million (1) plus 50% of our aggregate consolidated net income (or minus 100% of our aggregate consolidated net loss) since October 1, 2010, excluding the income or loss from Unrestricted Subsidiaries, plus (2) 100% of the net cash proceeds

from the sale of qualified equity interests, plus other items and subject to other exceptions. The restricted payments basket was \$136.4 million at March 31, 2014. We are permitted to pay dividends on, and repurchase, our common shares and Series A Preferred Shares to the extent of the positive balance in our restricted payments basket. The determination to pay future dividends on, or make future repurchases of, our common shares or Series A Preferred Shares will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, capital requirements and compliance with debt covenants and the terms of our Series A Preferred Shares, and other factors deemed relevant by our board of directors.

Convertible Senior Subordinated Notes

In March 2013, the Company issued \$86.3 million aggregate principal amount of 2018 Convertible Senior Subordinated Notes. The 2018 Convertible Senior Subordinated Notes bear interest at a rate of 3.0% per year, payable semiannually in arrears on March 1 and September 1 of each year. The 2018 Convertible Senior Subordinated Notes mature on March 1, 2018. At any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2018 Convertible Senior Subordinated Notes into the Company's common shares. The conversion rate initially equals 30.9478 shares per \$1,000 of principal amount. This corresponds to an initial conversion price of approximately \$32.31 per common share, which equates to approximately 2.7 million common shares. The conversion rate is subject to adjustment upon the occurrence of certain events. The 2018 Convertible Senior Subordinated Notes are fully and unconditionally guaranteed on a senior subordinated unsecured basis by those subsidiaries of the Company that are guarantors under the Company's 2018 Senior Notes and 2017 Convertible Senior Subordinated Notes. The 2018 Convertible Senior Subordinated Notes are senior subordinated unsecured obligations of the Company and the subsidiary guarantors, are subordinated in right of payment to our existing and future senior indebtedness and are also effectively subordinated to our existing and future secured indebtedness with respect to any assets comprising security or collateral for such indebtedness. The indenture governing the 2018 Convertible Senior Subordinated Notes provides that the Company may not redeem the 2018 Convertible Senior Subordinated Notes prior to March 6, 2016, but also contains provisions requiring the Company to repurchase the notes (subject to certain exceptions), at a holder's option, upon the occurrence of a fundamental change (as defined in the indenture).

On or after March 6, 2016, the Company may redeem for cash any or all of the 2018 Convertible Senior Subordinated Notes (except for any 2018 Convertible Senior Subordinated Notes that the Company is required to repurchase in connection with a fundamental change), but only if the last reported sale price of the Company's common shares exceeds 130% of the applicable conversion price for the notes on each of at least 20 applicable trading days. The 20 trading days do not need to be consecutive, but must occur during a period of 30 consecutive trading days that ends within 10 trading days immediately prior to the date the Company provides the notice of redemption. The redemption price for the 2018 Convertible Senior Subordinated Notes to be redeemed will equal 100% of the principal amount, plus accrued and unpaid interest, if any.

In September 2012, the Company issued \$57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes. The 2017 Convertible Senior Subordinated Notes bear interest at a rate of 3.25% per year, payable semiannually in arrears on March 15 and September 15 of each year. The 2017 Convertible Senior Subordinated Notes mature on September 15, 2017. At any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2017 Convertible Senior Subordinated Notes into the Company's common shares. The conversion rate initially equals 42.0159 shares per \$1,000 of principal amount. This corresponds to an initial conversion price of approximately \$23.80 per common share, which equates to approximately 2.4 million common shares. The conversion rate is subject to adjustment upon the occurrence of certain events. The 2017 Convertible Senior Subordinated Notes are fully and unconditionally guaranteed on a senior subordinated unsecured basis by those subsidiaries of the Company that are guarantors under the Company's 2018 Senior Notes and 2018 Convertible Senior Subordinated Notes. The 2017 Convertible Senior Subordinated Notes are senior subordinated unsecured obligations of the Company and the subsidiary guarantors, are subordinated in right of payment to our existing and future senior indebtedness and are also effectively subordinated to our existing and future secured indebtedness with respect to any assets comprising security or collateral for such indebtedness. The indenture governing the 2017 Convertible Senior Subordinated Notes provides that we may not redeem the notes prior to their stated maturity date, but also contains provisions requiring the Company to repurchase the 2017 Convertible Senior Subordinated Notes (subject to certain exceptions), at a holder's option, upon the occurrence of a fundamental change (as defined in the indenture).

Notes Payable - Other

The Company had other borrowings, which are reported in Notes Payable - Other in our Unaudited Condensed Consolidated Balance Sheets, totaling \$7.8 million as of both March 31, 2014 and December 31, 2013. The balance

consists primarily of a mortgage note payable with a \$4.7 million principal balance outstanding at March 31, 2014 (and \$4.8 million outstanding at December 31, 2013), which is secured by an office building, matures in 2017 and carries an interest rate of 8.1%. The remaining balance is made up of other notes payable acquired through normal course of business.

NOTE 8. Earnings Per Share

The table below presents a reconciliation between basic and diluted weighted average shares outstanding, net income available to common shareholders and basic and diluted income per share for the three months ended March 31, 2014 and 2013:

(In thousands, except per share amounts)	Three Months Ended	
	March 31, 2014	2013
NUMERATOR		
Net income	\$ 12,632	\$ 4,587
Preferred stock dividends	(1,219)	—
Excess of fair value over book value of preferred shares redeemed	—	(2,190)
Net income to common shareholders	11,413	2,397
Interest on 3.25% convertible senior subordinated notes due 2017	358	—
Interest on 3.00% convertible senior subordinated notes due 2018	482	—
Diluted income available to common shareholders	\$ 12,253	\$ 2,397
DENOMINATOR		
Basic weighted average shares outstanding	24,417	22,273
Effect of dilutive securities:		
Stock option awards	239	296
Deferred compensation awards	129	119
3.25% convertible senior subordinated notes due 2017	2,416	—
3.00% convertible senior subordinated notes due 2018	2,669	—
Diluted weighted average shares outstanding - adjusted for assumed conversions	29,870	22,688
Earnings per common share		
Basic	\$ 0.47	\$ 0.11
Diluted	\$ 0.41	\$ 0.11
Anti-dilutive equity awards not included in the calculation of diluted earnings per common share	1,154	856

During the first quarter of 2014, the Company declared a cash dividend of \$609.375 per preferred share on its 2,000 outstanding Series A Preferred Shares. The dividend was paid on March 17, 2014 to holders of record as of March 1, 2014 for \$1.2 million in cash. This charge reduced net income to common shareholders in the earnings per share calculation above for the three month period ended March 31, 2014.

In March 2013, the Company announced its intention to redeem 2,000 of its outstanding Series A Preferred Shares and recognized a \$2.2 million non-cash equity charge in the first quarter of 2013 related to the excess of fair value over carrying value relating primarily to the original issuance costs that were paid in 2007. This charge reduced net income to common shareholders in the earnings per share calculation above for the three months ended March 31, 2013. On April 10, 2013, the Company redeemed the 2,000 Series A Preferred Shares for \$50.4 million in cash.

During the quarter ended March 31, 2013, the Company also issued 2.461 million common shares in a public offering at a price of \$23.50 per share (for net proceeds of \$54.6 million), which shares are included above in our total basic weighted average shares outstanding for both periods presented.

For the three months ended March 31, 2014, the effect of convertible debt was included in the diluted earnings per share calculations. For the three months ended March 31, 2013, the effect of convertible debt was not included in the diluted earnings per share calculations as it would have been anti-dilutive.

NOTE 9. Income Taxes

The Company records income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on future tax consequences attributable to (1) temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (2) operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or paid. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the changes are enacted.

In accordance with ASC 740-10, Income Taxes, we evaluate our deferred tax assets, including the benefit from net operating losses (“NOLs”) and tax credit carryforwards, to determine if a valuation allowance is required. Companies must assess, using significant judgments, whether a valuation allowance should be established based on the consideration of all available evidence using a “more likely than not” standard with significant weight being given to evidence that can be objectively verified. This assessment gives appropriate consideration to all positive and negative evidence related to the realization of the deferred tax assets and considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the length of statutory carryforward periods, our experience with operating losses and our experience of utilizing tax credit carryforwards and tax planning alternatives. Based upon a review of all available evidence, we recorded a full valuation allowance against our deferred tax assets during 2008 due to economic conditions and the weight of negative evidence at the time.

During the year ended December 31, 2013, the Company concluded based on its analysis of positive and negative evidence, that the objective positive evidence outweighed the negative evidence and that the Company will more likely than not realize a majority of its deferred tax assets. As a result of such determination, the Company reversed a majority of its deferred tax asset in 2013.

On February 1, 2014, M/I Financial Corp. was converted from a wholly-owned Ohio C corporation to a wholly-owned Ohio limited liability company, and its name was changed to M/I Financial, LLC. M/I Financial, LLC will be disregarded for state and federal income tax purposes as an entity separate from its owner and will report its income and deductions on M/I Homes, Inc.’s federal and state tax returns. As a result, we estimate that we will utilize more of our state tax NOLs than previously estimated, and recognized a tax benefit of approximately \$5.3 million during the first quarter of 2014. Of that amount, approximately \$3.0 million is attributable to the conversion of M/I Financial and the remainder was attributable to better than anticipated operating results during the first quarter of 2014. These reversals were partially offset by income tax expense incurred of \$5.2 million. At March 31, 2014, the Company's total deferred tax assets were \$116.0 million, which, inclusive of our remaining valuation allowance, results in a deferred tax asset of \$112.1 million. The \$112.1 million total deferred tax asset after valuation allowance is offset by \$0.8 million of total deferred tax liabilities for a \$111.2 million net deferred tax asset. The \$111.2 million net deferred tax asset is reported on the Company's Unaudited Condensed Consolidated Balance Sheets, net of a \$4.0 million valuation allowance.

The tax effects of the significant temporary differences that comprise the deferred tax assets and liabilities are as follows:

(In thousands)	March 31, 2014	December 31, 2013
Deferred tax assets:		
Warranty, insurance and other accruals	\$11,373	12,003
Inventory	14,892	16,657
State taxes	109	106
Net operating loss carryforward	88,699	91,659
Deferred charges	944	897
Total deferred tax assets	\$116,017	\$121,322
Less valuation allowance	\$(3,964)	\$(9,291)
Total deferred tax assets, net of valuation allowance	\$112,053	\$112,031
Deferred tax liabilities:		
Depreciation	(497)	) 774
Prepaid expenses	(342)	) 346
Total deferred tax liabilities	(839)	) 1,120
Total deferred tax assets, net of valuation allowance	111,214	110,911

The provision (benefit) from income taxes consists of the following:

(In thousands)	Three Months Ended March	
	31, 2014	2013
Current:		
Federal	\$—	\$—
State	\$155	\$299
	\$155	\$299
Deferred:		
Federal	\$(205)	\$—
State	\$(97)	\$—
	(302)	—
Total	\$(147)	\$299

At March 31, 2014, the Company had federal NOL carryforwards of approximately \$69.4 million and federal credit carryforwards of \$4.4 million. Federal NOL carryforwards may be carried forward up to 20 years to offset future taxable income. Our federal carryforward benefits begin to expire in 2028. The Company had \$15.0 million of state NOL carryforwards at March 31, 2014. State NOLs may be carried forward from 5 to 20 years, depending on the tax jurisdiction, with \$8.3 million expiring between 2014 and 2027 and \$6.7 million expiring between 2028 and 2032, absent sufficient state taxable income.

NOTE 10. Business Segments

The Company's segment information is presented on the basis that the chief operating decision makers use in evaluating segment performance. The Company's chief operating decision makers evaluate the Company's performance in various ways, including: (1) the results of our 13 individual homebuilding operating segments and the results of our financial services operations; (2) the results of our three homebuilding regions; and (3) our consolidated financial results. We have determined our reportable segments as follows: Midwest homebuilding, Southern homebuilding, Mid-Atlantic homebuilding and financial services operations. The homebuilding operating segments that are included within each reportable segment have similar operations and exhibit similar long-term economic characteristics. Our homebuilding operations include the acquisition and development of land, the sale and construction of single-family attached and detached homes, and the occasional sale of lots to third parties. The homebuilding operating segments that comprise each of our reportable segments are as follows:

Midwest	Southern	Mid-Atlantic
Columbus, Ohio	Tampa, Florida	Washington, D.C.
Cincinnati, Ohio	Orlando, Florida	Charlotte, North Carolina
Indianapolis, Indiana	Houston, Texas	Raleigh, North Carolina
Chicago, Illinois	San Antonio, Texas	
	Austin, Texas	
	Dallas/Fort Worth, Texas	

Our financial services operations include the origination, sale and servicing of mortgage loans and title services primarily for purchasers of the Company's homes.

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The following table shows, by segment, revenue; operating income; interest expense; and income before income taxes for the three months ended March 31, 2014 and 2013:

(In thousands)	Three Months Ended March 31,	
	2014	2013
Revenue:		
Midwest homebuilding	\$79,604	\$60,702
Southern homebuilding	80,200	50,961
Mid-Atlantic homebuilding	67,172	70,654
Financial services (a)	7,865	8,410
Total revenue	\$234,841	\$190,727
Operating income:		
Midwest homebuilding (b)	\$7,243	\$2,201
Southern homebuilding (b)	5,877	3,091
Mid-Atlantic homebuilding (b)	4,793	4,345
Financial services (a)	5,026	5,455
Less: Corporate selling, general and administrative expense	(6,346	) (5,866
Total operating income	\$16,593	\$9,226
Interest expense:		
Midwest homebuilding	\$1,269	\$1,474
Southern homebuilding	1,591	1,304
Mid-Atlantic homebuilding	995	1,244
Financial services (a)	315	318
Total interest expense	\$4,170	\$4,340
Equity in income of unconsolidated joint ventures	(62) —
Income before income taxes	\$12,485	\$4,886

Our financial services operational results should be viewed in connection with our homebuilding business as its (a) operations originate loans and provide title services primarily for our homebuying customers, with the exception of a small amount of mortgage re-financing.

For the three months ended March 31, 2013, the impact of charges relating to the impairment of future communities and land held for sale in the Midwest region reduced operating income by \$0.3 million and \$0.6 (b) million, respectively. There were no charges relating to the impairment of inventory for the three months ended March 31, 2014 and no charges in the Mid-Atlantic or Southern regions for the three months ended March 31, 2013.

The following tables show total assets by segment at March 31, 2014 and December 31, 2013:

(In thousands)	March 31, 2014				
	Midwest	Southern	Mid-Atlantic	Corporate, Financial Services and Unallocated	Total
Deposits on real estate under option or contract	\$2,040	\$9,353	\$5,517	\$—	\$16,910
Inventory (a)	240,696	256,348	209,673	—	706,717
Investments in unconsolidated joint ventures	4,361	40,486	—	—	44,847

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Other assets	11,115	16,268	8,121	280,925	316,429
Total assets	\$258,212	\$322,455	\$223,311	\$280,925	\$1,084,903

December 31, 2013

(In thousands)	Midwest	Southern	Mid-Atlantic	Corporate, Financial Services and Unallocated	Total
Deposits on real estate under option or contract	\$2,003	\$7,107	\$5,255	\$—	\$14,365
Inventory (a)	248,218	236,505	191,847	—	676,570
Investments in unconsolidated joint ventures	5,331	29,935	—	—	35,266
Other assets	10,571	982	11,050	361,372	383,975
Total assets	\$266,123	\$274,529	\$208,152	\$361,372	\$1,110,176

Inventory includes single-family lots, land and land development costs; land held for sale; homes under (a) construction; model homes and furnishings; community development district infrastructure; and consolidated inventory not owned.

NOTE 11. Supplemental Guarantor Information

The Company's obligations under the 2018 Senior Notes, the 2017 Convertible Senior Subordinated Notes and the 2018 Convertible Senior Subordinated Notes are not guaranteed by all of the Company's subsidiaries and therefore, the Company has disclosed condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered. The subsidiary guarantors of the 2018 Senior Notes, the 2017 Convertible Senior Subordinated Notes and the 2018 Convertible Senior Subordinated Notes are the same.

The following condensed consolidating financial information includes balance sheets, statements of operations and cash flow information for M/I Homes, Inc. (the parent company and the issuer of the aforementioned guaranteed notes), the Guarantor Subsidiaries, collectively, and for all other subsidiaries and joint ventures of the Company (the "Unrestricted Subsidiaries"), collectively. Each Guarantor Subsidiary is a direct or indirect 100%-owned subsidiary of M/I Homes, Inc. and has fully and unconditionally guaranteed the (a) 2018 Senior Notes, on a joint and several senior unsecured basis, (b) the 2017 Convertible Senior Subordinated Notes on a joint and several senior subordinated unsecured basis and (c) the 2018 Convertible Senior Subordinated Notes on a joint and several senior subordinated unsecured basis.

There are no significant restrictions on the parent company's ability to obtain funds from its Guarantor Subsidiaries in the form of a dividend, loan, or other means.

As of March 31, 2014, each of the Company's subsidiaries is a Guarantor Subsidiary, with the exception of subsidiaries that are primarily engaged in the business of mortgage financing, title insurance or similar financial businesses relating to the homebuilding and home sales business, certain subsidiaries that are not 100%-owned by the Company or another subsidiary, and other subsidiaries designated by the Company as Unrestricted Subsidiaries, subject to limitations on the aggregate amount invested in such Unrestricted Subsidiaries in accordance with the terms of the Credit Facility and the indenture for the 2018 Senior Notes.

In the condensed financial tables presented below, the parent company presents all of its 100%-owned subsidiaries as if they were accounted for under the equity method. All applicable corporate expenses have been allocated appropriately among the Guarantor Subsidiaries and Unrestricted Subsidiaries.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

(In thousands)	Three Months Ended March 31, 2014			Eliminations	Consolidated
	M/I Homes, Inc.	Guarantor Subsidiaries	Unrestricted Subsidiaries		
Revenue	\$—	\$226,976	\$7,865	\$—	\$234,841
Costs and expenses:					
Land and housing	—	183,964	—	—	183,964
General and administrative	—	15,291	3,024	—	18,315
Selling	—	15,969	—	—	15,969
Equity in income of unconsolidated joint ventures	—	—	(62	)—	(62)
Interest	—	3,854	316	—	4,170
Total costs and expenses	—	219,078	3,278	—	222,356
Income before income taxes	—	7,898	4,587	—	12,485
(Benefit) provision for income taxes	—	(1,781	) 1,634	—	(147)
Equity in subsidiaries	12,632	—	—	(12,632)—
Net income (loss)	12,632	9,679	2,953	(12,632	) 12,632
Preferred dividends	1,219	—	—	—	1,219
Net income (loss) to common shareholders	\$ 11,413	\$ 9,679	\$ 2,953	\$(12,632	) \$ 11,413

(In thousands)	Three Months Ended March 31, 2013			Eliminations	Consolidated
	M/I Homes, Inc.	Guarantor Subsidiaries	Unrestricted Subsidiaries		
Revenue	\$—	\$182,317	\$8,410	\$—	\$190,727
Costs and expenses:					
Land and housing	—	151,513	—	—	151,513
Impairment of inventory and investment in unconsolidated joint ventures	—	900	—	—	900
General and administrative	—	12,842	3,137	—	15,979
Selling	—	13,092	17	—	13,109
Interest	—	4,022	318	—	4,340
Total costs and expenses	—	182,369	3,472	—	185,841
Income before income taxes	—	(52	) 4,938	—	4,886
(Benefit) provision for income taxes	—	(1,415) 1,714	—	299
Equity in subsidiaries	4,587	—	—	(4,587)—

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Net income (loss)	4,587	1,363	3,224	(4,587)4,587
Excess of fair value over book value of preferred shares redeemed	2,190	—	—	—	2,190
Net income (loss) to common shareholders	\$2,397	\$1,363	\$3,224	\$(4,587)\$2,397

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CONDENSED CONSOLIDATING BALANCE SHEET

(In thousands)	March 31, 2014			
	M/I Homes, Inc.	Guarantor Subsidiaries	Unrestricted Subsidiaries	Eliminations Consolidated
ASSETS:				
Cash and cash equivalents	\$			