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 September 30, 2012

☐ 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	**31-1210837**
(State or other jurisdiction of incorporation or organization)	(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 X 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 X 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	X
Non-accelerated filer (Do not check if a smaller reporting company)	____	Smaller reporting company	____

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: 21,437,727 shares outstanding as of October 25, 2012.

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

(Dollars in thousands, except par values)	**September 30, 2012 (Unaudited)**	December 31, 2011
ASSETS:		
Cash and cash equivalents	**$ 159,765**	$ 59,793
Restricted cash	**8,980**	41,334
Mortgage loans held for sale	**58,338**	57,275
Inventory	**543,871**	466,772
Property and equipment - net	**11,956**	14,358
Investment in Unconsolidated LLCs	**11,256**	10,357
Other assets	**23,126**	14,596
TOTAL ASSETS	**$ 817,292**	$ 664,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	**$ 65,348**	$ 41,256
Customer deposits	**10,976**	4,181
Other liabilities	**52,257**	39,348
Community development district ("CDD") obligations	**4,988**	5,983
Obligation for consolidated inventory not owned	**6,552**	2,944
Note payable bank - financial services operations	**54,840**	52,606
Note payable - other	**10,769**	5,801
Convertible senior subordinated notes	**57,500**	—
Senior notes	**227,570**	239,016
TOTAL LIABILITIES	**490,800**	391,135
Commitments and contingencies	**—**	—
SHAREHOLDERS' EQUITY:		
Preferred shares - $.01 par value; authorized 2,000,000 shares; issued 4,000 shares	**96,325**	96,325
Common shares - $.01 par value; authorized 38,000,000 shares; issued 24,631,723 and 22,101,723 shares at September 30, 2012 and December 31, 2011, respectively	**246**	221
Additional paid-in capital	**181,324**	139,943
Retained earnings	**112,033**	103,701
Treasury shares - at cost - 3,193,996 and 3,365,366 shares at September 30, 2012 and December 31, 2011, respectively	**(63,436)**	(66,840)
TOTAL SHAREHOLDERS' EQUITY	**326,492**	273,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 817,292**	$ 664,485

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

(In thousands, except per share amounts)	Three Months Ended September 30, 2012 (Unaudited)	Three Months Ended September 30, 2011 (Unaudited)	Nine Months Ended September 30, 2012 (Unaudited)	Nine Months Ended September 30, 2011 (Unaudited)
Revenue	**$ 208,875**	$ 141,624	**$ 510,994**	$ 389,638
Costs and expenses:				
Land and housing	**164,452**	116,269	**408,893**	322,886
Impairment of inventory and investment in Unconsolidated LLCs	**1,309**	1,697	**1,876**	18,013
General and administrative	**16,016**	13,896	**42,299**	38,064
Selling	**14,647**	11,213	**38,483**	30,621
Interest	**3,999**	3,384	**12,066**	10,884
Total costs and expenses	**200,423**	146,459	**503,617**	420,468
Income (loss) before income taxes	**8,452**	(4,835)	**7,377**	(30,830)
Provision (benefit) for income taxes	**138**	(117)	**(955)**	71
Net income (loss)	**$ 8,314**	$ (4,718)	**$ 8,332**	$ (30,901)
Earnings (loss) per common share:				
Basic	**$ 0.43**	$ (0.25)	**$ 0.44**	$ (1.65)
Diluted	**$ 0.42**	$ (0.25)	**$ 0.43**	$ (1.65)
Weighted average shares outstanding:				
Basic	**19,434**	18,728	**19,014**	18,685
Diluted	**20,273**	18,728	**19,238**	18,685

See Notes to Unaudited Condensed Consolidated Financial Statements.

M/I HOMES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Nine Months Ended September 30, 2012
(Unaudited)

	Preferred Shares		Common Shares					
(Dollars in thousands)	Shares Outstanding	Amount	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at December 31, 2011	4,000	$ 96,325	18,736,357	$ 221	$ 139,943	$ 103,701	$ (66,840)	$ 273,350
Net income	—	—	—	—	—	8,332	—	8,332
Common share issuance	—	—	2,530,000	25	42,060	—	—	42,085
Stock options exercised	—	—	137,174	—	(1,510)	—	2,725	1,215
Stock-based compensation expense	—	—	—	—	1,398	—	—	1,398
Deferral of executive and director compensation	—	—	—	—	112	—	—	112
Executive and director deferred compensation distributions	—	—	34,196	—	(679)	—	679	—
Balance at September 30, 2012	**4,000**	**$ 96,325**	**21,437,727**	**$ 246**	**$ 181,324**	**$ 112,033**	**$ (63,436)**	**$ 326,492**

See Notes to Unaudited Condensed Consolidated Financial Statements.

M/I HOMES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended September 30, 2012 (Unaudited)	2011 (Unaudited)
OPERATING ACTIVITIES:		
Net income (loss)	**$ 8,332**	$ (30,901)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Inventory valuation adjustments and abandoned land transaction write-offs	**2,132**	17,424
Impairment of investment in Unconsolidated LLCs	**—**	1,029
Bargain purchase gain	**(1,219)**	—
Mortgage loan originations	**(355,075)**	(256,708)
Proceeds from the sale of mortgage loans	**354,443**	266,737
Fair value adjustment of mortgage loans held for sale	**(431)**	(3,383)
Depreciation	**4,940**	3,819
Amortization of intangibles, debt discount and debt issue costs	**1,822**	1,866
Stock-based compensation expense	**1,398**	1,525
Deferred income tax benefit (expense)	**3,721**	(11,657)
Deferred tax asset valuation (benefit) expense	**(3,721)**	11,657
Other	**50**	(165)
Change in assets and liabilities:		
Cash held in escrow	**(37)**	237
Inventory	**(71,236)**	(50,618)
Other assets	**(4,030)**	954
Accounts payable	**23,016**	16,089
Customer deposits	**6,604**	2,314
Accrued compensation	**1,667**	(703)
Other liabilities	**11,303**	5,918
Net cash used in operating activities	**(16,321)**	(24,566)
INVESTING ACTIVITIES:		
Change in restricted cash	**32,391**	(4,532)
Purchase of property and equipment	**(858)**	(889)
Acquisition, net of cash acquired	**(4,707)**	(4,654)
Investment in Unconsolidated LLCs	**(949)**	—
Proceeds from sale of property	**—**	(648)
Net cash provided by (used in) investing activities	**25,877**	(10,723)
FINANCING ACTIVITIES:		
Repayment of senior notes, including transaction costs	**(41,443)**	—
Net proceeds from issuance of senior notes	**29,700**	—
Proceeds from issuance of convertible senior subordinated notes	**57,500**	—
Proceeds (repayments) from bank borrowings - net	**2,234**	(539)
Proceeds from note payable-other and CDD bond obligations	**4,968**	4
Net proceeds from issuance of common shares	**42,085**	—
Debt issue costs	**(5,843)**	(220)
Proceeds from exercise of stock options	**1,215**	1,500
Excess tax deficiency from stock-based payment arrangements	**—**	165
Net cash provided by financing activities	**90,416**	910
Net increase (decrease) in cash and cash equivalents	**99,972**	(34,379)
Cash and cash equivalents balance at beginning of period	**59,793**	81,208
Cash and cash equivalents balance at end of period	**$ 159,765**	$ 46,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest — net of amount capitalized	**$ 5,442**	$ 4,208
Income taxes	**$ 280**	$ 282
NON-CASH TRANSACTIONS DURING THE PERIOD:		
Community development district infrastructure	**$ (995)**	$ (764)
Consolidated inventory not owned	**$ 3,608**	$ 4,132
Contingent consideration related to acquisition	**$ —**	$ 512

See 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, 2011 (the “2011 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 limited liability companies (“Unconsolidated LLCs”), 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 2011 Form 10-K, as the same may be updated from time to time in our subsequent filings with the SEC.

Reclassifications

Certain amounts in the Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 have been reclassified to conform to the nine months ended September 30, 2012 presentation. The Company believes these reclassifications are immaterial to the Unaudited Condensed Consolidated Financial Statements.

Impact of New Accounting Standards

In May 2011, the Financial Accounting Standards Board (“FASB”) issued *Accounting Standards Update (“ASU”) No. 2011-04: Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS ("ASU 2011-04")*. ASU 2011-04 provides clarity to the fair value definition in order to achieve greater consistency in fair value measurements and disclosures between United States Generally Accepted Accounting Principles (“U.S. GAAP”) and International Financial Reporting Standards (“IFRS”). Additional disclosures are required regarding transfers of assets between Level 1 and 2 of the fair value hierarchy and expands the fair value disclosure requirements particularly for Level 3 measurements. The Company adopted this standard on January 1, 2012 and the adoption did not have a material impact on the Company's financial condition, results of operations or liquidity.

In December 2011, the FASB issued ASU No. 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.” The amendments in ASU 2011-11 will enhance disclosures required by U.S. GAAP by requiring additional information about financial and derivative instruments that are either (a) offset in accordance with Section 210-20-45 or Section 815-10-45 or (b) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with Section 210-20-45 or Section 815-10-45. We are required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and for interim periods within those annual periods. We are to provide the required disclosures retrospectively for all comparative periods presented. The Company does not anticipate that the adoption of this guidance will have a material impact on its consolidated financial statements.

NOTE 2. Cash and Restricted Cash

The table below is a summary of our cash balances at September 30, 2012 and December 31, 2011:

(In thousands)	September 30, 2012	December 31, 2011
Homebuilding	$ 141,043	$ 43,539
Financial services	18,722	16,254
Unrestricted cash and cash equivalents	$ 159,765	$ 59,793
Restricted cash	8,980	41,334
Total cash, cash equivalents and restricted cash	$ 168,745	$ 101,127

Restricted cash at September 30, 2012 consists primarily of homebuilding cash the Company had pledged as collateral in accordance with the three secured credit agreements for the issuance of letters of credit outside of the Credit Facility to which the Company is a party (collectively, the "Letter of Credit Facilities"). The reduction in restricted cash at September 30, 2012 compared to December 31, 2011 was primarily the result of an amendment dated January 31, 2012 (the "2012 Amendment") to the Company's $140 million secured revolving credit facility (the "Credit Facility"). As a result of the 2012 Amendment, the Company was able to release $25.0 million of restricted cash that had been pledged to the lenders under the Credit Facility.

NOTE 3. 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 or trading 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 sells the majority of its 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 consist primarily of single-family residential loans collateralized by the underlying property. 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 September 30, 2012 and December 31, 2011:

Description of financial instrument (in thousands)	**September 30, 2012**	December 31, 2011
Best efforts contracts and related committed IRLCs	**$ 1,080**	$ 1,088
Uncommitted IRLCs	**39,073**	25,912
FMBSs related to uncommitted IRLCs	**32,000**	26,000
Best efforts contracts and related mortgage loans held for sale	**11,791**	14,058
FMBSs related to mortgage loans held for sale	**43,000**	42,000
Mortgage loans held for sale covered by FMBSs	**43,191**	42,227

The table below shows the level and measurement of assets and liabilities measured on a recurring basis at September 30, 2012 and December 31, 2011:

Description of Financial Instrument (in thousands)	**Fair Value Measurements September 30, 2012**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mortgage loans held for sale	**$ 58,338**	**$ —**	**$ 58,338**	**$ —**
Forward sales of mortgage-backed securities	**(1,395)**	**—**	**(1,395)**	**—**
Interest rate lock commitments	**686**	**—**	**686**	**—**
Best-efforts contracts	**(208)**	**—**	**(208)**	**—**
Total	**$ 57,421**	**$ —**	**$ 57,421**	**$ —**

Description of Financial Instrument (in thousands)	Fair Value Measurements December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage loans held for sale	$ 57,275	$ —	$ 57,275	$ —
Forward sales of mortgage-backed securities	(470)	—	(470)	—
Interest rate lock commitments	356	—	356	—
Best-efforts contracts	(129)	—	(129)	—
Total	$ 57,032	$ —	$ 57,032	$ —

The following table sets forth the amount of (loss) gain recognized, within our revenue in the Unaudited Condensed Consolidated Statements of Operations, on assets and liabilities measured on a recurring basis for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Description (in thousands)	**2012**	2011	**2012**	2011
Mortgage loans held for sale	**$ 328**	$ 1,233	**$ 431**	$ 3,383
Forward sales of mortgage-backed securities	**(838)**	(1,350)	**(925)**	(1,334)
Interest rate lock commitments	**341**	497	**328**	725
Best-efforts contracts	**(84)**	(180)	**(77)**	(455)
Total (loss) gain recognized	**$ (253)**	$ 200	**$ (243)**	$ 2,319

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):

	Asset Derivatives September 30, 2012		**Liability Derivatives September 30, 2012**	
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**	**$ —**	**Other liabilities**	**$ 1,395**
Interest rate lock commitments	**Other assets**	**686**	**Other liabilities**	**—**
Best-efforts contracts	**Other assets**	**—**	**Other liabilities**	**208**
Total fair value measurements		**$ 686**		**$ 1,603**

	Asset Derivatives December 31, 2011		Liability Derivatives December 31, 2011	
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	$ —	Other liabilities	$ 470
Interest rate lock commitments	Other assets	356	Other liabilities	—
Best-efforts contracts	Other assets	—	Other liabilities	129
Total fair value measurements		$ 356		$ 599

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, and the value of the land itself. 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 this review, we identify communities whose carrying values may exceed their undiscounted future cash flows. 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 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 discussed 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. Changes in our key assumptions, including estimated average selling price, construction and development costs, absorption pace, selling strategies, or discount rates, could materially impact future cash flow and fair value estimates.

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. Some of 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. Our overall absorption rate was 1.7 per community per month for the year ended December 31, 2011 and 2.1 per community per month for the first nine months of 2012. 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.

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, using weighted average sales price increases of 1% in 2013 and 2% in 2014 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 used a weighted average increase of 1% assumed costs in 2013 and 2% in 2014 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 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 value of the assets is 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 or land under development 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 current carrying value, the asset is written down to its estimated fair value less costs to sell.

Investment In Unconsolidated Limited Liability Companies: The Company evaluates its investment in Unconsolidated LLCs for potential impairment on a quarterly basis. 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 LLC, the timing of distribution of lots to the Company from the Unconsolidated LLC, 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 LLCs, the Company evaluates the projected cash flows associated with each Unconsolidated LLC. As of September 30, 2012, the Company used a discount rate of 16% in determining the fair value of investments in Unconsolidated LLCs.

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 LLC for a period of time sufficient to allow for any anticipated recovery in market value. 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 but, due to passage of time or change in market conditions leading to changes in assumptions, impairment could occur.

The tables below show the level and measurement of assets and liabilities measured on a non-recurring basis as of and for the nine months ended September 30, 2012 and as of and for the year ended December 31, 2011:

Description of asset or liability (In thousands)	Fair Value Measurements September 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses For The Nine Months Ended September 30, 2012
Inventory	$ 2,350	$ —	$ —	$ 2,350	$ 1,876
Investments in Unconsolidated LLCs	—	—	—	—	—
Total fair value measurements	$ 2,350	$ —	$ —	$ 2,350	$ 1,876

Description of asset or liability (In thousands)	Fair Value Measurements December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses For The Year Ended December 31, 2011
Inventory	$ 43,659	$ —	$ —	$ 43,659	$ 20,964
Investments in Unconsolidated LLCs	970	—	—	970	1,029
Total fair value measurements	$ 44,629	$ —	$ —	$ 44,629	$ 21,993

Financial Instruments

Counterparty Credit Risk. To reduce the risk associated with accounting 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 September 30, 2012 and December 31, 2011. 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).

	September 30, 2012		December 31, 2011	
(In thousands)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Assets:				
Cash, cash equivalents and restricted cash	**$ 168,745**	**$ 168,745**	$ 101,127	$ 101,127
Mortgage loans held for sale	**58,338**	**58,338**	57,275	57,275
Split dollar life insurance policies	**719**	**679**	719	655
Notes receivable	**823**	**764**	851	753
Commitments to extend real estate loans	**686**	**686**	356	356
Liabilities:				
Note payable - banks	**54,840**	**54,840**	52,606	52,606
Mortgage notes payable	**10,769**	**10,885**	5,521	6,076
Convertible senior subordinated notes	**57,500**	**60,819**	—	—
Senior notes	**227,570**	**247,825**	239,016	218,925
Best-efforts contracts for committed IRLCs and mortgage loans held for sale	**208**	**208**	470	470
Forward sales of mortgage-backed securities	**1,395**	**1,395**	129	129
Off-Balance Sheet Financial Instruments:				
Letters of credit	**—**	**546**	—	792

The following methods and assumptions were used by the Company in estimating its fair value disclosures of financial instruments at September 30, 2012 and December 31, 2011:

Cash, Restricted Cash and Other Liabilities. 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, Convertible Senior Subordinated Notes, and Senior Notes. The fair value of these financial instruments was determined based upon market quotes at September 30, 2012 and December 31, 2011. 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.

Note Payable - Banks. The interest rate available to the Company fluctuates with the Alternate Base Rate or the Eurodollar Rate (for our Credit Facility) or LIBOR (for M/I Financial Corp.'s $70 million secured mortgage warehousing agreement dated April 18, 2011, as amended on March 23, 2012 and September 26, 2012 (the "MIF Mortgage Warehousing Agreement")), and thus their carrying value is a reasonable estimate of fair value.

Mortgage Notes Payable. 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 $26.5 million and $35.8 million represent potential commitments at September 30, 2012 and December 31, 2011, 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 4. Inventory

A summary of the Company's inventory as of September 30, 2012 and December 31, 2011 is as follows:

(In thousands)		**September 30, 2012**		December 31, 2011
Single-family lots, land and land development costs	**$**	**230,040**	$	242,372
Land held for sale		**8,448**		—
Homes under construction		**252,325**		181,483
Model homes and furnishings - at cost (less accumulated depreciation: September 30, 2012 - $4,390; December 31, 2011 - $4,340)		**35,314**		27,662
Community development district infrastructure		**4,988**		5,983
Land purchase deposits		**6,204**		2,676
Consolidated inventory not owned		**6,552**		6,596
Total inventory	**$**	**543,871**	$	466,772

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 September 30, 2012 and December 31, 2011, we had 673 homes (with a carrying value of $81.6 million) and 573 homes (with a carrying value of $85.5 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 3 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 5. Valuation Adjustments and Write-offs

The Company assesses inventory for recoverability on a quarterly basis, by reviewing for impairment whenever events or changes in local or national economic conditions indicate that the carrying amount of an asset may not be recoverable.

A summary of the Company's valuation adjustments and write-offs for the three and nine months ended September 30, 2012 and 2011is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2012**	2011	**2012**	2011
Impairment of operating communities:				
Midwest	**$ —**	$ 962	**$ 10**	$ 3,944
Southern	**—**	594	**—**	2,459
Mid-Atlantic	**—**	—	**—**	17
Total impairment of operating communities (a)	**$ —**	$ 1,556	**$ 10**	$ 6,420
Impairment of future communities:				
Midwest	**$ 1,309**	$ 141	**$ 1,771**	$ 6,519
Southern	**—**	—	**—**	3,455
Mid-Atlantic	**—**	—	**—**	—
Total impairment of future communities (a)	**$ 1,309**	$ 141	**$ 1,771**	$ 9,974
Impairment of land held for sale:				
Midwest	**$ —**	$ —	**$ 95**	$ —
Southern	**—**	—	**—**	590
Mid-Atlantic	**—**	—	**—**	—
Total impairment of land held for sale (a)	**$ —**	$ —	**$ 95**	$ 590
Option deposits and pre-acquisition costs write-offs:				
Midwest	**$ —**	$ 121	**$ 36**	$ 143
Southern	**—**	19	**110**	56
Mid-Atlantic	**—**	—	**110**	241
Total option deposits and pre-acquisition costs write-offs (b)	**$ —**	$ 140	**$ 256**	$ 440
Impairment of investments in Unconsolidated LLCs:				
Midwest	**$ —**	$ —	**$ —**	$ 979
Southern	**—**	—	**—**	50
Mid-Atlantic	**—**	—	**—**	—
Total impairment of investments in Unconsolidated LLCs (a)	**$ —**	$ —	**$ —**	$ 1,029
Total impairments and write-offs of option deposits and pre-acquisition costs	**$ 1,309**	$ 1,837	**$ 2,132**	$ 18,453

(a) Amounts are recorded within Impairment of inventory and investment in Unconsolidated LLCs in the Company's Unaudited Condensed Consolidated Statements of Operations.

(b) Amounts are recorded within General and administrative expenses in the Company's Unaudited Condensed Consolidated Statements of Operations.

NOTE 6. Capitalized Interest

The Company capitalizes interest during land development and home construction. Capitalized interest is charged to cost of sales as the related inventory is delivered to a third party. A summary of capitalized interest for the three and nine months ended September 30, 2012 and 2011 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2012**	2011	**2012**	2011
Capitalized interest, beginning of period	**$ 17,967**	$ 19,758	**$ 18,869**	$ 20,075
Interest capitalized to inventory	**2,574**	2,773	**7,128**	7,613
Capitalized interest charged to cost of sales	**(3,755)**	(2,515)	**(9,211)**	(7,672)
Capitalized interest, end of period	**$ 16,786**	$ 20,016	**$ 16,786**	$ 20,016
Interest incurred — net	**$ 6,573**	$ 6,157	**$ 19,194**	$ 18,497

NOTE 7. Investment in Unconsolidated Limited Liability Companies

At September 30, 2012, the Company had interests ranging from 33% to 50% in Unconsolidated LLCs. These Unconsolidated LLCs engage in land acquisition and development activities for the purpose of selling or distributing (in the form of a capital distribution) developed lots to the Company and its partners in the entity. Based on relevant accounting guidance, the Company is required to evaluate these Unconsolidated LLCs to determine whether they meet the criteria of a variable interest entity ("VIE"). These evaluations are initially performed when each new entity is created and upon any events that require reconsideration of the entity. If it is determined that we are the primary beneficiary, we must first determine if we have the ability to control the activities of the VIE that most significantly impact its economic performance. Such activities include, but are not limited to, 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 it is determined we are not able to control such activities, we are not considered the primary beneficiary of the VIE. If we do have the ability to control such activities, we will continue our analysis by determining if we are also expected to benefit from or absorb a potentially significant amount of the VIE's expected gains or losses, respectively. As of September 30, 2012, we have determined that none of the Unconsolidated LLCs in which we have an interest are VIEs. Each of the entities had sufficient equity at risk to permit the entity to finance its activities without additional subordinated support from the equity investors. We have determined that we do not have substantive control over any of these entities; therefore, they are recorded using the equity method of accounting The Company's maximum exposure related to its investment in these entities as of September 30, 2012 was the amount invested of $11.3 million. Included in the Company's investment in Unconsolidated LLCs at both September 30, 2012 and December 31, 2011 were $0.8 million of capitalized interest and other costs.

The Company evaluates its investment in Unconsolidated LLCs for potential impairment on a quarterly basis. If the fair value of the investment (see Note 3) is less than the investment's carrying value, and the Company determines the decline in value was other than temporary, the Company would write down the investment to fair value.

NOTE 8. Guarantees and Indemnifications

Warranty

The Company generally offers a limited warranty program in conjunction with a thirty-year transferable structural limited warranty on homes closed after September 30, 2007. This limited warranty program covers construction defects and certain damage resulting from construction defects for a statutory period based on geographic market and state law (currently ranging from five to ten years for the states in which the Company operates) and includes a mandatory arbitration clause. Warranty expense is accrued as the home sale is recognized and is intended to cover estimated material and outside labor costs to be incurred during the warranty period.

The accrual amounts are based upon historical experience and geographic location. Our warranty accruals are included in Other liabilities in the Company's Unaudited Condensed Consolidated Balance Sheets. A summary of warranty activity for the three and nine months ended September 30, 2012 and 2011 is as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In thousands)	**2012**	2011	**2012**	2011
Warranty accrual, beginning of period	**$ 8,733**	$ 7,835	**$ 9,025**	$ 8,335
Warranty expense on homes delivered during the period	**1,646**	1,131	**4,021**	3,100
Changes in estimates for pre-existing warranties	**141**	1,021	**231**	921
Settlements made during the period	**(1,524)**	(1,771)	**(4,281)**	(4,140)
Warranty accrual, end of period	**$ 8,996**	$ 8,216	**$ 8,996**	$ 8,216

Guarantees

In the ordinary course of business, M/I Financial Corp. ("M/I Financial"), a wholly-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 conditions of the loan within the first six months after the sale of the loan. Loans totaling approximately $6.3 million and $53.0 million were covered under the above guarantees as of September 30, 2012 and December 31, 2011, respectively. A portion of the revenue paid to M/I Financial for providing the guarantees on the above loans was deferred at September 30, 2012, and will be recognized in income as M/I Financial is released from its obligation under the guarantees. M/I Financial has not repurchased any loans under the above agreements during the nine months ended September 30, 2012, but has received inquiries concerning underwriting matters from purchasers of its loans concerning certain loans under those agreements. The total of these loans was approximately $3.7 million and $4.6 million at September 30, 2012 and December 31, 2011, 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 September 30, 2012 and December 31, 2011, the total of all loans indemnified to third party insurers relating to the above agreements was $1.0 million and $1.4 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 $2.5 million and $2.8 million at September 30, 2012 and December 31, 2011, respectively, which is management's best estimate of the Company's liability.

At September 30, 2012, the Company had outstanding $230.0 million aggregate principal amount of 8.625% Senior Notes due 2018 (the "2018 Senior Notes") and $57.5 million aggregate principal amount of 3.25% Convertible Senior Subordinated Notes due 2017 (the “2017 Convertible Senior Subordinated Notes”). The Company's obligations under the 2018 Senior Notes, the 2017 Convertible Senior Subordinated Notes and the Credit Facility are guaranteed jointly and severally by all of the Company's subsidiaries, with the exception of subsidiaries that are primarily engaged in the business of mortgage financing, the origination of mortgages for resale, title insurance or similar financial businesses relating to the homebuilding and home sales business and certain subsidiaries that are not wholly-owned by the Company or another subsidiary.

NOTE 9. Commitments and Contingencies

At September 30, 2012, the Company had outstanding approximately $63.2 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 December 2016. Included in this total are: (1) $17.1 million of performance and maintenance bonds and $30.4 million of performance letters of credit that serve as completion bonds for land development work in progress; (2) $9.4 million of financial letters of credit, of which $2.8 million represent deposits on land and lot purchase agreements; and (3) $6.3 million of financial bonds.

As of September 30, 2012, the Company has identified 93 homes that have been confirmed as having defective drywall installed by our subcontractors. All of these homes are located in Florida. As of September 30, 2012, we have completed the repair of 88 homes and are in the process of repairing two homes. The remaining three homeowners have not granted us authority to repair their homes. In consideration for performing these repairs, we received from the homeowners a full release of claims (excluding, in nearly all cases, personal injury claims) arising from the defective drywall. Since 2009, the Company has accrued approximately $13.0 million for the repair of these 93 homes. The remaining balance in this accrual is $0.7 million, which is included in Other liabilities on the Company's Consolidated Balance Sheets. Based on our investigation to date and our evaluation of the defective drywall issue, we believe our existing accrual is sufficient to cover costs and claims associated with the repair of these homes. However, if we identify additional homes with defective drywall, we may increase the accrual for costs of repair attributable to defective drywall. During the third quarter of 2012, the Company received a $3.0 million settlement for claims attributed to the defective drywall that is recorded as a reduction in land and housing costs in our consolidated statement of operations. The Company has made demand for reimbursement from manufacturers, suppliers, insurers and others for costs the Company has incurred and may incur in the future in connection with the defective drywall. Please refer to Note 10 for further information on this matter.

At September 30, 2012, the Company also had options and contingent purchase agreements to acquire land and developed lots with an aggregate purchase price of approximately $195.6 million. Purchase of properties under these agreements is contingent upon satisfaction of certain requirements by the Company and the sellers.

NOTE 10. Legal Liabilities

On March 5, 2009, a resident of Florida and an owner of one of our homes filed a complaint in the United States District Court for the Southern District of Ohio, on behalf of himself and other similarly situated owners and residents of homes in the United States or alternatively in Florida, against the Company and certain other identified and unidentified parties (the “Initial Action”). The plaintiff alleged that the Company built his home with defective drywall, manufactured and supplied by certain of the defendants, that contains sulfur or other organic compounds capable of harming the health of individuals and damaging property. The plaintiff alleged physical and economic damages and sought legal and equitable relief, medical monitoring and attorney's fees. The Company filed a responsive pleading on or about April 30, 2009. The Initial Action was consolidated with other similar actions not involving the Company and transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation for coordinated pre-trial proceedings (collectively, the “In Re: Chinese Manufactured Drywall Product Liability Litigation”). In connection with the administration of the In Re: Chinese Manufactured Drywall Product Liability Litigation, the same homeowner and nine other homeowners were named as plaintiffs in omnibus class action complaints filed in and after December 2009 against certain identified manufacturers of drywall and others (including the Company), including one homeowner named as a plaintiff in an omnibus class action complaint filed in March 2010 against various unidentified manufacturers of drywall and others (including the Company) (collectively, the “MDL Omnibus Actions”). As they relate to the Company, the Initial Action and the MDL Omnibus Actions address substantially the same claims and seek substantially the same relief. The Company has entered into agreements with several of the homeowners named as plaintiffs pursuant to which the Company agreed to make repairs to their homes consistent with repairs made to the homes of other homeowners (as described in Note 9). As a result of these agreements, the Initial Action has been resolved and dismissed, and seven of the nine other homeowners named as plaintiffs in omnibus class action complaints have dismissed their claims against the Company. One of the two remaining plaintiffs has also filed a complaint in Florida state court asserting essentially the same claims and seeking substantially the same relief as asserted in the MDL Omnibus Action. The court in the MDL Omnibus Action recently preliminarily approved a global class action settlement, which is intended to resolve all Chinese Drywall-related claims of and against those who participate in the settlement. The Company currently is planning to participate in the global settlement. A final fairness and approval hearing is currently scheduled for November 2012. The Company intends to vigorously defend against the claims of any plaintiffs who are not bound by or elect to opt out of the global class action settlement. Given the inherent uncertainties in this litigation, as of September 30, 2012, no accrual has been recorded (other than the accrual for repairs described in Note 9) because we cannot make a determination as to the probability of a loss resulting from this matter or estimate the range of possible loss, if any. There can be no assurance that the ultimate resolution of the MDL Omnibus Actions, or any other actions or claims relating to defective drywall that may be asserted in the future, will not have a material adverse effect on our results of operations, financial condition, and cash flows. Please refer to Note 9 for further information on this matter.

The Company and certain of its subsidiaries have been named as defendants in other claims, complaints and legal actions which are routine and incidental to our business. Certain of the liabilities resulting from these other matters are covered by insurance. While management currently believes that the ultimate resolution of these other 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 other matters. However, there exists the possibility that the costs to resolve these other 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 September 30, 2012 and December 31, 2011, we had \$0.4 million and \$0.5 million reserved for legal expenses, respectively.

NOTE 11. Debt

Notes Payable - Homebuilding

At September 30, 2012, borrowing availability under the Credit Facility was \$72.6 million in accordance with the borrowing base calculation, and there were no borrowings outstanding and \$17.8 million of letters of credit outstanding under the Credit Facility, leaving net remaining borrowing availability of \$54.8 million. At September 30, 2012, the Company had pledged \$187.1 million in aggregate book value of inventory to secure any borrowings and letters of credit outstanding under the Credit Facility. At September 30, 2012, the Company was in compliance with all financial covenants of the Credit Facility.

During the three months ended September 30, 2012, the Company extended the maturity dates on two of the Letter of Credit Facilities for an additional year to August 31, 2013 and September 30, 2013, respectively, while reducing the maximum available amounts thereunder to \$5.0 million and \$8.0 million, respectively, and also elected not to extend the maturity of one Letter of Credit Facility that expired and terminated an uncommitted \$5.0 million Letter of Credit Facility for the issuance of letters of credit under which there were no letters of credit remaining outstanding at the time of termination.

At September 30, 2012, there was \$8.2 million of outstanding letters of credit under the Company's three remaining secured Letter of Credit Facilities, which were collateralized with \$8.3 million of the Company's cash.

Notes Payable — Financial Services

In September 2012 we entered into the Third Amendment to the MIF Mortgage Warehousing Agreement which increased our maximum principal amount permitted to be outstanding at any one time in aggregate under all warehouse credit lines from \$75.0 million to \$100.0 million.

At September 30, 2012, M/I Financial had \$54.8 million outstanding under the MIF Mortgage Warehousing Agreement and was in compliance with all financial covenants of that agreement.

Convertible Senior Subordinated Notes

In September 2012, the Company issued \$57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes. The 2017 Convertible Senior Subordinated Notes will bear interest at a rate of 3.25% per year, payable semiannually in arrears on March 15 and September 15 of each year beginning on March 15, 2013. The 2017 Convertible 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 will initially equal 42.0159 shares per \$1,000 of their principal amount. This corresponds to an initial conversion price of approximately \$23.80 per common share. 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. The 2017 Convertible Senior Subordinated Notes are senior subordinated unsecured obligations of the Company and the subsidiary guarantors and will be subordinated in right of payment to our existing and future senior indebtedness and will also be effectively subordinated to our existing and future secured 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 notes (subject to certain exceptions), at a holder's option, upon the occurrence of a fundamental change (as defined in the indenture).

Senior Notes

At maturity, on April 2, 2012, the Company repaid the $41.4 million aggregate principal amount outstanding of its 6.875% Senior Notes due 2012 (the “2012 Senior Notes”). In May 2012, the Company issued an additional $30.0 million of 2018 Senior Notes under the indenture pursuant to which the Company's outstanding $200.0 million aggregate principal amount of 2018 Senior Notes (the "Original Senior Notes") were issued and with substantially identical terms to the terms of the Original Senior Notes. As of September 30, 2012, we had $230.0 million of our 2018 Senior Notes outstanding. 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 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, the origination of mortgages for resale, title insurance or similar financial businesses relating to the homebuilding and home sales business and certain subsidiaries that are not wholly-owned by the Company or another subsidiary, and certain subsidiaries that are otherwise designated by the Company as Unrestricted Subsidiaries in accordance with the terms of the indenture.

The indenture governing our 2018 Senior Notes limits our ability to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the amount of the positive balance in our “restricted payments basket,” as defined in the indenture. From the third quarter of 2008 until the closing of our offering of common shares in September 2012, we were contractually prohibited from paying dividends and repurchasing shares due to deficits in our restricted payments basket. At September 30, 2012, after giving effect to the proceeds from the sale of common shares and our profitable operations during third quarter 2012, our restricted payment basket had a positive balance of $36.6 million. As a result, we are permitted by the indenture to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the extent of such positive balance.

NOTE 12. Earnings (Loss) Per Share

The table below presents a reconciliation between basic and diluted weighted average shares outstanding, net income (loss) available to common shareholders and basic and diluted income (loss) per share for the three and nine months ended September 30, 2012 and 2011:

(In thousands, except per share amounts)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
NUMERATOR				
Net income (loss)	**$ 8,314**	$ (4,718)	**$ 8,332**	$ (30,901)
Interest on 3.25% convertible senior subordinated notes due 2017	**128**	—	**—**	—
Net income (loss) available to common shareholders	**8,442**	(4,718)	**8,332**	(30,901)
DENOMINATOR				
Basic weighted average shares outstanding	**19,434**	18,728	**19,014**	18,685
Effect of dilutive securities:				
Stock option awards	**187**	—	**92**	—
Deferred compensation awards	**127**	—	**132**	—
3.25% convertible senior subordinated notes due 2017	**525**	—	**—**	—
Diluted weighted average shares outstanding - adjusted for assumed conversions	**20,273**	18,728	**19,238**	18,685
Earnings (loss) per common share				
Basic	**$ 0.43**	$ (0.25)	**$ 0.44**	$ (1.65)
Diluted	**$ 0.42**	$ (0.25)	**$ 0.43**	$ (1.65)
Anti-dilutive equity awards not included in the calculation of diluted earnings per common share	**695**	2,167	**1,003**	2,186

During the third quarter of 2012, the Company issued $57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes that are initially convertible into the Company's common shares at a conversion rate of 42.0159 shares per $1,000 of their principal amount (subject to adjustment upon the occurrence of certain events). This corresponds to an initial conversion price of approximately $23.80 per common share and results in a maximum number of additional common shares in our diluted earnings per share calculation above of approximately 2.4 million common shares. During the third quarter of 2012, the Company also issued 2.53 million common shares in a public offering at a price of $17.63 per share (for net proceeds of $42.1 million), which shares are included above in our total basic weighted average shares outstanding.

For the nine month period ended September 30, 2012, the effect of convertible debt was not included in the diluted earnings per share calculations as it would have been anti-dilutive. For the three and nine months ended September 30, 2011, the effects of outstanding shares underlying deferred compensation awards and outstanding options to purchase common shares were not included in the diluted earnings per share calculations as they would have been anti-dilutive due to the Company's net loss for the respective periods.

NOTE 13. Income Taxes

Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. These assets were largely generated as a result of inventory impairments that the Company incurred in 2006 through 2011. If, for some reason, the combination of future years' income (or loss), combined with the reversal of the timing differences, results in a loss, such losses can be carried back to prior years or carried forward to future years to recover the deferred tax assets.

The Company evaluates its deferred tax assets, including net operating results, to determine if a valuation allowance is required. We are required to assess whether a valuation allowance should be established based on the consideration of all available evidence using a "more likely than not" standard. In making such judgments, significant weight is given to evidence that can be objectively verified. A cumulative loss in recent years is significant negative evidence in considering whether deferred tax assets are realizable, and also restricts the amount of reliance on projections of future taxable income to support the recovery of deferred tax assets. The Company's pre-tax loss in the first half of 2012 as well as for the year ended December 31, 2011 present the most significant negative evidence as to whether the Company needs to reduce its deferred tax assets with a valuation allowance. We are currently in a four-year cumulative pre-tax loss position, and despite achieving positive pre-tax net income for the three and nine months ended September 30, 2012, we currently believe the cumulative weight of the negative evidence exceeds that of the positive evidence and, as a result, it is more likely than not that we will not be able to utilize all of our deferred tax assets. During the nine months ended September 30, 2012, the Company reduced its valuation allowance by $3.7 million, for a total valuation allowance recorded of $137.1 million, against its deferred tax assets. The accounting for deferred taxes is based upon an estimate of future results. Differences between the anticipated and actual outcomes of these future tax consequences could have a material impact on the Company's consolidated results of operations or financial position.

The Company is allowed to carry forward federal tax losses for 20 years and apply such tax losses to future taxable income to realize federal deferred tax assets. In August 2012, the Company filed its 2011 federal income tax return and claimed $81.1 million of tax loss carryforwards. In addition, the Company expects to be able to reverse previously recognized valuation allowances against future tax provisions during any future period for which it reports book income before income taxes. The Company will continue to review its deferred tax assets for recoverability in accordance with ASC 740, "Income Taxes".

At September 30, 2012, the Company had federal net operating loss carryforwards of approximately $83.2 million and federal credit carryforwards of $3.9 million. These federal carryforward benefits will begin to expire in 2028. The Company also had state net operating loss benefits of $15.7 million, with $8.6 million expiring between 2020 and 2027, and $7.1 million expiring between 2028 and 2033.

NOTE 14. 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 eleven 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	

In April 2012, we expanded our Houston, Texas operations by acquiring the assets of a privately-held homebuilder based in Houston, Texas. In connection with this acquisition, we recorded a $1.2 million bargain purchase gain in accordance with generally accepted accounting principles as the cash purchase price was less than the fair market value of the assets acquired.

In October 2012, we announced our entry into the Austin, Texas market.

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

The following table shows, by segment, revenue, operating income (loss) and interest expense for the three and nine months ended September 30, 2012 and 2011, as well as the Company's loss before income taxes for such periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2012**	2011	**2012**	2011
Revenue:				
Midwest homebuilding	**$ 79,015**	$ 58,941	**$ 198,994**	$ 168,291
Southern homebuilding	**50,828**	35,281	**123,400**	84,117
Mid-Atlantic homebuilding	**72,649**	44,530	**172,977**	127,863
Financial services	**6,383**	2,872	**15,623**	9,367
Total revenue	**$ 208,875**	$ 141,624	**$ 510,994**	$ 389,638
Operating income (loss):				
Midwest homebuilding (a)	**$ 3,940**	$ 1,364	**$ 9,012**	$ (6,925)
Southern homebuilding (a)	**6,144**	(203)	**9,837**	(6,895)
Mid-Atlantic homebuilding (a)	**5,787**	1,909	**9,496**	4,959
Financial services	**3,960**	969	**8,606**	4,203
Less: Corporate selling, general and administrative expenses	**(7,380)**	(5,490)	**(17,508)**	(15,288)
Total operating income (loss)	**$ 12,451**	$ (1,451)	**$ 19,443**	$ (19,946)
Interest expense:				
Midwest homebuilding	**$ 1,243**	$ 1,291	**$ 4,181**	$ 4,612
Southern homebuilding	**999**	768	**2,543**	1,965
Mid-Atlantic homebuilding	**1,342**	1,122	**4,248**	3,663
Financial services	**415**	203	**1,094**	644
Total interest expense	**$ 3,999**	$ 3,384	**$ 12,066**	$ 10,884
Income (loss) before income taxes	**$ 8,452**	$ (4,835)	**$ 7,377**	$ (30,830)

(a) For the three months ended September 30, 2012 and 2011, the impact of charges relating to the impairment of inventory and investment in Unconsolidated LLCs and the write-off of abandoned land transaction costs was $1.3 million and $1.8 million, respectively. These charges reduced operating income by $1.3 million and $1.2 million in the Midwest region for the three months ended September 30, 2012 and 2011, respectively, and $0.6 million in the Southern region for the three months ended September 30, 2011. There were no charges in the Mid-Atlantic or Southern regions for the three months ended September 30, 2012 or any charges in the Mid-Atlantic region for the three months ended September 30, 2011.

For the nine months ended September 30, 2012 and 2011, the impact of charges relating to the impairment of inventory and investment in Unconsolidated LLCs and the write-off of abandoned land transaction costs was $2.1 million and $18.5 million, respectively. These charges reduced operating income by $1.9 million and $11.6 million in the Midwest region, $0.1 million and $6.6 million in the Southern region and $0.1 million and $0.3 million in the Mid-Atlantic region for the nine months ended September 30, 2012 and 2011, respectively.

The following tables show total assets by segment:

	September 30, 2012				
(In thousands)	**Midwest**	**Southern**	**Mid-Atlantic**	**Corporate, Financial Services and Unallocated**	**Total**
Deposits on real estate under option or contract	**$ 1,274**	**$ 2,675**	**$ 2,255**	**$ —**	**$ 6,204**
Inventory (a)	**203,947**	**126,524**	**207,196**	**—**	**537,667**
Investments in Unconsolidated LLCs	**5,255**	**6,001**	**—**	**—**	**11,256**
Other assets	**5,710**	**4,434**	**11,044**	**240,977**	**262,165**
Total assets	**$ 216,186**	**$ 139,634**	**$ 220,495**	**$ 240,977**	**$ 817,292**

	December 31, 2011				
(In thousands)	Midwest	Southern	Mid-Atlantic	Corporate, Financial Services and Unallocated	Total
Deposits on real estate under option or contract	$ 252	$ 1,516	$ 907	$ —	$ 2,675
Inventory (a)	200,760	89,586	173,751	—	464,097
Investments in Unconsolidated LLCs	5,157	5,200	—	—	10,357
Other assets	3,865	2,858	9,861	170,772	187,356
Total assets	$ 210,034	$ 99,160	$ 184,519	$ 170,772	$ 664,485

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

NOTE 15. Supplemental Guarantor Information

The Company's obligations under the 2018 Senior Notes and 2017 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 and the 2017 Convertible Senior Subordinated Notes are the same.

The following condensed consolidating financial information includes balance sheets, statements of operations and cash flow information for the parent company, the guarantors for the 2018 Senior Notes and the 2017 Convertible Senior Subordinated Notes (the "Guarantor Subsidiaries"), collectively, and for all other subsidiaries and joint ventures of the Company ("the Non-Guarantor Subsidiaries"), collectively. Each Guarantor Subsidiary is a direct or indirect wholly-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 and (b) the 2017 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 September 30, 2012, 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, the origination of mortgages for resale, title insurance or similar financial businesses relating to the homebuilding and home sales business and certain subsidiaries that are not wholly-owned by the Company or another subsidiary.

In the condensed financial tables presented below, the parent company presents all of its wholly-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 Non-Guarantor Subsidiaries.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2012				
(In thousands)	**M/I Homes, Inc.**	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Revenue	**$ —**	**$ 202,492**	**$ 6,383**	**$ —**	**$ 208,875**
Costs and expenses:					
Land and housing	**—**	**164,452**	**—**	**—**	**164,452**
Impairment of inventory and investment in Unconsolidated LLCs	**—**	**1,309**	**—**	**—**	**1,309**
General and administrative	**—**	**13,425**	**2,591**	**—**	**16,016**
Selling	**—**	**14,647**	**—**	**—**	**14,647**
Interest	**—**	**3,584**	**415**	**—**	**3,999**
Total costs and expenses	**—**	**197,417**	**3,006**	**—**	**200,423**
Income before income taxes	**—**	**5,075**	**3,377**	**—**	**8,452**
(Benefit) provision for income taxes	**—**	**(1,003)**	**1,141**	**—**	**138**
Equity in subsidiaries	**8,314**	**—**	**—**	**(8,314)**	**—**
Net income	**$ 8,314**	**$ 6,078**	**$ 2,236**	**$ (8,314)**	**$ 8,314**

	Three Months Ended September 30, 2011				
(In thousands)	M/I Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ 138,752	$ 2,872	$ —	$ 141,624
Costs and expenses:					
Land and housing	—	116,269	—	—	116,269
Impairment of inventory and investment in Unconsolidated LLCs	—	1,697	—	—	1,697
General and administrative	—	11,914	1,982	—	13,896
Selling	—	11,213	—	—	11,213
Interest	—	3,181	203	—	3,384
Total costs and expenses	—	144,274	2,185	—	146,459
(Loss) income before income taxes	—	(5,522)	687	—	(4,835)
(Benefit) provision for income taxes	—	(366)	249	—	(117)
Equity in subsidiaries	(4,718)	—	—	4,718	—
Net (loss) income	$ (4,718)	$ (5,156)	$ 438	$ 4,718	$ (4,718)

(In thousands)	Nine Months Ended September 30, 2012 M/I Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	**$ —**	**$ 495,371**	**$ 15,623**	**$ —**	**$ 510,994**
Costs and expenses:					
Land and housing	**—**	**408,893**	**—**	**—**	**408,893**
Impairment of inventory and investment in Unconsolidated LLCs	**—**	**1,876**	**—**	**—**	**1,876**
General and administrative	**—**	**34,938**	**7,361**	**—**	**42,299**
Selling	**—**	**38,482**	**1**	**—**	**38,483**
Interest	**—**	**10,972**	**1,094**	**—**	**12,066**
Total costs and expenses	**—**	**495,161**	**8,456**	**—**	**503,617**
Income before income taxes	**—**	**210**	**7,167**	**—**	**7,377**
(Benefit) provision for income taxes	**—**	**(3,403)**	**2,448**	**—**	**(955)**
Equity in subsidiaries	**8,332**	**—**	**—**	**(8,332)**	**—**
Net income	**$ 8,332**	**$ 3,613**	**$ 4,719**	**$ (8,332)**	**$ 8,332**

(In thousands)	Nine Months Ended September 30, 2011 M/I Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ —	$ 380,271	$ 9,367	$ —	$ 389,638
Costs and expenses:					
Land and housing	—	322,886	—	—	322,886
Impairment of inventory and investment in Unconsolidated LLCs	—	18,013	—	—	18,013
General and administrative	—	32,606	5,458	—	38,064
Selling	—	30,621	—	—	30,621
Interest	—	10,240	644	—	10,884
Total costs and expenses	—	414,366	6,102	—	420,468
(Loss) income before income taxes	—	(34,095)	3,265	—	(30,830)
(Benefit) provision for income taxes	—	(1,003)	1,074	—	71
Equity in subsidiaries	(30,901)	—	—	30,901	—
Net (loss) income	$ (30,901)	$ (33,092)	$ 2,191	$ 30,901	$ (30,901)

CONDENSED CONSOLIDATING BALANCE SHEET

	September 30, 2012				
(In thousands)	M/I Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS:					
Cash and cash equivalents	$ —	$ 140,899	$ 18,866	$ —	$ 159,765
Restricted cash	—	8,980	—	—	8,980
Mortgage loans held for sale	—	—	58,338	—	58,338
Inventory	—	543,871	—	—	543,871
Property and equipment - net	—	11,821	135	—	11,956
Investment in Unconsolidated LLCs	—	—	11,256	—	11,256
Investment in subsidiaries	388,041	—	—	(388,041)	—
Intercompany	213,796	(204,295)	(9,501)	—	—
Other assets	9,725	12,217	1,184	—	23,126
TOTAL ASSETS	$ 611,562	$ 513,493	$ 80,278	$ (388,041)	$ 817,292
LIABILITIES AND SHAREHOLDERS’ EQUITY					
LIABILITIES:					
Accounts payable	$ —	$ 64,694	$ 654	$ —	$ 65,348
Customer deposits	—	10,976	—	—	10,976
Other liabilities	—	45,875	6,382	—	52,257
Community development district obligations	—	4,988	—	—	4,988
Obligation for consolidated inventory not owned	—	6,552	—	—	6,552
Note payable bank - financial services operations	—	—	54,840	—	54,840
Note payable - other	—	10,769	—	—	10,769
Convertible senior subordinated notes	57,500	—	—	—	57,500
Senior notes	227,570	—	—	—	227,570
TOTAL LIABILITIES	285,070	143,854	61,876	—	490,800
Shareholders' equity	326,492	369,639	18,402	(388,041)	326,492
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 611,562	$ 513,493	$ 80,278	$ (388,041)	$ 817,292

CONDENSED CONSOLIDATING BALANCE SHEET

	December 31, 2011				
(In thousands)	M/I Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS:					
Cash and cash equivalents	$ —	$ 43,539	$ 16,254	$ —	$ 59,793
Restricted cash	—	41,334	—	—	41,334
Mortgage loans held for sale	—	—	57,275	—	57,275
Inventory	—	466,772	—	—	466,772
Property and equipment - net	—	14,241	117	—	14,358
Investment in Unconsolidated LLCs	—	—	10,357	—	10,357
Investment in subsidiaries	381,709	—	—	(381,709)	—
Intercompany	125,272	(115,058)	(10,214)	—	—
Other assets	5,385	8,455	756	—	14,596
TOTAL ASSETS	$ 512,366	$ 459,283	$ 74,545	$ (381,709)	$ 664,485
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES:					
Accounts payable	$ —	$ 40,759	$ 497	$ —	$ 41,256
Customer deposits	—	4,181	—	—	4,181
Other liabilities	—	33,589	5,759	—	39,348
Community development district obligations	—	5,983	—	—	5,983
Obligation for consolidated inventory not owned	—	2,944	—	—	2,944
Note payable bank - financial services operations	—	—	52,606	—	52,606
Note payable - other	—	5,801	—	—	5,801
Senior notes	239,016	—	—	—	239,016
TOTAL LIABILITIES	239,016	93,257	58,862	—	391,135
Shareholders' equity	273,350	366,026	15,683	(381,709)	273,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 512,366	$ 459,283	$ 74,545	$ (381,709)	$ 664,485

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2012				
	M/I Homes, Inc.	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash (used in) provided by operating activities	**$ —**	**$ (20,546)**	**$ 4,225**	**$ —**	**$ (16,321)**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Restricted cash	**—**	**32,391**	**—**	**—**	**32,391**
Purchase of property and equipment	**—**	**(786)**	**(72)**	**—**	**(858)**
Acquisition, net of cash acquired	**—**	**(4,707)**	**—**	**—**	**(4,707)**
Investments in and advances to Unconsolidated LLC's	**—**	**—**	**(949)**	**—**	**(949)**
Net cash provided by (used in) investing activities	**—**	**26,898**	**(1,021)**	**—**	**25,877**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of senior notes	**(41,443)**	**—**	**—**	**—**	**(41,443)**
Proceeds from bank borrowings - net	**—**	**—**	**2,234**	**—**	**2,234**
Principal proceeds from note payable - other and community development district bond obligations	**—**	**4,968**	**—**	**—**	**4,968**
Proceeds from issuance of senior notes	**29,700**	**—**	**—**	**—**	**29,700**
Proceeds from issuance of convertible senior subordinated notes	**57,500**	**—**	**—**	**—**	**57,500**
Proceeds from issuance of common shares	**42,085**	**—**	**—**	**—**	**42,085**
Intercompany financing	**(89,057)**	**91,852**	**(2,795)**	**—**	**—**
Debt issue costs	**—**	**(5,812)**	**(31)**	**—**	**(5,843)**
Proceeds from exercise of stock options	**1,215**	**—**	**—**	**—**	**1,215**
Net cash provided by (used in) financing activities	**—**	**91,008**	**(592)**	**—**	**90,416**
Net increase in cash and cash equivalents	**—**	**97,360**	**2,612**	**—**	**99,972**
Cash and cash equivalents balance at beginning of period	**—**	**43,539**	**16,254**	**—**	**59,793**
Cash and cash equivalents balance at end of period	**$ —**	**$ 140,899**	**$ 18,866**	**$ —**	**$ 159,765**

(In thousands)	Nine Months Ended September 30, 2011				
	M/I Homes, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash (used in) provided by operating activities	$ —	$ (37,939)	$ 13,373	$ —	$ (24,566)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Restricted cash	—	(4,532)	—	—	(4,532)
Purchase of property and equipment	—	(851)	(38)	—	(889)
Acquisition, net of cash acquired	—	(4,654)	—	—	(4,654)
Distributions from Unconsolidated LLCs	—	—	(648)	—	(648)
Net cash used in investing activities	—	(10,037)	(686)	—	(10,723)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayments of bank borrowings - net	—	—	(539)	—	(539)
Principal repayments of note payable - other and community development district bond obligations	—	4	—	—	4
Intercompany financing	(1,665)	8,636	(6,971)	—	—
Debt issue costs	—	(150)	(70)	—	(220)
Proceeds from exercise of stock options	1,500	—	—	—	1,500
Excess tax deficiency from stock-based payment arrangements	165	—	—	—	165
Net cash provided by (used in) financing activities	—	8,490	(7,580)	—	910
Net (decrease) increase in cash and cash equivalents	—	(39,486)	5,107	—	(34,379)
Cash and cash equivalents balance at beginning of period	—	71,874	9,334	—	81,208
Cash and cash equivalents balance at end of period	$ —	$ 32,388	$ 14,441	$ —	$ 46,829

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

M/I Homes, Inc. (the "Company" or "we") is one of the nation's leading builders of single-family homes, having delivered over 82,000 homes since we commenced homebuilding activities in 1976. The Company's homes are marketed and sold under the M/I Homes, Showcase Homes, TriStone Homes and Triumph Homes trade names. The Company has homebuilding operations in Columbus and Cincinnati, Ohio; Indianapolis, Indiana; Chicago, Illinois; Tampa and Orlando, Florida; Austin, Houston and San Antonio, Texas; Charlotte and Raleigh, North Carolina; and the Virginia and Maryland suburbs of Washington, D.C.

Included in this Management's Discussion and Analysis of Financial Condition and Results of Operations are the following topics relevant to the Company's performance and financial condition:

- Information Relating to Forward-Looking Statements;
- Our Application of Critical Accounting Estimates and Policies;
- Our Results of Operations;
- Discussion of Our Liquidity and Capital Resources;
- Update of Our Contractual Obligations;
- Discussion of Our Utilization of Off-Balance Sheet Arrangements; and
- Impact of Interest Rates and Inflation.

FORWARD-LOOKING STATEMENTS

Certain information included in this report or in other materials we have filed or will file with the Securities and Exchange Commission (the "SEC") (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements, including, but not limited to, statements regarding our future financial performance and financial condition. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements involve a number of risks and uncertainties. Any forward-looking statements that we make herein and in future reports and statements are not guarantees of future performance, and actual results may differ materially from those in such forward-looking statements as a result of various risk factors. Please see "Item 1A. Risk Factors" in Part II of this Quarterly Report on Form 10-Q for the period ended September 30, 2012.

Any forward-looking statement speaks only as of the date made. Except as required by applicable law, we undertake no obligation to publicly update any forward-looking statements or risk factors, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q and 8-K and our other filings with the SEC should be consulted. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. On an ongoing basis, management evaluates such estimates and judgments and makes adjustments as deemed necessary. Actual results could differ from these estimates using different estimates and assumptions, or if conditions are significantly different in the future. See Note 1 (Summary of Significant Accounting Policies) to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011 for additional information about our accounting policies.

We believe that there have been no significant changes to our critical accounting policies during the nine months ended September 30, 2012 as compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011 and in our Quarterly Report on Form 10-Q for the three months ended March 31, 2012.

RESULTS OF OPERATIONS

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 eleven 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	

In April 2012, we expanded our Houston, Texas operations by acquiring the assets of a privately-held homebuilder.

In October 2012, we announced our entry into the Austin, Texas market.

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

Outlook

Throughout the first nine months of 2012, we, as well as others in the homebuilding industry, have seen signs that the overall housing market is stabilizing and beginning to recover from the severe housing downturn that began in mid-2006. We are experiencing broad-based improvement across most of our regions which we believe is being driven by attractive housing affordability levels, moderate changes in buyer perceptions, increased demand for distressed properties, and record-low interest rates for residential consumer mortgage loans, all of which have led to a decline in national housing inventory levels and to stabilization in most of the Company's markets. These factors are evident in both our 2012 third quarter and year to date operating results as well as by our improving gross margins, operating margins and operating leverage statistics when compared to our results from a year ago as more fully described below.

The Company was profitable for both the quarter and the year to date, and achieved its highest net income since 2006 reaching $8.3 million for the quarter and nine months year-to-date. In September 2012, the Company increased its cash with the public issuances of $57.5 million aggregate principal amount of 3.25% Convertible Senior Subordinated Notes due 2017 (the "2017 Convertible Senior Subordinated Notes") and 2.53 million common shares, for aggregate combined net proceeds of $99.6 million.

With these improving conditions in mind, we will continue to focus on the following primary strategic business objectives focused on profitability:

- maintaining a strong balance sheet;
- emphasizing customer service, product design, and premier locations;
- strategically investing in new communities and/or markets; and
- having a meaningful presence in our markets.

Summary of Company Results

We have historically experienced, and expect to continue to experience, variability in our quarterly results. Our results of operations for the three and nine months ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year.

As a result of the improving operating conditions and our continued effort to manage our business with a focus on profitability, we experienced improvements in a number of operational metrics and our financial results for the three and nine months ended September 30, 2012.

Operationally, for the quarter ended September 30, 2012, we experienced a 29% increase in our new contracts, a 28% increase in our homes delivered, and a 12% increase in the average sales price of our homes delivered compared to 2011's third quarter. We also experienced a 41% increase in the number of homes in our backlog as well as a 50% increase in the overall sales value of our backlog over prior year's third quarter. For the first nine months of 2012, new contracts increased 25%, homes delivered increased 17%, and the average sales price of our homes delivered increased 10% over the first nine months of 2011. In addition, we continue to invest in new communities and markets that we believe are helping us in attaining improved profitability when and as housing markets improve and in enhancing our ability to establish significant market share and create a platform for future growth in our markets. During the three months ended September 30, 2012, we opened 12 new communities and closed eight legacy communities. We are experiencing higher gross margins in our new communities (20.2%) compared to our legacy communities (14.8%). Of our homes delivered during the third quarter of 2012, 71% were in new communities (defined by us as communities opened after January 1, 2009), compared to 60% during the third quarter of 2011.

From a financial perspective, we improved our financial results in several areas for the three and nine months ended September 30, 2012. Most notably for the quarter ended September 30, 2012, we achieved net income of $8.3 million, or $0.42 per diluted share, compared to a loss of $4.7 million, or a loss of $0.25 per diluted share, for the quarter ended September 30, 2011. We also achieved net income for the nine month period ended September 30, 2012 of $8.3 million compared to a loss of $30.9 million for the same period in 2011.

Below is a further description of the additional improvements in our financial results.

- For the quarter ended September 30, 2012, total revenue increased $67.3 million (48%), from $141.6 million in the third quarter of 2011 to $208.9 million in the third quarter of 2012. This increase was attributable to a 28% increase in homes delivered, from 582 in the third quarter of 2011 to 746 in the third quarter of 2012, along with a 12% increase in the average sales price of homes delivered, from $238,000 in the third quarter of 2011 to $266,000 in the third quarter of 2012. We also had $4.1 million of revenue from land sales in the third quarter of 2012 compared to only $0.2 million in the third quarter of 2011. Revenue in our financial services segment increased from $2.9 million for the quarter ended September 30, 2011 to $6.4 million for the same period in 2012. Please see the discussion below for an explanation regarding the increase in revenue.

- Income before taxes for the quarter ended September 30, 2012 was $8.5 million compared to loss before taxes of $4.8 million for the third quarter of 2011. The $13.3 million increase in income before taxes was primarily due to the increase in revenue described above, a 190 basis point improvement in our adjusted operating gross margin, a $3.0 million drywall settlement, a $0.8 million increase in land sale profit and a $0.4 million decrease in impairment charges taken during the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011. These improvements were offset, in part, by a $5.6 million increase in selling, general and administrative costs which was driven primarily by a $2.6 million increase in variable selling expenses related to the increase in homes delivered; a $2.0 million increase in payroll related expenses; a $0.7 million increase in design center depreciation expenses, and a $0.3 million increase in expenses related to our sales offices. Excluding the drywall settlement and the impairment charges of $1.3 million, the Company earned adjusted pre-tax income from operations of $6.8 million for the quarter ended September 30, 2012, a $9.8 million increase compared to the adjusted pre-tax loss from operations of $3.0 million for the third quarter of 2011. This improvement was also a result of the factors described with respect to income before taxes above. Please see the table set forth below which reconciles the non-GAAP financial measures of adjusted operating gross margin and adjusted pre-tax income (loss) from operations to their respective most directly comparable GAAP financial measures, gross margin, and income (loss) from operations before taxes.

- For the nine months ended September 30, 2012, total revenue increased $121.4 million (31%), from $389.6 million in the first nine months of 2011 to $511.0 million in the first nine months of 2012. This increase was attributable to a 17% increase in homes delivered, from 1,611 in the nine month period ended September 30, 2011 to 1,878 in the nine month period ended September 30, 2012, along with a 10% increase in the average sales price of homes delivered, from $235,000 in the first nine months of 2011 to $259,000 in the first nine months of 2012. Revenue in our financial services segment increased 66% from $9.4 million for the nine months ended September 30, 2011 to $15.6 million for the nine months ended September 30, 2012. Please see the discussion below for an explanation regarding the increase in revenue.

- Income before taxes for the nine months ended September 30, 2012 was $7.4 million compared to loss before taxes of $30.8 million for the first nine months of 2011. The $38.2 million increase124% in income before taxes was primarily due to the increase in revenue described above, a 230 basis point improvement in our adjusted operating gross margin, a $3.0 million drywall settlement, a $2.0 million increase in land sale profit and a $16.1 million decrease in impairment charges taken during the first nine months of 2012 compared to the same period in 2011. These improvements were offset, in part, by a $1.2 million increase in interest expense due to the increase in borrowings related to the increase in the number of loans originated by our mortgage company during the first nine months of 2012 as well as a $12.1 million increase in selling, general and administrative costs driven primarily by a $5.3 million increase in variable selling expenses related to the increase in homes delivered; a

$4.0 million increase in payroll related expenses; a $0.9 million increase in expenses related to our sales offices; a $0.5 million increase related to design center related expenses, a $0.5 million increase in land related expenses; a $0.4 million increase in expenses related to our model homes; a $0.3 million increase in miscellaneous other expenses; and a $0.2 million increase in advertising expenses. Excluding the drywall settlement and the impairment charges of $2.1 million, the Company earned adjusted pre-tax income from operations of $6.5 million for the nine months ended September 30, 2012, a $18.9 million increase compared to adjusted pre-tax loss from operations of $12.4 million for the first nine months of 2011. This improvement was also a result of the factors described with respect to income before taxes above. Please see the table set forth below which reconciles the non-GAAP financial measures of adjusted operating gross margin and adjusted pre-tax income from operations to their respective most directly comparable GAAP financial measures, gross margin, and income from operations before income taxes.

- Our mortgage company's capture rate increased from 84% for the three months ended September 30, 2011 to 85% for the three months ended September 30, 2012, and decreased from 85% for the nine months ended September 30, 2011 to 84% for the nine months ended September 30, 2012. Capture rate is influenced by financing availability and can fluctuate up or down from period to period.

- During the nine months ended September 30, 2012, we reduced our deferred tax assets by $3.7 million, and we recorded a non-cash valuation allowance against the entire amount of deferred tax assets.

The following table reconciles our adjusted operating gross margin and adjusted pre-tax income (loss) from operations (each of which constitutes a non-GAAP financial measure) for the three and nine months ended September 30, 2012 and 2011 to the GAAP financial measures of gross margin and income (loss) from operations before income taxes, respectively:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(In thousands)	**2012**	2011	**2012**	2011
Gross margin	**$ 43,114**	$ 23,658	**$ 100,225**	$ 48,739
Add:				
Impairment of inventory and investment in Unconsolidated LLCs	**1,309**	1,697	**1,876**	18,013
Imported drywall settlement	**$ (3,000)**	$ —	**$ (3,000)**	$ —
Adjusted operating gross margin	**$ 41,423**	$ 25,355	**$ 99,101**	$ 66,752
Income (loss) from operations before income taxes	**$ 8,452**	$ (4,835)	**$ 7,377**	$ (30,830)
Add:				
Impairment of inventory and investment in Unconsolidated LLCs and abandoned land transaction costs	**1,309**	1,837	**2,132**	18,453
Imported drywall settlement	**(3,000)**	—	**(3,000)**	—
Adjusted pre-tax income (loss) from operations	**$ 6,761**	$ (2,998)	**$ 6,509**	$ (12,377)

Adjusted operating gross margin and adjusted pre-tax income (loss) from operations are non-GAAP financial measures. Management finds these measures to be useful in evaluating the Company's performance because they disclose the financial results generated from homes the Company actually delivered during the period, as the asset impairments and certain other write-offs relate, in part, to inventory that was not delivered during the period. They also assist the Company's management in making strategic decisions regarding the Company's future operations. The Company believes investors will also find these to be important and useful because they disclose profitability measures that can be compared to a prior period without regard to the variability of asset impairments and certain other write-offs. In addition, to the extent that the Company's competitors provide similar information, disclosure of these measures helps readers of the Company's financial statements compare the Company's profits to the profits of its competitors with regard to the homes they deliver in the same period. Because these measures are not calculated in accordance with GAAP, they may not be completely comparable to similarly titled measures of the Company's competitors due to potential differences in methods of calculation and charges being excluded. Due to the significance of the GAAP components excluded, such measures should not be considered in isolation or as an alternative to operating performance measures prescribed by GAAP.

The following table shows, by segment, revenue, operating income (loss) and interest expense for the three and nine months ended September 30, 2012 and 2011, as well as the Company's income (loss) before income taxes for such periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2012**	2011	**2012**	2011
Revenue:				
Midwest homebuilding	**$ 79,015**	$ 58,941	**$ 198,994**	$ 168,291
Southern homebuilding	**50,828**	35,281	**123,400**	84,117
Mid-Atlantic homebuilding	**72,649**	44,530	**172,977**	127,863
Financial services	**6,383**	2,872	**15,623**	9,367
Total revenue	**$ 208,875**	$ 141,624	**$ 510,994**	$ 389,638
Operating income (loss):				
Midwest homebuilding (a)	**$ 3,940**	$ 1,364	**$ 9,012**	$ (6,925)
Southern homebuilding (a)	**6,144**	(203)	**9,837**	(6,895)
Mid-Atlantic homebuilding (a)	**5,787**	1,909	**9,496**	4,959
Financial services	**3,960**	969	**8,606**	4,203
Less: Corporate selling, general and administrative expenses	**(7,380)**	(5,490)	**(17,508)**	(15,288)
Total operating income (loss)	**$ 12,451**	$ (1,451)	**$ 19,443**	$ (19,946)
Interest expense:				
Midwest homebuilding	**$ 1,243**	$ 1,291	**$ 4,181**	$ 4,612
Southern homebuilding	**999**	768	**2,543**	1,965
Mid-Atlantic homebuilding	**1,342**	1,122	**4,248**	3,663
Financial services	**415**	203	**1,094**	644
Total interest expense	**$ 3,999**	$ 3,384	**$ 12,066**	$ 10,884
Income (loss) before income taxes	**$ 8,452**	$ (4,835)	**$ 7,377**	$ (30,830)

(a) For the three months ended September 30, 2012 and 2011, the impact of charges relating to the impairment of inventory and investment in Unconsolidated LLCs and the write-off of abandoned land transaction costs was $1.3 million and $1.8 million, respectively. These charges reduced operating income by $1.3 million and $1.2 million in the Midwest region for the three months ended September 30, 2012 and 2011, respectively, and $0.6 million in the Southern region for the three months ended September 30, 2011. Note there were no charges in the Mid-Atlantic region for both the three months ended September 30, 2012 and 2011.

For the nine months ended September 30, 2012 and 2011, the impact of charges relating to the impairment of inventory and investment in Unconsolidated LLCs and the write-off of abandoned land transaction costs was $2.1 million and $18.5 million, respectively. These charges reduced operating income by $1.9 million and $11.6 million in the Midwest region, $0.1 million and $6.6 million in the Southern region and $0.1 million and $0.3 million in the Mid-Atlantic region for the nine months ended September 30, 2012 and 2011, respectively.

The following tables show total assets by segment:

	At September 30, 2012				
(In thousands)	**Midwest**	**Southern**	**Mid-Atlantic**	**Corporate, Financial Services and Unallocated**	**Total**
Deposits on real estate under option or contract	**$ 1,274**	**$ 2,675**	**$ 2,255**	**$ —**	**$ 6,204**
Inventory (a)	**203,947**	**126,524**	**207,196**	**—**	**537,667**
Investments in Unconsolidated LLCs	**5,255**	**6,001**	**—**	**—**	**11,256**
Other assets	**5,710**	**4,434**	**11,044**	**240,977**	**262,165**
Total assets	**$ 216,186**	**$ 139,634**	**$ 220,495**	**$ 240,977**	**$ 817,292**

	At December 31, 2011				
(In thousands)	Midwest	Southern	Mid-Atlantic	Corporate, Financial Services and Unallocated	Total
Deposits on real estate under option or contract	$ 252	$ 1,516	$ 907	$ —	$ 2,675
Inventory (a)	200,760	89,586	173,751	—	464,097
Investments in Unconsolidated LLCs	5,157	5,200	—	—	10,357
Other assets	3,865	2,858	9,861	170,772	187,356
Total assets	$ 210,034	$ 99,160	$ 184,519	$ 170,772	$ 664,485

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

Seasonality

Typically, our homebuilding operations experience significant seasonality and quarter-to-quarter variability in homebuilding activity levels. In general, homes delivered increase substantially in the second half of the year compared to the first half of the year. We believe that this seasonality reflects the tendency of homebuyers to shop for a new home in the spring with the goal of closing in the fall or winter, as well as the scheduling of construction to accommodate seasonal weather conditions. Our financial services operations also experience seasonality because loan originations correspond with the delivery of homes in our homebuilding operations.

Reportable Segments

The following table presents, by reportable segment, selected financial information for the three and nine months ended September 30, 2012 and 2011:

(Dollars in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Midwest Region				
Homes delivered	**307**	254	**795**	741
New contracts, net	**274**	251	**913**	846
Backlog at end of period	**505**	441	**505**	441
Average sales price per home delivered	**$ 257**	$ 232	**$ 250**	$ 227
Average sales price of homes in backlog	**$ 267**	$ 253	**$ 267**	$ 253
Aggregate sales value of homes in backlog	**$ 135,086**	$ 111,538	**$ 135,086**	$ 111,538
Revenue homes	**$ 79,015**	$ 58,941	**$ 198,374**	$ 168,291
Revenue third party land sales	**$ —**	$ —	**$ 620**	$ —
Operating income (loss) homes (a)	**$ 3,940**	$ 1,364	**$ 9,083**	$ (6,925)
Operating (loss) third party land sales (a)	**$ —**	$ —	**$ (70)**	$ —
Number of active communities	**58**	60	**58**	60
Southern Region				
Homes delivered	**223**	162	**543**	395
New contracts, net	**224**	149	**707**	451
Backlog at end of period	**362**	184	**362**	184
Average sales price per home delivered	**$ 226**	$ 217	**$ 226**	$ 210
Average sales price of homes in backlog	**$ 263**	$ 230	**$ 263**	$ 230
Aggregate sales value of homes in backlog	**$ 95,299**	$ 42,270	**$ 95,299**	$ 42,270
Revenue homes	**$ 50,382**	$ 35,126	**$ 122,748**	$ 83,007
Revenue third party land sales	**$ 447**	$ 155	**$ 653**	$ 1,110
Operating income (loss) homes (a)	**$ 6,141**	$ (206)	**$ 9,837**	$ (6,403)
Operating income (loss) third party land sales (a)	**$ 4**	$ 3	**$ —**	$ (492)
Number of active communities	**34**	25	**34**	25
Mid-Atlantic Region				
Homes delivered	**216**	166	**540**	475
New contracts, net	**259**	187	**727**	579
Backlog at end of period	**312**	213	**312**	213
Average sales price per home delivered	**$ 319**	$ 268	**$ 306**	$ 269
Average sales price of homes in backlog	**$ 333**	$ 324	**$ 333**	$ 324
Aggregate sales value of homes in backlog	**$ 103,951**	$ 68,930	**$ 103,951**	$ 68,930
Revenue homes	**$ 69,009**	$ 44,530	**$ 165,277**	$ 127,863
Revenue third party land sales	**$ 3,640**	$ —	**$ 7,700**	$ —
Operating income homes (a)	**$ 5,017**	$ 1,909	**$ 7,960**	$ 4,959
Operating income third party land sales (a)	**$ 770**	$ —	**$ 1,536**	$ —
Number of active communities	**36**	35	**36**	35
Total Homebuilding Regions				
Homes delivered	**746**	582	**1,878**	1,611
New contracts, net	**757**	587	**2,347**	1,876
Backlog at end of period	**1,179**	838	**1,179**	838
Average sales price per home delivered	**$ 266**	$ 238	**$ 259**	$ 235
Average sales price of homes in backlog	**$ 284**	$ 266	**$ 284**	$ 266
Aggregate sales value of homes in backlog	**$ 334,336**	$ 222,738	**$ 334,336**	$ 222,738
Revenue homes	**$ 198,406**	$ 138,597	**$ 486,399**	$ 379,161
Revenue third party land sales	**$ 4,087**	$ 155	**$ 8,973**	$ 1,110
Operating income (loss) homes (a)	**$ 15,098**	$ 3,067	**$ 26,880**	$ (8,369)
Operating income (loss) third party land sales (a)	**$ 774**	$ 3	**$ 1,466**	$ (492)
Number of active communities	**128**	120	**128**	120

(Dollars in thousands)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Financial Services				
Number of loans originated	**606**	435	**1,589**	1,217
Value of loans originated	**$ 139,020**	$ 92,585	**$ 355,075**	$ 256,708
Revenue	**$ 6,383**	$ 2,872	**$ 15,623**	$ 9,367
Selling, general and administrative expenses	**2,423**	1,903	**7,017**	5,164
Interest expense	**415**	203	**1,094**	644
Income before income taxes	**$ 3,545**	$ 766	**$ 7,512**	$ 3,559

(a) Amount shown includes impairment of inventory and investment in Unconsolidated LLCs and abandoned land transaction costs for the three and nine months ended September 30, 2012 and 2011 as follows:

(Dollars in thousands)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Midwest:				
Homes	**$ 1,309**	$ 1,224	**$ 1,817**	$ 11,585
Land	**—**	—	**95**	—
	1,309	1,224	**1,912**	11,585
Southern:				
Homes	**—**	613	**110**	6,020
Land	**—**	—	**—**	590
	—	613	**110**	6,610
Mid-Atlantic:				
Homes	**—**	—	**110**	258
Land	**—**	—	**—**	—
	—	—	**110**	258
Total				
Homes	**1,309**	1,837	**2,037**	17,863
Land	**—**	—	**95**	590
	$ 1,309	$ 1,837	**$ 2,132**	$ 18,453

A home is included in "new contracts" when our standard sales contract is executed. "Homes delivered" represents homes for which the closing of the sale has occurred. "Backlog" represents homes for which the standard sales contract has been executed, but which are not included in homes delivered because closings for these homes have not yet occurred as of the end of the period specified.

Cancellation Rates

The following table sets forth the cancellation rates for each of our homebuilding segments for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Midwest	**18.7%**	21.3 %	**16.8%**	20.9 %
Southern	**23.8%**	19.5 %	**18.9%**	18.6 %
Mid-Atlantic	**11.3%**	15.8 %	**12.0%**	14.1 %
Total cancellation rate	**18.0%**	19.1 %	**16.0%**	18.3 %

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

Midwest Region. For the three months ended September 30, 2012, homebuilding revenue in our Midwest region increased $20.1 million, from $58.9 million in the third quarter of 2011 to $79.0 million in the third quarter of 2012. This increase was primarily the result of a 21% increase in homes delivered from 254 in the third quarter of 2011 to 307 in the third quarter of 2012 along with an 11% increase in the average sales price of homes delivered, from $232,000 in the third quarter of 2011 to $257,000 in the third quarter of 2012. For the three months ended September 30, 2012, there were $1.3 million of charges related to the impairment of inventory and investment in Unconsolidated LLCs in our Midwest region, compared to $1.1 million of impairment charges for the three month period ended September 30, 2011. Excluding these impairment charges, our adjusted operating gross margin percentage was 17.0% for the three months ended September 30, 2012 and 15.9% for the same period in 2011. The increase in adjusted operating gross margin percentage was primarily the result of an increase in homes delivered in new communities, where we typically experience higher gross margins compared to our legacy communities primarily due to improved product and cost structures. For the three months ended September 30, 2012, 56% of the homes delivered in our Midwest region were in new communities, compared to 45% of our homes delivered during the three months ended September 30, 2011. Our Midwest region had operating income of $3.9 million for the three months ended September 30, 2012, a $2.5 million increase from the operating income of $1.4 million in the third quarter of 2011. The $2.5 million increase in operating income was primarily the result of the 110 basis point improvement in our adjusted operating gross margin percentage offset partially by the $0.2 million increase in impairment charges discussed above as well as a $1.3 million increase in selling, general and administrative expenses. The increase in selling, general and administrative expenses was primarily due to a $0.7 million acceleration of leasehold improvement depreciation for rented space that we intend to exit early, as well as a $0.8 million increase in variable selling expenses as a result of the increase in homes delivered as well as increased sales commissions due to the higher average sales price of homes delivered during the third quarter of 2012 compared to the third quarter of 2011. Partially offsetting these increases was a $0.2 million decrease in payroll related expenses.

During the three months ended September 30, 2012, we opened six new communities in our Midwest region compared to four new communities opened during the third quarter of 2011. We experienced a 9% increase in new contracts in our Midwest region for the three months ended September 30, 2012, from 251 for the quarter ended September 30, 2011 to 274 for the quarter ended September 30, 2012. Our monthly absorption rate in our Midwest region in the third quarter of 2012 increased to 1.7 per community compared to 1.4 per community in the third quarter of 2011.

Southern Region. For the three months ended September 30, 2012, homebuilding revenue in our Southern region increased $15.5 million, from $35.3 million in the third quarter of 2011 to $50.8 million in the third quarter of 2012. This increase was primarily the result of a 38% increase in the number of homes delivered, from 162 for the quarter ended September 30, 2011 to 223 for the quarter ended September 30, 2012, along with a 4% increase in the average sales price of homes delivered from $217,000 in the third quarter of 2011 to $226,000 in the third quarter of 2012. There were no charges related to the impairment of inventory and investment in Unconsolidated LLCs in our Southern region for the three months ended September 30, 2012, compared to $0.6 million in charges we incurred during the third quarter of 2011. Excluding these impairment charges as well as the $3.0 million settlement the Company received in the third quarter of 2012 related to defective imported drywall, our adjusted operating gross margin percentage for the three months ended September 30, 2012 was 17.6% compared to an adjusted operating gross margin percentage of 15.3% for the three months ended September 30, 2011. Overall, we are experiencing higher gross margins in our new communities than in our legacy communities primarily due to improved product and cost structures. For the quarter ended September 30, 2012, 76% of the homes delivered in our Southern region were in new communities, compared to 67% of our homes delivered in our Southern region during the third quarter of 2011. Our Southern region had operating income of $6.1 million for the three months ended September 30, 2012, a $6.3 million increase from our operating loss of $0.2 million in the third quarter of 2011. The $6.3 million increase in operating income was primarily the result of the 230 basis point improvement in our adjusted operating gross margin percentage discussed above. Selling, general and administrative expenses increased $0.8 million in the third quarter of 2012 primarily due to an increase in variable selling expenses as a result of the increase in homes delivered as well as increased sales commissions due to the higher average sales price of homes delivered during the third quarter of 2012 compared to the third quarter of 2011.

During the three months ended September 30, 2012, we opened five new communities in our Southern region compared to three new communities opened during the third quarter of 2011. We experienced an 50% increase in new contracts in our Southern region, from 149 in the third quarter of 2011 to 224 in the third quarter of 2012. Our third quarter 2012 monthly absorption rate in our Southern region increased from 1.8 per community in the third quarter of 2011 to 2.2 per community in 2012.

Mid-Atlantic Region. Homebuilding revenue in our Mid-Atlantic region increased from $44.5 million for the three months ended September 30, 2011 to $72.6 million for the three months ended September 30, 2012. This 63% increase was primarily the result of a 19% increase in the average sales price of homes delivered, from $268,000 for the three months ended September 30, 2011 to $319,000 for the three months ended September 30, 2012; a 30% increase in the number of homes delivered, from 166 in the third quarter of 2011 to 216 in the third quarter of 2012; and revenue of $3.6 million from land sales that occurred during 2012's third quarter. There were no charges related to the impairment of inventory and investment in Unconsolidated LLCs in our Mid-Atlantic region for the three months ended September 30, 2012 and 2011. Excluding $0.8 million of profit relating to the sale of land to third parties, our adjusted operating gross margin percentage declined from 17.4% for the three months ended September 30, 2011 to 17.2% for the three months ended September 30, 2012. The decrease in adjusted operating gross margin percentage was primarily the result of changes in our product mix of homes delivered in certain of our Mid-Atlantic markets. Our Mid-Atlantic region had operating income of $5.8 million for the three months ended September 30, 2012, a $3.9 million increase from third quarter 2011's operating income of $1.9 million. This increase was primarily due to the increase in revenue noted above and $0.8 million of profit relating to the sale of land to third parties, offset in part, by the slight decline in our adjusted operating gross margin percentage and a $1.0 million increase in selling, general and administrative expenses. The increase in selling, general and administrative expenses was primarily due to an increase in variable selling expenses as a result of the increase in homes delivered as well as increased sales commissions due to the higher average sales price of homes delivered during the third quarter of 2012 compared to the third quarter of 2011.

We experienced a 39% increase in new contracts, from 187 in the third quarter of 2011 to 259 in the third quarter of 2012. During the three months ended September 30, 2012, we opened one new community in our Mid-Atlantic region compared to four new communities opened during the third quarter of 2011. Our monthly absorption rate in our Mid-Atlantic region was 2.4 per community in the third quarter of 2012, compared to 2.0 per community in the third quarter of 2011.

Financial Services. For the three months ended September 30, 2012, revenue from our mortgage and title operations increased $3.5 million (121%), from $2.9 million in the third quarter of 2011 to $6.4 million in the third quarter of 2012. The increase was primarily due a 39% increase in the number of loan originations, from 435 in the third quarter of 2011 to 606 in the third quarter of 2012 as well as an 8% increase in the average loan amount from $213,000 in the third quarter of 2011 to $229,000 in the third quarter of 2012. Also contributing to the increase in revenue during the quarter was higher margins on our loans sold than we experienced in 2011's third quarter. Selling, general and administrative expenses increased $0.5 million for the quarter ended September 30, 2012 compared to the quarter ended September 30, 2011, primarily due to a $0.5 million increase in payroll related expenses. We had a $3.0 million increase in operating income for the third quarter of 2012 compared to the third quarter of 2011, which was primarily due to the increase in revenue discussed above, offset in part by the increased selling, general and administrative expenses.

At September 30, 2012, M/I Financial provided financing services in all of our markets. Approximately 85% of our homes delivered during the third quarter of 2012 that were financed through M/I Financial compared to 84% in the third quarter of 2011. Capture rate is influenced by financing availability and can fluctuate up or down from quarter to quarter.

Corporate Selling, General and Administrative Expenses. Corporate selling, general and administrative expenses increased $1.9 million, from $5.5 million in the third quarter of 2011 to $7.4 million in the third quarter of 2012. The increase was primarily due to a $2.1 million increase in payroll related expenses.

Interest Expense - Net. The Company incurred $4.0 million of interest expense for the quarter ended September 30, 2012 and $3.4 million for the three months ended September 30, 2011. The majority of the expense was primarily a result of the increase in our weighted average borrowings from $262.9 million in the third quarter of 2011 to $294.7 million in the third quarter of 2012 due to the increase in borrowings related to the number of loan originated by our mortgage company during the third quarter of 2012.

Income Taxes. The Company evaluates its deferred tax assets on a quarterly basis to determine whether a valuation allowance is required. During the third quarter of 2012, the Company reduced its deferred tax asset by $3.6 million. The decrease is primarily the result of utilizing such assets to offset income tax expense of $3.2 million at an effective rate of 38%, along with other changes in our deferred tax assets.

During the three months ended September 30, 2012, we reported an effective tax rate of 1.6% compared to 2.4% for the same period a year ago. The change in our tax rate for the quarter is primarily attributable to the state tax expense related to our mortgage business. The effective rates are not reflective of our historical tax rate or our effective tax rate in future periods.

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

Midwest Region. For the nine months ended September 30, 2012, homebuilding revenue in our Midwest region increased $30.7 million, from $168.3 million in the first nine months of 2011 to $199.0 million in the first nine months of 2012. This 18% increase was primarily the result of a 7% increase in the number of homes delivered, from 741 for the nine months ended September 30, 2011 to 795 for the nine months ended September 30, 2012, a 10% increase in the average sales price of homes delivered, from $227,000 in the first nine months of 2011 to $250,000 in the first nine months of 2012, and a $0.6 million increase in revenue from third party land sales. For the nine months ended September 30, 2012, there were $1.9 million of charges related to the impairment of inventory and investment in Unconsolidated LLCs in our Midwest region, compared to $11.4 million of impairment charges for the nine months ended September 30, 2011. Excluding these impairment charges, our adjusted operating gross margin percentage was 16.4% for the nine months ended September 30, 2012 and 14.0% for the nine months ended September 30, 2011. The increase in adjusted operating gross margin percentage was primarily the result of a 13% increase in homes delivered in new communities where we typically experience higher gross margins compared to our legacy communities primarily due to improved product and cost structures. Our Midwest region had operating income of $9.0 million for the nine months ended September 30, 2012, a $15.9 million increase from an operating loss of $6.9 million for the nine months ended September 30, 2011. The increase in operating income was primarily the result of improvement in both our average sales price and adjusted operating gross margin percentage (240 basis points) as well as the $9.5 million decrease in impairment charges discussed above. Partially offsetting the aforementioned improvements, was a $2.7 million increase in our selling, general and administrative expenses, from $19.0 million for the nine months ended September 30, 2011 to $21.7 million for the nine months ended September 30, 2012. This increase was primarily due to a $1.1 million increase in variable selling expenses, which were the result of the increase in sales commissions due to the higher average sales price of homes delivered during the first nine months of 2012 compared to the first nine months of 2011; $0.7 million increase related to acceleration of leasehold improvement depreciation for rented space that we intend to exit early, a $0.4 million increase in professional fees; a $0.4 million increase in expenses related to our sales offices; and a $0.1 million increase in miscellaneous other expenses.

We opened ten new communities in our Midwest region during both the first nine months of 2012 and 2011. We had an 8% increase in new contracts in our Midwest region for the nine months ended September 30, 2012, from 846 for the nine months ended September 30, 2011 to 913 for the nine months ended September 30, 2012 Our year to date 2012 monthly absorption rate in our Midwest region increased to 1.8 per community, compared to 1.2 per community for the same period in 2011.

Southern Region. For the nine months ended September 30, 2012, homebuilding revenue in our Southern region increased $39.3 million, from $84.1 million in the first nine months of 2011 to $123.4 million in the first nine months of 2012. This 47% increase was primarily the result of a 37% increase in the number of homes delivered, from 395 for the nine months ended September 30, 2011 to 543 for the nine months ended September 30, 2012, along with a 8% increase in the average sales price of homes delivered from $210,000 in the first nine months of 2011 to $226,000 in the first nine months of 2012. We experienced an increase in homes delivered across all of our southern region markets. There were no charges related to the impairment of inventory and investment in Unconsolidated LLCs in our Southern region for the nine months ended September 30, 2012, compared to the $6.6 million in charges we incurred during the first nine months of 2012. Excluding these impairment charges as well as the $3.0 million settlement the Company received in the third quarter of 2012 related to defective imported drywall, our adjusted operating gross margin percentage for the nine months ended September 30, 2012 was 20.6%, compared to an adjusted operating gross margin percentage of 14.7% for the nine months ended September 30, 2011. Overall, we are experiencing higher gross margins in our new communities than in our legacy communities primarily due to improved product and cost structures. For the nine months ended September 30, 2012, 75% of the homes delivered in our Southern region were in new communities, compared to 57% of our homes delivered in our Southern region during the nine months ended September 30, 2011. Our Southern region had operating income of $9.8 million for the nine months ended September 30, 2012, a $16.7 million increase from the operating loss of $6.9 million for the first nine months of 2011. The $16.7 million increase in operating income was primarily the result of the 590 basis point improvement in our adjusted operating gross margin percentage discussed above. Selling, general and administrative expenses increased $2.9 million from $12.7 million for the nine months ended September 30, 2011 to $15.6 million for the nine months ended September 30, 2012. The increase was primarily due to a $2.1 million increase in variable selling expenses, which was the result of the increased sales commissions due to the higher average sales price of homes delivered as well as the increase in the number of homes delivered; a $0.4 million increase in expenses related to our sales offices; and a $0.3 million increase in expenses related to our model homes.

During the first nine months of 2012, we opened 16 new communities in our Southern region (five of which were acquired in our April 2012 acquisition), which was the same number of new communities opened during the first nine months of 2011. We experienced a 57% increase in new contracts in our Southern region during the first nine months of 2012, from 451 in the first nine months of 2011 to 707 in the first nine months of 2012. Our monthly absorption rate for the first nine months of 2012 in our Southern region was 2.5 per community, compared to1.8 per community in the first nine months of 2011.

Mid-Atlantic Region. Homebuilding revenue in our Mid-Atlantic region increased $45.1 million from $127.9 million for the nine months ended September 30, 2011 to $173.0 million for the nine months ended September 30, 2012. This 35% increase was primarily the result of a 14% increase in the average sales price of homes delivered, from $269,000 for the nine months ended September 30, 2011 to $306,000 for the nine months ended September 30, 2012; a 14% increase in the number of homes delivered, from 475 in the first nine months of 2011 to 540 in the first nine months of 2012; and revenue of $7.7 million from a $4.1 million land sale that occurred during 2012's second quarter as well as an additional $3.6 million in the third quarter of 2012. The increase in the average sales price of homes delivered was primarily due to changes in our product mix of homes delivered from the first nine months of 2011 in certain of our Mid-Atlantic markets. There were no charges related to the impairment of inventory and investment in Unconsolidated LLCs in our Mid-Atlantic region for the nine months ended September 30, 2012, compared to less than $0.1 million in charges we incurred during the first nine months of 2011. Excluding these impairment charges as well as $1.5 million of profit relating to the sale of land to third parties, our adjusted operating gross margin percentage declined from 16.8% for the nine months ended September 30, 2011 to 16.3% for the nine months ended September 30, 2012. The decrease in adjusted operating gross margin percentage was primarily the result of changes in our product/market mix of homes delivered in our Mid-Atlantic segment. Our Mid-Atlantic region had operating income of $9.5 million for the nine months ended September 30, 2012, a $4.5 million increase from the operating income of $5.0 million in 2011's first nine months . This increase was primarily due to the increase in revenue noted above and $1.5 million of profit relating to the sale of land to third parties, offset in part, by the decline in our adjusted operating gross margin percentage and a $2.5 million increase in selling, general and administrative expenses from $16.5 million for the nine months ended September 30, 2011 to $19.0 million for the nine months ended September 30, 2012. Selling, general and administrative expenses increased primarily due to a $2.1 million increase in variable selling expenses, a $0.2 million increase in advertising expenses, and a $0.2 million increase in expenses related to our sales offices.

During the first nine months of 2012, we opened eight new communities in our Mid-Atlantic region, compared to 11 new communities opened during the first nine months of 2011. For the nine months ended September 30, 2012, 86% of the homes delivered in our Mid-Atlantic region were in new communities, compared to 70% of the homes delivered in our Mid-Atlantic region during the nine months ended September 30, 2011. During the first nine months of 2012, we experienced a 26% increase in new contracts, from 579 in the first nine months of 2011 to 727 in the first nine months of 2012. Our monthly absorption rate in our Mid-Atlantic region was 2.3 per community in the first nine months of 2012, compared to 1.5 per community in the first nine months of 2011.

Financial Services. For the nine months ended September 30, 2012, revenue from our mortgage and title operations increased $6.2 million (66%), from $9.4 million in the first nine months of 2011 to $15.6 million in the first nine months of 2012, primarily due to a 31% increase in the number of loan originations, from 1,217 in the first nine months of 2011 to 1,589 in the first nine months of 2012 as well as a 6% increase in the average loan amount from $211,000 in the first nine months of 2011 to $223,000 in the first nine months of 2012. Also contributing to the increase in revenue were higher margins on our loans sold than we experienced in the nine months ended September 30, 2011. Selling, general and administrative expenses increased $1.9 million for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, primarily due to a $1.7 million increase in payroll related expenses and $0.2 million increase in other miscellaneous expenses. We had a $4.4 million increase in operating income for the first nine months of 2012 compared to the first nine months of 2011, which was primarily due to the increase in revenue discussed above.

At September 30, 2012, M/I Financial provided financing services in all of our markets. Approximately 84% of our homes delivered during the first nine months of 2012 that were financed through M/I Financial compared to 85% in the first nine months of 2011. Capture rate is influenced by financing availability and can fluctuate up or down from quarter to quarter.

Corporate Selling, General and Administrative Expenses. Corporate selling, general and administrative expenses increased $2.2 million, from $15.3 million in the first nine months of 2011 to $17.5 million in the first nine months of 2012. The increase was primarily due to a $3.0 million increase in payroll related expenses which was partially offset by a $0.8 million net gain on purchase accounting related to our April 2012 acquisition.

Interest Expense - Net. Interest expense for the Company increased $1.2 million, from $10.9 million for the nine months ended September 30, 2011 to $12.1 million for the nine months ended September 30, 2012. This increase was primarily a result of an increase in our weighted average borrowings from $259.9 million in the first nine months of 2011 to $279.1 million in the first nine months of 2012 due to borrowings related to the increase in the number of loans originated by our mortgage company during the first nine months of 2012.

Income Taxes. The Company evaluates its deferred tax assets on a quarterly basis to determine whether a valuation allowance is required. During the nine months ended September 30, 2012 , the Company reduced its deferred tax asset by $3.7 million. The decrease is primarily the result of utilizing such assets to offset income tax expense of $2.8 million at an effective rate of 38%, along with other changes in our deferred tax assets.

During the nine months ended September 30, 2012, we reported an effective tax rate of (12.9)% compared to (0.2)% for the same period a year ago. The change in our effective tax rate for the nine months ended September 30, 2012 is related to $1.2 million benefit recorded during the first quarter of 2012 reflecting the favorable outcome of certain prior year tax positions. The effective rates are not reflective of our historical tax rate or our effective tax rate in future periods.

LIQUIDITY AND CAPITAL RESOURCES

Overview of Capital Resources and Liquidity

During 2011 and the first nine months of 2012, we continued to carefully manage our use of cash to operate our business. During the second quarter of 2012, we repaid the remaining $41.4 million aggregate principal balance of our 6.875% Senior Notes due 2012 (the "2012 Senior Notes") at maturity on April 2, 2012 and also issued an additional $30 million of our 8.625% Senior Notes due 2018. In September 2012, the Company issued $57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes and 2.53 million common shares, for aggregate combined net proceeds of $99.6 million. At September 30, 2012, we had $168.7 million of cash, cash equivalents and restricted cash, with $159.8 million of this amount comprised of unrestricted cash and cash equivalents.

At September 30, 2012 and December 31, 2011, our ratio of net debt to net capital was 36% and 42%, respectively. Our ratio of net debt to net capital is calculated as total debt minus total cash, cash equivalents and restricted cash, divided by the sum of total debt minus total cash, cash equivalents and restricted cash plus shareholders' equity. We believe that the ratio of net debt to net capital is useful in understanding the leverage employed in our operations and comparing us with other homebuilders.

Our net income (loss) historically does not approximate cash flow from operating activities. The difference between net income (loss) and cash flow from operating activities is primarily caused by changes in inventory levels together with changes in receivables, prepaid and other assets, interest and other accrued liabilities, deferred income taxes, accounts payable, mortgage loans and liabilities, and non-cash charges relating to depreciation, stock compensation awards and impairment losses for inventory, among other things. When we are expanding our operations, inventory levels, prepaids, and other assets generally increase, causing cash flow from operating activities to decrease. Certain liabilities also generally increase as operations expand and partially offset the negative effect on cash flow from operations caused by the increase in inventory levels, prepaids and other assets. The opposite is generally true during periods when our investment in new land purchases and development of new communities decrease. Similarly, as our mortgage operations expand, net income from these operations generally increases, but this may be offset by the net change in mortgage assets and liabilities for cash flow purposes.

During 2011 and the first nine months of 2012, we made acquisitions of land assets that met our investment and marketing standards to replenish our land inventories and to facilitate future growth in the markets in which we operate, including the acquisition of the assets of a privately-held homebuilder based in Houston, Texas in April 2012. As a result of these new land purchases and land development expenditures, combined with expenditures on home construction, interest, selling expenses, and general and administrative expenses, which in aggregate have exceeded our revenues from home deliveries and our financial services operations, we have used cash in operations during this period as we strategically added new communities and purchased land for future use.

We continue to operate in an uncertain, albeit improving, economic environment, and our ability to generate positive cash flow from operations, if needed, or to obtain additional capital from financings, or to maintain sufficient liquidity for our business operations may be affected by economic or business conditions beyond our control.

We believe that our balance of unrestricted cash and available borrowing options, including availability under the Company's $140 million secured revolving credit facility (the "Credit Facility"), and proceeds from home deliveries and other sources of liquidity, will be sufficient to fund currently anticipated working capital needs, investment in land and land development, construction of homes, planned capital spending, and debt service requirements for at least the next twelve months. However, we routinely monitor current operational requirements, financial market conditions, and credit relationships and we may choose to issue new debt and/or equity securities as management deems necessary.

Operating Cash Flow Activities

During the nine month period ended September 30, 2012, we used $16.3 million of cash in our operating activities, compared to cash used in operating activities of $24.6 million in the first nine months of 2011. As is typical in the homebuilding industry, our primary uses of cash in operating our business during the nine months ended September 30, 2012 were for land purchases, land development expenditures, the costs of home construction, interest expense, selling expenses, and general and administrative expenses. The primary source of cash was revenues from home deliveries, along with revenues from our financial services operations. During the nine months ended September 30, 2012, we spent $80.7 million on land and $37.2 million on land development, which was the primary use of cash during the first nine months of 2012, compared to $90.1 million of like spending during the nine months ended September 30, 2011. With respect to changes in assets and liabilities, the primary use of cash from operations in the first nine months of 2012 was an increase in total inventory of $71.2 million, which is related in part to the amount spent on land and land development during the quarter. This compares with a $50.6 million increase in total inventory in the first nine months of 2011. Partially offsetting these increases in our use of cash compared to 2011 was a $23.0 million increase in accounts payable, a $1.7 million increase in accrued compensation, and a $6.6 million increase in our customer deposits in the first nine months of 2012.

The net decrease of $8.2 million in cash used in operating activities during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 was due to the following: (i) a $39.2 million shift from a net loss of $30.9 million to net income of $8.3 million; (ii) $18.9 million total source of operating cash from favorable net changes in accounts payable

($6.9 million), customer deposits ($4.3 million), and other liabilities and accrued compensation ($7.8 million), off set, in part, by (iii) a $20.6 million increase in the net change in total inventory and a $5.0 million decrease in the change in other assets.

In the normal course of our business, in addition to our land purchases, we have continued to enter into land option agreements, taking into consideration current and projected market conditions, in order to secure land for the construction of homes in the future. Pursuant to these land option agreements, we have provided deposits to land sellers totaling $11.0 million as of September 30, 2012 as consideration for the right to purchase land and lots in the future, including the right to purchase $195.6 million of land and lots during the years 2012 through 2019.

Based upon our business activity levels, liquidity, leverage, market conditions, and opportunities for land in our markets, we currently estimate that in 2012, we will spend approximately $180 million to $210 million on land purchases and land development for the full year. However, land transactions are subject to a number of contingencies and thus the timing of specific purchases is difficult to project. In addition, we will actively monitor market conditions and our ongoing pace of home deliveries, and we plan to adjust our land spending accordingly.

Investing Cash Flow Activities

For the nine months ended September 30, 2012, we generated $25.9 million of cash from investing activities, compared to using $10.7 million of cash for investing activities in the nine months ended September 30, 2011. This increase in cash was primarily due to the $32.4 million reduction in restricted cash in the first nine months of 2012 compared to the $4.5 million increase in restricted cash in the first nine months of 2011. The $32.4 million reduction in restricted cash was primarily the result of the January 31, 2012 amendment to our Credit Facility (the "2012 Amendment"), which is more fully described below in "Notes Payable - Homebuilding." Among other things, the 2012 Amendment allows us to maintain either (or a combination of) $25 million of cash pledged to the lenders or $25 million of excess availability under the Secured Borrowing Base (as defined in the Credit Agreement dated June 9, 2010, as amended, that governs the Credit Facility (the "Credit Agreement")) if the Company fails to maintain a minimum Interest Coverage Ratio (as defined in the Credit Agreement) or a minimum Adjusted Cash Flow Ratio (as defined in the Credit Agreement). As a result of the 2012 Amendment, the $25 million of cash previously pledged to the lenders under the Credit Facility and included as restricted cash at December 31, 2011 was released. At September 30, 2012, restricted cash consisted of homebuilding cash the Company had pledged as collateral at September 30, 2012 in accordance with the three secured Letter of Credit Facilities. See “Homebuilding Letter of Credit Facilities” below for more information regarding the Letter of Credit Facilities.

Financing Cash Flow Activities

For the nine months ended September 30, 2012, we generated $90.4 million of cash from our financing activities, compared to $0.9 million during the nine months ended September 30, 2011. The increase in cash generated was primarily the result of the net proceeds received from our issuance of an additional $30 million of our 2018 Senior Notes in May 2012 as well as the net proceeds received from our concurrent issuances of $57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes and 2.53 million common shares in September 2012. These proceeds were partially offset by our repayment of the $41.4 million aggregate outstanding principal balance of our 2012 Senior Notes during the second quarter of 2012..

Our homebuilding and financial services operations financing needs depend on anticipated sales volume in the current year as well as future years, inventory levels and related turnover, forecasted land and lot purchases, debt maturity dates, and other Company plans. We fund these operations with cash flows from operating activities, borrowings under our credit facilities, and, from time to time, issuances of new debt and/or equity securities, as management deems necessary.

We have incurred substantial indebtedness, and may incur substantial indebtedness in the future, to fund our homebuilding and mortgage origination activities. We routinely monitor current operational requirements, financial market conditions, and credit relationships. We believe that our existing cash balances, cash from operations and borrowing resources will provide for our liquidity requirements. However, we continue to evaluate the impact of market conditions on our liquidity and we may modify our cash management and financing sources if market conditions change. We cannot be certain that we will be able to replace our existing financing or find sources of additional financing in the future. Please refer to “Item 1A. Risk Factors” in Part II below for further discussion of risk factors that could impact our source of funds.

Included in the table below is a summary of our available sources of cash from financing sources as of September 30, 2012:

(In thousands)	Expiration Date	Outstanding Balance	Available Amount
Notes payable – homebuilding (a)	12/31/2014	$ —	$ 54,780
Notes payable – financial services (b)	3/30/2013	$ 54,840	$ 255

(a) The available amount is computed in accordance with the borrowing base calculation under the Credit Facility and can be increased if we secure additional assets or invest additional amounts in the currently pledged assets. The 2012 Amendment provides that the Company may increase the amount of the Credit Facility from $140 million to up to $175 million in the aggregate, contingent on obtaining additional commitments from lenders. The Credit Facility has an expiration date of December 31, 2014.

(b) The available amount is computed in accordance with the borrowing base calculation under M/I Financial's $70 million mortgage warehousing agreement dated April 18, 2011, as amended on March 23, 2012 and September 26, 2012 (the "MIF Mortgage Warehousing Agreement"), and may be increased by pledging additional mortgage collateral. The maximum aggregate commitment amount of the MIF Mortgage Warehousing Agreement is $70 million. The MIF Mortgage Warehousing Agreement has an expiration date of March 30, 2013.

Notes Payable - Homebuilding.

Homebuilding Credit Facility. The Credit Facility matures on December 31, 2014, and provides revolving credit financing for the Company in the aggregate commitment amount of up to $140 million (with availability as determined by a borrowing base), including a $40 million sub-facility for letters of credit. The Credit Facility is governed by the Credit Agreement which was most recently amended on January 31, 2012.

Borrowings under the Credit Facility are at the Alternate Base Rate plus a margin of 350 basis points or at the Eurodollar Rate plus a margin of 450 basis points, as described in the Credit Agreement. As of September 30, 2012, the Company had no outstanding borrowings and $17.8 million of issued and outstanding letters of credit under the Credit Facility, and the Company had pledged $187.1 million in aggregate book value of inventory to secure any borrowings and letters of credit outstanding under the Credit Facility.

The Company's obligations under the Credit Facility are secured by certain personal property of the Company and the subsidiary guarantors, including the equity interests in the subsidiary guarantors, and by certain real property in Ohio, Indiana, Illinois and North Carolina.

Availability under the Credit Facility is based on a borrowing base equal to 100% of cash, if any, pledged as security, plus 45% of the aggregate appraised value of mortgaged real property, plus up to $25 million of availability based on 35% of the aggregate book value of mortgaged real property for which appraisals and other requirements have not been completed, for a period of up to 120 days. The borrowing base also includes certain limits on the percentage of real property in a single geographic market and on the percentage of real property consisting of lots under development and unimproved land. As of September 30, 2012, there was $72.6 million of availability under the Credit Facility in accordance with the borrowing base calculation, and $17.8 million of letters of credit outstanding under the Credit Facility, leaving $54.8 million of remaining availability. The Company can create additional borrowing availability under the Credit Facility to the extent it pledges additional assets. The borrowing availability can also be increased by increasing investments in assets currently pledged, offset by decreases equal to the collateral value of homes delivered that are within the pledged asset pool.

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 wholly-owned by the Company or another subsidiary, and other subsidiaries designated by the Company as Non-Guarantor Subsidiaries, subject to limitations on the aggregate amount invested in such Non-Guarantor Subsidiaries.

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

- Maintain a minimum level of Consolidated Tangible Net Worth equal to or exceeding (i) $200 million plus (ii) 50% of Consolidated Earnings (without deduction for losses and excluding the effect of any decreases in any Deferred Tax Valuation Allowance) earned for each completed fiscal quarter ending after June 30, 2010 to the date of determination, excluding any quarter in which the Consolidated Earnings are less than zero, plus (iii) the amount of any reduction or reversal in Deferred Tax Valuation Allowance for each completed fiscal quarter ending after June 30, 2010 minus (iv) the costs of the Company's repurchase of the 2012 Senior Notes up to $10 million.

- Maintain a leverage ratio (Consolidated Indebtedness to Consolidated Tangible Net Worth) not in excess of 1.50 to 1.00.

- Maintain one or more of the following: (i) a minimum Interest Coverage Ratio of 1.50 to 1.00; (ii) a minimum Adjusted Cash Flow Ratio of 1.50 to 1.00; or (iii) a combination of unrestricted cash pledged as security to the lenders or unused availability under the Secured Borrowing Base of not less than $25 million in total. Each of the Company's ratios were less than the required minimum Interest Coverage Ratio and the minimum Adjusted Cash Flow Ratio for the quarters ended June 30, 2011, September 30, 2011, December 31, 2011, March 31, 2012, and June 30, 2012, and therefore, we were required to maintain either unrestricted cash pledged as security to the lenders or unused availability under the Secured Borrowing Base (or a combination thereof) of not less than $25 million in accordance with the terms of the Credit Agreement. The Company's Interest Coverage Ratio was greater than the required minimum ratio for the quarter ended September 30, 2012.

- Not incur any secured indebtedness outside of the Credit Facility exceeding $25 million at any one time outstanding other than an aggregate amount not in excess of $50 million of issued and outstanding secured letters of credit.

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

- Not allow the number of unsold housing units and model homes to exceed, as of the end of any fiscal quarter, the greater of (a) the number of housing unit closings occurring during the period of twelve months ending on the last day of such fiscal quarter, multiplied by 35%, or (b) the number of housing unit closings occurring during the period of six months ending on the last day of such fiscal quarter, multiplied by 70%.

- Not allow adjusted land value to exceed 110% of Consolidated Tangible Net Worth.

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

As of September 30, 2012, the Company was in compliance with all financial covenants of the Credit Facility. The following table summarizes the restrictive covenant thresholds under the Credit Facility and our compliance with such covenants as of September 30, 2012:

Financial Covenant		Covenant Requirement	Actual
		(Dollars in millions)	
Consolidated Tangible Net Worth	≥	$ 199.3	$ 316.6
Leverage Ratio	≤	1.5 to 1.0	1.2 to 1.0
Interest Coverage Ratio (a)	≥	1.5 to 1.0	2.1 to 1.0
Adjusted Cash Flow Ratio (a)	≥	1.5 to 1.0	(0.5) to 1.0
Secured Indebtedness (Excluding Secured Letters of Credit)	<	$ 25.0	$ 6.4
Adjusted Land Value	≤	$ 348.3	$ 133.9
Investments in Non-Guarantor Subsidiaries, Financial Subsidiaries and Joint Ventures	≤	$ 95.0	$ 11.6
Unsold Housing Units and Model Homes	≤	960	646

(a) The Company is required to meet one of these two interest coverage requirements or maintain either (or a combination of) $25 million of cash pledged to the lenders or $25 million of excess availability under the Secured Borrowing Base (as defined in the Credit Agreement).

Homebuilding Letter of Credit Facilities. 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"). The maturity dates for the Letter of Credit Facilities range from June 1, 2013 to September 30, 2013. Under the terms of the Letter of Credit Facilities, letters of credit can be issued for maximum terms ranging from one year up to three years. The Letter of Credit Facilities contain cash collateral requirements ranging from 100% to 105%. Upon maturity or the earlier termination of the Letter of Credit Facilities, letters of credit that have been issued under the Letters of Credit Facilities remain outstanding with cash collateral in place through the respective expiration dates.

The agreements governing the Letter of Credit Facilities contain limits for the issuance of letters of credit ranging from $5.0 million to $8.0 million, for a combined letter of credit capacity of $18.0 million, of which $2.8 million was uncommitted at September 30, 2012 and could be withdrawn at any time. As of September 30, 2012, there was a total of $8.2 million of letters of credit issued under the Letter of Credit Facilities, which was collateralized with $8.3 million of restricted cash.
During the three months ended September 30, 2012, the Company extended the maturity dates on two of the Letter of Credit Facilities for an additional year to August 31, 2013 and September 30, 2013, respectively, while reducing the maximum available amounts thereunder to $5.0 million and $8.0 million, respectively, and also elected not to extend the maturity of one Letter of Credit Facility that expired and terminated an uncommitted $5.0 million Letter of Credit Facility for the issuance of letters of credit under which there were no letters of credit remaining outstanding at the time of termination.

In addition to the letters of credit outstanding under the Credit Facility and the Letter of Credit Facilities, the Company had $0.6 million of letters of credit outstanding with other banks, collateralized with $0.6 million of restricted cash, with expiration dates ranging through December 28, 2013.

Notes Payable - Financial Services.

MIF Mortgage Warehousing Agreement. The MIF Mortgage Warehousing Agreement is used to finance eligible residential mortgage loans originated by M/I Financial, with a maximum borrowing availability of $70.0 million and an expiration date of March 30, 2013. M/I Financial pays interest on each advance under the MIF Mortgage Warehousing Agreement at a per annum rate of the greater of (i) the floating LIBOR rate plus 225 basis points and (ii) 3.50%.

M/I Financial entered into the Second Amendment (the "Second Amendment") to the MIF Mortgage Warehousing Agreement on March 23, 2012. The Second Amendment, among other things, increased the maximum borrowing availability from $60.0 million to $70.0 million and extended the expiration date to March 30, 2013. In September 2012, we entered into the Third Amendment to the MIF Mortgage Warehousing Agreement which increased our maximum principal amount permitted to be outstanding at any one time in aggregate under all warehouse credit lines from $75.0 million to $100.0 million.

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

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

- Maintain Tangible Net Worth of at least $10 million.

- Maintain liquidity (unencumbered cash and cash equivalents) of at least $5 million.

- Maintain a leverage ratio (Debt to Tangible Net Worth) of not more than 10.0 to 1.0.

- Maintain, as of the end of each calendar month, for the 12 months then ending, positive Adjusted Net Income.

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

As of September 30, 2012, there was $54.8 million outstanding under the MIF Mortgage Warehousing Agreement and the Company was in compliance with all financial covenants. The following table summarizes the restrictive covenant thresholds under the MIF Mortgage Warehousing Agreement and M/I Financial's compliance with such covenants as of September 30, 2012:

Financial Covenant			Covenant Requirement		Actual
			(Dollars in millions)		
Leverage Ratio	≤		10.0 to 1.0		4.3 to 1.00
Liquidity	≥	$	5.0	$	17.4
Adjusted Net Income	>	$	0.0	$	4.6
Tangible Net Worth	≥	$	10.0	$	14.7

Convertible Senior Subordinated Notes. In September 2012, the Company issued $57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes. The 2017 Convertible Senior Subordinated Notes will bear interest at a rate of 3.25% per year, payable semiannually in arrears on March 15 and September 15 of each year beginning on March 15, 2013. The 2017 Convertible 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 will initially equal 42.0159 shares per $1,000 of their principal amount. This corresponds to an initial conversion price of approximately $23.80 per common share. 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. The 2017 Convertible Senior Subordinated Notes are senior subordinated unsecured obligations of the Company and the subsidiary guarantors and will be subordinated in right of payment to our existing and future senior indebtedness. The 2017 Convertible Senior Subordinated Notes will also be effectively subordinated to our existing and future secured 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 notes (subject to certain exceptions), at a holder's option, upon the occurrence of a fundamental change (as defined in the indenture).

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.

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

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

- Incur additional Indebtedness except for Indebtedness permitted under the applicable indenture (which permitted Indebtedness includes indebtedness under the Credit Facility) unless, after giving effect to the issuance of such additional Indebtedness, either (a) the Consolidated Fixed Charge Coverage Ratio would be at least 2.00 to 1.00 or (b) the ratio of Consolidated Indebtedness to Consolidated Tangible Net Worth would be less than 3.00 to 1.00 (the “Ratio Limitations”).

- Make Investments except for Investments permitted under the applicable indenture, which permitted Investments include (i) Investments made in the normal operation of the Company's homebuilding and related business, (ii) Investments in cash and equivalents, (iii) Investments in Subsidiaries or Joint Ventures that are not Guarantors under the indenture, in an aggregate amount subsequent to the respective Issue Dates (net of any such Investment amounts re-distributed) not to exceed 15% of Consolidated Tangible Assets at any one time outstanding and (iv) other Investments in an aggregate amount not to exceed $40 million at any one time outstanding.

- Make certain payments, including dividends, or repurchase any shares, in an aggregate amount exceeding our “restricted payments basket,” as defined in the indenture.

- At September 30, 2012, after giving effect to the proceeds from the sale of common shares and our profitable operations during third quarter of 2012, our restricted payment basket had a positive balance of $36.6 million. As a result, we are permitted by the indenture to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the extent of such positive balance.

- Create liens except for liens permitted under the indenture (which permitted liens include liens under the Credit Facility).

- Consolidate or merge with or into other companies.

- 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 September 30, 2012, the Company was in compliance with all terms, conditions, and financial covenants under the indentures.

Weighted Average Borrowings. For the three months ended September 30, 2012 and 2011, our weighted average borrowings outstanding were $294.7 million and $262.9 million, respectively, with a weighted average interest rate of 8.83% and 9.42%, respectively. For the nine months ended September 30, 2012 and 2011, our weighted average borrowings outstanding were $279.1 million and $259.9 million, respectively, with a weighted average interest rate of 9.01% and 9.54%, respectively. The increase in borrowings was primarily the result of the increase in borrowings under the MIF Mortgage Warehousing Agreement as a result of an increase in the number of loan originations during the third quarter of 2012 along with the issuance of the the additional $30 million of 2018 Senior Notes in the second quarter of 2012 and the issuance of the $57.5 million of 2017 Convertible Senior Subordinated Notes in the third quarter of 2012.

At September 30, 2012 we had no outstanding borrowings under the Credit Facility. During the nine months ended September 30, 2012, the average daily amount outstanding under the Credit Facility was $1.9 million and the maximum amount outstanding under the Credit Facility was $15.0 million. We do not expect that we will incur additional borrowings under the Credit Facility during the fourth quarter in 2012. The actual amount borrowed will vary depending on various factors, including the timing and amount of land and house construction expenditures, payroll and other general and administrative costs, and cash receipts from home closings, as well as other cash receipts and payments. The company experiences significant variation in cash and Credit Facility balances from week to week due to the timing of such receipts and payments. The amount borrowed would also be impacted by any capital markets transactions or additional financing executed by the Company during the quarter, if any.

There were $17.8 million of letters of credit issued and outstanding under the Credit Facility at September 30, 2012. During the nine months ended September 30, 2012, the average daily amount of letters of credit outstanding under the Credit Facility was $17.6 million and the maximum amount of letters of credit outstanding under the Credit Facility was $19.8 million.

At September 30, 2012, M/I Financial had $54.8 million outstanding under the MIF Mortgage Warehousing Agreement. During the nine months ended September 30, 2012, the average daily amount outstanding under the MIF Mortgage Warehousing Agreement was $35.1 million and the maximum amount outstanding under the MIF Mortgage Warehousing Agreement was $56.2 million.

Preferred Shares. On March 15, 2007, we issued 4,000,000 depositary shares, each representing 1/1000th of a 9.75% Series A Preferred Share, or 4,000 9.75% Series A Preferred Shares in the aggregate, for net proceeds of $96.3 million. The 9.75% Series A Preferred Shares have a liquidation preference equal to $25 per depositary share (plus an amount equal to all accrued and unpaid dividends (whether or not earned or declared) for the then current quarterly dividend period accrued to but excluding the date of final distribution). Dividends on the 9.75% Series A Preferred Shares are non-cumulative and, if declared by us, are paid at an annual rate of 9.75%. Dividends are payable quarterly in arrears, if declared by us, on March 15, June 15, September 15 and December 15. If there is a change of control of the Company and if the Company's corporate credit rating is withdrawn or downgraded to a certain level (together constituting a “change of control event”), the dividends on the 9.75% Series A Preferred Shares will increase to 10.75% per year. We may redeem the 9.75% Series A Preferred Shares in whole or in part (provided, that any redemption that would reduce the aggregate liquidation preference of the 9.75% Series A Preferred Shares below $25 million in the aggregate would be restricted to a redemption in whole only) at any time or from time to time at a cash redemption price equal to $25 per depositary share (plus an amount equal to all accrued and unpaid dividends (whether or not earned or declared) for the then current quarterly dividend period accrued to but excluding the redemption date). Holders of the 9.75% Series A Preferred Shares have no right to require redemption of the 9.75% Series A Preferred Shares. The 9.75% Series A Preferred Shares have no stated maturity, are not subject to any sinking fund provisions, are not convertible into any other securities, and will remain outstanding indefinitely unless redeemed by us. Holders of the 9.75% Series A Preferred Shares have no voting rights, except as otherwise required by applicable Ohio law, and no preemptive rights. The outstanding depositary shares are listed on the New

York Stock Exchange under the trading symbol "MHO-PrA." There is no separate public trading market for the 9.75% Series A Preferred Shares except as represented by the depositary shares.

The indenture governing our 2018 Senior Notes limits our ability to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the amount of the positive balance in our "restricted payments basket," as defined in the indenture. From the third quarter of 2008 until the closing of our offering of common shares in September 2012, we were contractually prohibited from paying dividends and repurchasing shares due to deficits in our restricted payments basket. At September 30, 2012, after giving effect to the proceeds from the sale of common shares and our profitable operations during third quarter 2012, our restricted payment basket had a positive balance of $36.6 million. As a result, we are permitted by the indenture to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the extent of such positive balance.

The determination to make such payments or repurchases 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 9.75% Series A Preferred Shares, as well as other factors.

Universal Shelf Registration. In August 2011, the Company filed a $250 million universal shelf registration statement with the SEC, which registration statement became effective on September 30, 2011. Pursuant to the registration statement, the Company may, from time to time, offer debt securities, common shares, preferred shares, depositary shares, warrants to purchase debt securities, common shares, preferred shares, depositary shares or units of two or more of those securities, rights to purchase debt securities, common shares, preferred shares or depositary shares, stock purchase contracts, stock purchase units and units. The timing and amount of offerings, if any, will depend on market and general business conditions.

In September 2012, we issued $57.5 million aggregate principal amount of 2017 Convertible Senior Subordinated Notes and $44.6 million of common shares pursuant to the universal shelf registration statement. See "Overview of Capital Resources and Liquidity" for more information regarding these issuances. As of September 30, 2012, approximately $147.9 million remained available for future offerings under the universal shelf registration statement.

CONTRACTUAL OBLIGATIONS

There have been no material changes to our contractual obligations appearing in the Contractual Obligations section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011, except for obligations related to the issuance of our 2017 Convertible Senior Subordinated Notes described within the "Liquidity and Capital Resources" section above.

OFF-BALANCE SHEET ARRANGEMENTS

Our primary use of off-balance sheet arrangements is for the purpose of securing the most desirable lots on which to build homes for our homebuyers in a manner that we believe reduces the overall risk to the Company. Our off-balance sheet arrangements relating to our homebuilding operations include Unconsolidated LLCs, land option agreements, guarantees and indemnifications associated with acquiring and developing land, and the issuance of letters of credit and completion bonds. Additionally, in the ordinary course of business, our financial services operations issue guarantees and indemnities relating to the sale of loans to third parties.

Unconsolidated Limited Liability Companies. In the ordinary course of business, the Company periodically enters into arrangements with third parties to acquire land and develop lots. These arrangements include the creation by the Company of Unconsolidated LLCs, with the Company's interest in these entities ranging from 33% to 50%. These entities engage in land development activities for the purpose of distributing (in the form of a capital distribution) or selling developed lots to the Company and its partners in the entity. The Company is required to evaluate these Unconsolidated LLCs to determine whether they meet the criteria of a variable interest entity ("VIE"). These evaluations are initially performed when each new entity is created and upon any events that require reconsideration of the entity. If it is determined that we are the primary beneficiary, we must first determine if we have the ability to control the activities of the VIE that most significantly impact its economic performance. Such activities include, but are not limited to, 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 it is determined we are not able to control such activities, we are not considered the primary beneficiary of the VIE. If we do have the ability to control such activities, we will continue our analysis by determining if we are also expected to benefit from or absorb a potentially significant amount of the VIE's expected gains or losses, respectively.

As of September 30, 2012, we have determined that none of the Unconsolidated LLCs in which we have an interest are VIEs. Each of the entities had sufficient equity at risk to permit the entity to finance its activities without additional subordinated support from the equity investors. We have determined that we do not have substantive control over any of these entities; therefore, they are recorded using the equity method of accounting The Company's maximum exposure related to its investment in these entities as of September 30, 2012 was the amount invested of $11.3 million.

Land Option Agreements. In the ordinary course of business, the Company enters into land option agreements in order to secure land for the construction of homes in the future. Pursuant to these land option agreements, the Company will provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. Because the entities holding the land under the option agreement often meet the criteria for VIEs, the Company evaluates all land option agreements to determine if it is necessary to consolidate any of these entities. The Company currently believes that its maximum exposure as of September 30, 2012 related to these agreements is equal to the amount of the Company's outstanding deposits, which totaled $11.0 million, including prepaid acquisition costs of $2.4 million, and letters of credit of $2.8 million.

Letters of Credit and Completion Bonds. The Company provides standby letters of credit and completion bonds for development work in progress, deposits on land and lot purchase agreements and miscellaneous deposits. As of September 30, 2012, the Company had outstanding $63.2 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 December 2016. Included in this total are: (1) $17.1 million of performance bonds and $30.4 million of performance letters of credit that serve as completion bonds for land development work in progress; (2) $9.4 million of financial letters of credit; and (3) $6.3 million of financial bonds. The development agreements under which we are required to provide completion bonds or letters of credit are generally not subject to a required completion date and only require that the improvements are in place in phases as houses are built and sold. In locations where development has progressed, the amount of development work remaining to be completed is typically less than the remaining amount of bonds or letters of credit due to timing delays in obtaining release of the bonds or letters of credit.

Guarantees and Indemnities. In the ordinary course of business, M/I Financial enters into agreements that guarantee purchasers of its mortgage loans that M/I Financial will repurchase a loan if certain conditions occur. The risks associated with these guarantees are offset by the value of the underlying assets, and the Company accrues its best estimate of the probable loss on these loans. Additionally, the Company has provided certain other guarantees and indemnities in connection with the acquisition and development of land by our homebuilding operations. Refer to Note 8 of our Unaudited Condensed Consolidated Financial Statements for additional details relating to our guarantees and indemnities.

INTEREST RATES AND INFLATION

Our business is significantly affected by general economic conditions within the United States and, particularly, by the impact of interest rates and inflation. Higher interest rates may decrease our potential market by making it more difficult for homebuyers to qualify for mortgages or to obtain mortgages at interest rates that are acceptable to them. The impact of increased rates can be offset, in part, by offering variable rate loans with lower interest rates. In conjunction with our mortgage financing services, hedging methods are used to reduce our exposure to interest rate fluctuations between the commitment date of the loan and the time the loan closes.

During the past few years, we have experienced some detrimental effects from inflation, particularly the inflation in the cost of land that occurred several years ago. As a result of declines in market conditions in most of our markets, in certain communities we have been unable to recover the cost of these higher land prices, resulting in lower gross margins and significant charges being recorded in our operating results due to the impairment of inventory and investments in Unconsolidated LLCs, and other write-offs relating to abandoned land transaction costs. In recent years, we have not experienced a detrimental effect from inflation in relation to our home construction costs, and we have been successful in reducing certain of these costs with our subcontractors. However, unanticipated construction costs or a change in market conditions may occur during the period between the date sales contracts are entered into with customers and the delivery date of the related homes, resulting in lower gross profit margins.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk results from fluctuations in interest rates. We are exposed to interest rate risk through borrowings under our revolving credit facilities, consisting of the Credit Facility and the MIF Mortgage Warehousing Agreement, which permit borrowings of up to $210 million, subject to availability constraints. Additionally, M/I Financial is exposed to interest rate risk associated with its mortgage loan origination services.

Interest Rate Lock Commitments: 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 consist primarily of single-family residential loans collateralized by the underlying property. 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 September 30, 2012 and December 31, 2011:

Description of financial instrument (in thousands)	**September 30, 2012**	December 31, 2011
Best-effort contracts and related committed IRLCs	**$ 1,080**	$ 1,088
Uncommitted IRLCs	**39,073**	25,912
FMBSs related to uncommitted IRLCs	**32,000**	26,000
Best-effort contracts and related mortgage loans held for sale	**11,791**	14,058
FMBSs related to mortgage loans held for sale	**43,000**	42,000
Mortgage loans held for sale covered by FMBSs	**43,191**	42,227

The table below shows the measurement of assets and liabilities at September 30, 2012 and December 31, 2011:

Description of Financial Instrument (in thousands)	**September 30, 2012**	December 31, 2011
Mortgage loans held for sale	**$ 58,338**	$ 57,275
Forward sales of mortgage-backed securities	**(1,395)**	(470)
Interest rate lock commitments	**686**	356
Best-efforts contracts	**(208)**	(129)
Total	**$ 57,421**	$ 57,032

The following table sets forth the amount of (loss) gain recognized on assets and liabilities for the three months ended September 30, 2012 and 2011:

	Three Months Ended September 30,	
Description (in thousands)	**2012**	2011
Mortgage loans held for sale	**$ 328**	$ 1,233
Forward sales of mortgage-backed securities	**(838)**	(1,350)
Interest rate lock commitments	**341**	497
Best-efforts contracts	**(84)**	(180)
Total (loss) gain recognized	**$ (253)**	$ 200

The following table provides the expected future cash flows and current fair values of borrowings under our credit facilities and mortgage loan origination services that are subject to market risk as interest rates fluctuate, as of September 30, 2012:

(Dollars in thousands)	Weighted Average Interest Rate	Expected Cash Flows by Period 2012	2013	2014	2015	2016	Thereafter	Total	Fair Value 9/30/2012
ASSETS:									
Mortgage loans held for sale:									
Fixed rate	3.58 %	$ 58,298	$ —	$ —	$ —	$ —	$ —	$ 58,298	$ 56,997
Variable rate	2.76 %	1,327	—	—	—	—	—	1,327	1,342
LIABILITIES:									
Long-term debt — fixed rate	7.42 %	$ 93	$ 391	$ 424	$ 459	$ 498	$ 290,889	$ 292,754	$ 314,003
Short-term debt — variable rate	3.50 %	—	54,840	—	—	—	—	54,840	54,840

ITEM 4: CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

An evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) was performed by the Company's management, with the participation of the Company's principal executive officer and principal financial officer. Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

On March 5, 2009, a resident of Florida and an owner of one of our homes filed a complaint in the United States District Court for the Southern District of Ohio, on behalf of himself and other similarly situated owners and residents of homes in the United States or alternatively in Florida, against the Company and certain other identified and unidentified parties (the "Initial Action"). The plaintiff alleged that the Company built his home with defective drywall, manufactured and supplied by certain of the defendants, that contains sulfur or other organic compounds capable of harming the health of individuals and damaging property. The plaintiff alleged physical and economic damages and sought legal and equitable relief, medical monitoring and attorney's fees. The Company filed a responsive pleading on or about April 30, 2009. The Initial Action was consolidated with other similar actions not involving the Company and transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation for coordinated pre-trial proceedings (collectively, the "In Re: Chinese Manufactured Drywall Product Liability Litigation"). In connection with the administration of the In Re: Chinese Manufactured Drywall Product Liability Litigation, the same homeowner and nine other homeowners were named as plaintiffs in omnibus class action complaints filed in and after December 2009 against certain identified manufacturers of drywall and others (including the Company), including one homeowner named as a plaintiff in an omnibus class action complaint filed in March 2010 against various unidentified manufacturers of drywall and others (including the Company) (collectively, the "MDL Omnibus Actions"). As they relate to the Company, the Initial Action and the MDL Omnibus Actions address substantially the same claims and seek substantially the same relief. The Company has entered into agreements with several of the homeowners named as plaintiffs pursuant to which the Company agreed to make repairs to their homes consistent with repairs made to the homes of other homeowners (as described in Note 9). As a result of these agreements, the Initial Action has been resolved and dismissed, and seven of the nine other homeowners named as plaintiffs in omnibus class action complaints have dismissed their claims against the Company. One of the two remaining plaintiffs has also filed a complaint in Florida state court asserting essentially the same claims and seeking substantially the same relief as asserted in the MDL Omnibus Action. The court in the MDL Omnibus Action recently preliminarily approved a global class action settlement, which is intended to resolve all Chinese Drywall-related claims of and against those who participate in the settlement. The Company currently is planning to participate in the global settlement. A final fairness and approval hearing is currently scheduled for November 2012. The Company intends to vigorously defend against the claims of any plaintiffs who are not bound by or elect to opt out of the global class action settlement. Given the inherent uncertainties in this litigation, there can be no assurance that the ultimate resolution of the MDL Omnibus Actions, or any other actions or claims relating to defective drywall that may be asserted in the future, will not have a material adverse effect on our results of operations, financial condition, and cash flows. Please refer to Note 9 for further information on this matter.

The Company and certain of its subsidiaries have been named as defendants in other claims, complaints and legal actions which are routine and incidental to our business. Certain of the liabilities resulting from these other matters are covered by insurance. While management currently believes that the ultimate resolution of these other 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 other matters. However, there exists the possibility that the costs to resolve these other 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.

Item 1A. Risk Factors

The risk factors set forth below, which could materially affect our business, financial condition or future results, update the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may eventually prove to materially adversely affect our business, financial condition and/or operating results.

The homebuilding industry has experienced a prolonged and severe downturn, and the volume of new home sales in most markets remains at historically depressed levels despite recent signs of a modest recovery in housing, and such conditions could adversely affect our business and results of operations.

Since 2006, many of our markets and the U.S. homebuilding industry as a whole have experienced a significant and sustained decrease in demand for new homes and an oversupply of new and existing homes available for sale. These conditions have shown modest signs of improvement in recent months, but demand for new homes remains at historically low levels. In many markets, a rapid increase in new and existing home prices in the years leading up to and including 2006 reduced housing affordability relative to consumer incomes and tempered buyer demand. Also since the downturn began, investors and speculators reduced their purchasing activity and instead accelerated their efforts to sell residential property they had previously acquired. These trends, which were more pronounced in markets that had experienced the greatest levels of price appreciation, resulted in fewer overall home sales, greater cancellations of home purchase agreements by buyers, higher inventories of unsold homes and the increased use by homebuilders, speculators, investors and others of discounts, incentives, price concessions and other marketing efforts to close home sales in the years following 2006. These negative supply and demand trends were exacerbated further beginning in 2008 by increasing sales of lender-owned homes, a severe downturn in general economic conditions, increased unemployment, turmoil in credit and consumer lending markets and tighter mortgage lending standards.

Reflecting the impact of this difficult environment, we, like many other homebuilders, experienced declines in new contracts, decreases in the average selling price of new homes sold and reduced margins through 2010 relative to years prior to the housing market downturn, and we generated operating losses through 2011. Despite recent signs of a modest recovery in housing conditions, we can provide no assurances that the homebuilding market or our business will improve substantially in the near future. If economic conditions and employment remain weak and mortgage foreclosures, delinquencies and short sales remain at heightened levels, there would likely be a corresponding adverse effect on our business and our results of operations, including, but not limited to, our number of homes delivered and the amount of revenues we generate.

Further tightening of residential consumer mortgage lending or mortgage financing requirements or further volatility in credit and consumer lending markets could adversely affect the availability of residential consumer mortgage loans for some potential purchasers of our homes and thereby reduce our sales.

Since 2008, the residential consumer mortgage lending and mortgage finance industries have experienced significant instability due to, among other things, relatively high rates of delinquencies, defaults and foreclosures on residential consumer mortgage loans and a resulting decline in their market value and the market value of securities backed by such loans. The delinquencies, defaults and foreclosures have been driven in part by persistent poor economic and employment conditions, which have negatively affected borrowers' incomes, and by a decline in the values of many existing homes in various markets below the principal balance of the residential consumer mortgage loans secured by such homes. A number of providers, purchasers and insurers of residential consumer mortgage loans and residential consumer mortgage-backed securities have gone out of business or exited the market, and lenders, investors, regulators and others have questioned the oversight and the adequacy of lending standards for several residential consumer mortgage loan programs made available to borrowers in recent years, including programs offered or supported by the Federal Housing Administration (the "FHA"), the U.S. Department of Veterans Affairs (the "VA") and the federal government sponsored enterprises, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Compared to periods prior to 2008, this has led to reduced investor demand for residential consumer mortgage loans and residential consumer mortgage-backed securities, tightened credit requirements, reduced liquidity and availability of residential consumer mortgage loan products (particularly subprime and nonconforming loans), and increased down payment requirements and credit risk premiums related to home purchases. It has also led to enhanced regulatory and legislative actions, and government programs focused on modifying the principal balances, interest rates and/or payment terms of existing residential consumer mortgage loans and preventing residential consumer mortgage loan foreclosures, which have achieved somewhat mixed results.

The reduction in the availability of residential consumer mortgage loan products and providers and tighter residential consumer mortgage loan qualifications and down payment requirements have made it more difficult for some categories of borrowers to finance the purchase of our homes or the purchase of existing homes from potential move-up buyers who wish to purchase one of our homes. Overall, these factors have slowed the general improvement in the housing market, and although they have shown recent signs of stabilizing, they have resulted in reduced demand for our homes and for residential consumer mortgage loans originated through our M/I Financial subsidiary. These reductions in demand have had a materially adverse effect on our business and results of operations which may continue.

Potentially exacerbating the foregoing trends, in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law and established several new standards and requirements (including risk retention obligations) relating to the origination, securitizing and servicing of, and consumer disclosures for, residential consumer mortgage loans. In addition, United States and international banking regulators have proposed or enacted higher capital standards and requirements for financial institutions. These standards and requirements, as and when implemented, are expected to further reduce the availability of loans to borrowers and/or increase the costs to borrowers to obtain such loans.

As a result of the volatility and uncertainty in the credit markets and in the residential consumer mortgage lending and mortgage finance industries since 2008, the federal government has taken on a significant role in supporting residential consumer mortgage lending through its conservatorship of Fannie Mae and Freddie Mac, both of which purchase or insure residential consumer mortgage loans and residential consumer mortgage-backed securities, and its insurance of residential consumer mortgage loans through the FHA and the VA. In the last few years, the FHA, Fannie Mae and Freddie Mac have purchased or insured substantially all new residential consumer mortgage loans originated by lenders and other mortgage banking services providers. FHA-backing of residential consumer mortgage loans has been particularly important to the residential consumer mortgage finance industry and to our business. Federal regulators and legislators are discussing steps that may significantly reduce the ability or authority of the FHA, Fannie Mae and Freddie Mac to purchase or insure residential consumer mortgage loans. In addition, due to growing federal budget deficits, the U.S. Department of the Treasury may not be able to continue supporting the residential consumer mortgage-related activities of Fannie Mae, Freddie Mac, the FHA and the VA at present levels. The availability and affordability of residential consumer mortgage loans, including interest rates for such loans, could be adversely affected by a scaling back or termination of the federal government's mortgage-related programs or policies.

Since 2010, investors in residential consumer mortgage-backed securities, as well as the FHA, Fannie Mae and Freddie Mac, have increasingly demanded that lenders and other mortgage banking services providers, brokers and other institutions, or their agents, repurchase the loans underlying the securities based on alleged breaches of underwriting standards or of representations and warranties made in connection with transferring the loans. We expect these "put-back" demands will continue and, to the extent successful, could cause lenders and other mortgage banking services providers and brokers to further curtail their residential consumer mortgage loan origination activities due to reduced liquidity. Concerns about the soundness of the residential consumer mortgage lending and mortgage finance industries have also been heightened due to allegedly widespread errors by lenders and other mortgage banking services providers or brokers, or their agents, in the processing of residential consumer mortgage loan foreclosures and sales of foreclosed homes, leading to voluntary or involuntary delays and higher costs to finalize foreclosures and foreclosed home sales, and greater court and regulatory scrutiny. In addition to having a potential negative impact on the origination of new residential consumer mortgage loans, these disruptions in residential consumer mortgage loan foreclosures and lender-owned home sales can make it more difficult for us to accurately assess the supply of and prevailing prices for unsold homes and/or the overall health of particular housing markets.

Many of our homebuyers obtain financing for their home purchases from our M/I Financial subsidiary. If, due to higher costs, reduced liquidity, heightened risk retention obligations and/or new operating restrictions or regulatory reforms related to or arising from compliance with the Dodd-Frank Act, limitations or restrictions in the availability of government-backed financing, residential consumer mortgage loan put-back demands or internal or external reviews of its residential consumer mortgage loan foreclosure processes, or other factors or business decisions, M/I Financial is limited or unable to make loan products available to our homebuyers, our home sales and our homebuilding and financial services results of operations may be adversely affected. We can provide no assurance that the trend of tighter residential consumer mortgage lending standards will slow or reverse in the foreseeable future.

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

In an effort to generate higher revenues and restore and maintain our homebuilding operations' profitability, beginning in late 2008 and continuing through the third quarter of 2012, we have (1) invested in new communities in our markets with higher margins, (2) rolled out new, more flexible product designs, including our "Eco Series" product line, (3) continued to take steps to reduce our selling, general and administrative expenses and (4) redeployed our capital into housing markets with perceived higher future growth prospects, such as our entry into the Austin, Houston and San Antonio, Texas markets.

We believe these steps helped us increase our homes delivered,new contracts and margins in the first nine months of 2012 compared to the same period in 2011, as well as increase the number of homes in backlog, the average sales price of the homes in backlog and the overall sales value of our backlog. However, there can be no assurance that these trends will continue, that we will successfully increase our average active community count and inventory base with desirable land assets at a reasonable cost, or that we will maintain profitability in the future.

In addition, notwithstanding our sales strategies, we have experienced volatility in our new contracts throughout the housing downturn, and continuing during 2012. The relatively tight consumer mortgage lending environment and the inability of some homebuyers to sell their existing homes have also led to lower demand for new homes. It is uncertain how long and to what degree these factors, and the volatility in new contracts we have experienced, will continue. To the extent that these factors continue, and to the extent that they limit our average selling prices, we expect that they may have a negative effect on our business and our results of operations.

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

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

If we are unable to successfully compete in the highly competitive homebuilding industry, our financial results and growth may suffer.

The homebuilding industry is highly competitive. We compete for sales in each of our markets with national, regional, and local developers and homebuilders, foreclosures sales, existing home resales and, to a lesser extent, condominiums and available rental housing. Some of our competitors have significantly greater financial resources or lower costs than we do. Competition among both small and large residential homebuilders is based on a number of interrelated factors, including location, reputation, amenities, design, quality and price. Competition is expected to continue and may become more intense, and there may be new entrants in the markets in which we currently operate and in markets we may enter in the future. If we are unable to successfully compete, our financial results and growth could suffer.

If economic conditions worsen or the current challenging economic conditions continue for an extended period of time, this could have continued negative consequences on our operations, financial position and cash flows.

The homebuilding industry is cyclical and is significantly affected by changes in industry conditions, as well as by general and local economic conditions, such as:

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

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

Adverse changes in economic conditions may affect our business nationally or may be more prevalent or concentrated in particular regions or localities in which we operate. In recent years, unfavorable changes in many economic factors negatively affected all of our served markets, and the widespread nature of the housing downturn may result in an extended recovery period. Continued weakness in the economy, employment levels and consumer confidence would likely exacerbate the unfavorable trends the housing market generally experienced beginning in the latter half of 2006.

Potential difficulties in the economy can cause demand and prices for our homes to fall or cause us to take longer and incur more costs to build our homes. We may not be able to recover these increased costs by raising prices because of market conditions and because the price of each home we sell is usually set several months before the home is delivered, as our customers typically sign their home purchase contracts before construction begins. The potential difficulties could also lead some homebuyers to cancel or refuse to honor their home purchase contracts altogether. Reflecting the difficult economic conditions in our served markets over the past several years, we have experienced volatility in our new contracts in recent years, and despite recent signs of a modest improvement in new home demand in many of our markets, we may experience similar or increased volatility in the future.

Interest rate increases could lower demand for our homes.

Nearly all of our customers finance the purchase of their homes. Before the housing downturn began, low interest rates and the increased availability of specialized residential consumer mortgage loan products, including products requiring no or low down payments, and interest-only and adjustable-rate residential consumer mortgage loans, made purchasing a home more affordable for a number of customers and more available to customers with lower credit scores. Increases in interest rates or decreases in the availability of residential consumer mortgage loan financing or of certain residential consumer mortgage loan products or programs may lead to fewer residential consumer mortgage loans being provided, higher down payment requirements or borrower costs, or a combination of the foregoing, and, as a result, reduce demand for our homes and increase our home purchase contract cancellation rates.

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

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

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

Inflation can have a long-term impact on us because, if the costs of land, materials and labor increase, this would require us to attempt to increase the sale prices of homes in order to maintain satisfactory margins. Although an excess of supply over demand for new homes, such as the environment in which we are currently operating, generally requires that we reduce prices, rather than increase them, it does not necessarily result in reductions, or prevent increases, in the costs of materials, labor and land development costs. Under those circumstances, the effect of cost increases is to reduce the margins on the homes we sell. Reduced margins in such cases make it more difficult for us to recover the full cost of previously purchased land.

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

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

<u>Operational Risks</u>

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

In April 2011, we acquired the assets of TriStone Homes, a privately-held homebuilder based in San Antonio, Texas. In April 2012, we expanded our Houston, Texas operations by acquiring the assets of Triumph Homes, a privately-held homebuilder based in Houston, Texas. In October 2012, we announced our entry into the Austin, Texas market. We may in the future consider growth or expansion of our operations in our current markets or in other areas of the country, whether through strategic acquisitions of homebuilding companies or otherwise. The magnitude, timing and nature of any future expansion will depend on a number of factors, including our ability to identify suitable additional markets and/or acquisition candidates, the negotiation of acceptable terms, our financial capabilities and general economic and business conditions. Our expansion into new or existing markets, whether through acquisition or otherwise, could have a material adverse effect on our liquidity and/or profitability, and any future acquisitions could result in the dilution of existing shareholders if we issue our common shares as consideration. Acquisitions also involve numerous risks, including difficulties in the assimilation of the acquired company's operations, the incurrence of unanticipated liabilities or expenses, the risk of impairing inventory and other assets related to the acquisition, the diversion of management's attention and resources from other business concerns, risks associated with entering markets in which we have limited or no direct experience and the potential loss of key employees of the acquired company.

If we are unable to obtain suitable financing, our business may be negatively impacted.

The homebuilding industry is capital intensive because of the length of time from when land or lots are acquired to when the related homes are constructed on those lots and delivered to homebuyers. Our business and earnings depend on our ability to obtain financing to support our homebuilding operations and to provide the resources to carry inventory. We may be required to seek additional capital, whether from sales of equity or debt, or additional bank borrowings, to support our business. Our ability to secure the needed capital on terms that are acceptable to us may be impacted by factors beyond our control. In the event we are unable to obtain suitable financing, our future liquidity may be impacted, which could have a material adverse effect on our financial condition or results of operations and require us to use cash or other sources of capital to fund our business operations.

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

M/I Financial is party to a $70 million secured mortgage warehousing agreement dated April 18, 2011, as amended on March 23, 2012 and September 26, 2012, among M/I Financial, the lenders party thereto and Comerica Bank, as administrative agent (the “MIF Mortgage Warehousing Agreement”). M/I Financial uses the MIF Mortgage Warehousing Agreement to finance its lending activities until the loans are delivered to third party buyers. The MIF Mortgage Warehousing Agreement will expire on March 30, 2013. If we are unable to renew or replace the MIF Mortgage Warehousing Agreement when it matures, the activities of our financial services segment could be seriously impeded.

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

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

We could be adversely affected by a negative change in our credit rating.

Our ability to access capital on favorable terms is a key factor in growing our business and operations in a profitable manner. Our debt and the company have credit ratings issued by Fitch, Moody's and Standard & Poor's. Downgrades of our credit rating by one or more of these credit agencies may make it more difficult and costly for us to access external financing.

Errors in estimates and judgments that affect decisions about how we operate and on our reported amounts of assets, liabilities, revenues and expenses could have a material impact on us.

In the ordinary course of business, we must make estimates and judgments that affect decisions about how we operate and the reported amounts of assets, liabilities, revenues and expenses. These estimates include, but are not limited to, those related to: recognition of income and expenses; impairment of assets; estimates of future improvement and amenity costs; estimates of sales levels and sales prices; capitalization of costs to inventory; provisions for litigation, insurance and warranty costs; cost of complying with government regulations; and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, we evaluate and adjust our estimates based upon the information then currently available. Actual results may differ from these estimates, assumptions and conditions.

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

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

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

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

We compete on several levels with homebuilders that may have greater sales and financial resources than us, which could hurt our future earnings.

We compete not only for homebuyers but also for desirable properties, financing, raw materials and skilled labor, often within larger subdivisions designed, planned and developed by other homebuilders. Our competitors include other local, regional and national homebuilders, some of which have greater sales and financial resources than us. The competitive conditions in the homebuilding industry, together with current market conditions, have resulted in and could continue to result in:

- difficulty in acquiring suitable land at acceptable prices;
- lower selling prices;
- increased selling incentives;
- lower sales;
- lower profit margins;
- impairments in the value of inventory; and
- delays in construction.

If we are unable to successfully compete within the homebuilding industry, this could lead to increased costs and/or lower profit margins.

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

We suffered losses in each fiscal year from 2007 through 2011 for tax (as well as for financial statement) purposes. We were able to carryback 100% of our tax loss in the 2007 fiscal year to recover tax we had paid with regard to a prior year. However, we would not have been able to carryback 100% of our 2008 fiscal year tax loss without legislation enacted in November 2009 that extended the net operating loss ("NOL") carryback period to five years. We were unable to carryback our tax losses for the fiscal years from 2009 through 2011. We will not receive any tax benefits with regard to tax losses we could not carryback unless we have taxable income in the 20-year NOL carryforward period. In our financial statements, we have fully reserved against all our deferred tax assets due to the possibility that we may not have taxable income that will enable us to benefit from our tax losses for the fiscal years from 2009 through 2011. However, those reserves will be reversed when it becomes more likely than not that we will have sufficient future taxable income to take advantage of the deferred tax assets.

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

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

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

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

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

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

On March 5, 2009, a resident of Florida and an owner of one of our homes filed a complaint in the United States District Court for the Southern District of Ohio, on behalf of himself and other similarly situated owners and residents of homes in the United States or alternatively in Florida, against the Company and certain other identified and unidentified parties (the "Initial Action"). The plaintiff alleged that the Company built his home with defective drywall, manufactured and supplied by certain of the defendants, that contains sulfur or other organic compounds capable of harming the health of individuals and damaging property. The plaintiff alleged physical and economic damages and sought legal and equitable relief, medical monitoring and attorney's fees. The Company filed a responsive pleading on or about April 30, 2009. The Initial Action was consolidated with other similar actions not involving the Company and transferred to the Eastern District of Louisiana pursuant to an order from the United States Judicial Panel on Multidistrict Litigation for coordinated pre-trial proceedings (collectively, the "In Re: Chinese Manufactured Drywall Product Liability Litigation"). In connection with the administration of the In Re: Chinese Manufactured Drywall Product Liability Litigation, the same homeowner and nine other homeowners were named as plaintiffs in omnibus class action complaints filed in and after December 2009 against certain identified manufacturers of drywall and others (including the Company), including one homeowner named as a plaintiff in an omnibus class action complaint filed in March 2010 against various unidentified manufacturers of drywall and others (including the Company) (collectively, the "MDL Omnibus Actions"). As they relate to the Company, the Initial Action and the MDL Omnibus Actions address substantially the same claims and seek substantially the same relief. The Company has entered into agreements with several of the homeowners named as plaintiffs pursuant to which the Company agreed to make repairs to their homes consistent with repairs made to the homes of other homeowners (as described in Note 9 to our Unaudited Condensed Consolidated Financial Statements). As a result of these agreements, the Initial Action has been resolved and dismissed, and seven of the nine other homeowners named as plaintiffs in omnibus class action complaints have dismissed their claims against the Company. One of the two remaining plaintiffs has also filed a complaint in Florida state court asserting essentially the same claims and seeking substantially the same relief as asserted in the MDL Omnibus Action. The court in the MDL Omnibus Action recently preliminarily approved a global class action settlement, which is intended to resolve all Chinese Drywall-related claims of and against those who participate in the settlement. A final fairness and approval hearing is currently scheduled for November 2012. The Company intends to vigorously defend against the claims of any plaintiffs who are not bound by or elect to opt out of the class action settlement. Given the inherent uncertainties in this litigation, there can be no assurance that the ultimate resolution of the MDL Omnibus Actions, or any other actions or claims relating to defective drywall that may be asserted in the future, will not have a material adverse effect on our results of operations, financial condition, and cash flows. See Notes 9 and 10 to our Unaudited Condensed Consolidated Financial Statements and the risk factor below captioned "Homebuilding is subject to warranty and liability claims in the ordinary course of business which may lead to additional reserves or expenses" for more information.

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

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

The Credit Facility and the indenture governing the 2018 Senior Notes impose restrictions on our operations and activities. These restrictions, and/or our failure to comply with the terms of our indebtedness, could have a material adverse effect on our results of operations, financial condition and ability to operate our business.

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

The indenture governing the 2018 Senior Notes also contains covenants that restrict our ability to, among other things:

- pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares;
- incur additional indebtedness or liens;
- make investments;
- consolidate or merge with or into other companies; or
- liquidate or sell all or substantially all of our assets.

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

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

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

As of September 30, 2012, , we had approximately $295.8 million of indebtedness outstanding (excluding issuances of letters of credit and the MIF Mortgage Warehousing Agreement), and $54.8 million of available borrowings. In addition, under the terms of the Credit Facility, the indenture governing our 2018 Senior Notes, the indenture governing the 2017 Convertible Senior Subordinated Notes and the documents governing our other indebtedness, we have the ability, subject to applicable debt covenants, to incur additional indebtedness. The incurrence of additional indebtedness could magnify other risks related to us and our business. Our indebtedness and any future indebtedness we may incur could have a significant adverse effect on our future financial condition. For example:

- a significant portion of our cash flow may be required to pay principal and interest on our indebtedness, which could reduce the funds available for working capital, capital expenditures, acquisitions or other purposes;
- borrowings under the Credit Facility bear, and borrowings under any new facility could bear, interest at floating rates, which could result in higher interest expense in the event of an increase in interest rates;
- the terms of our indebtedness could limit our ability to borrow additional funds or sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;
- our debt level and the various covenants contained in the Credit Facility, the indenture governing our 2018 Senior Notes, the indenture governing the 2017 Convertible Senior Subordinated Notes and the documents governing our other indebtedness could place us at a relative competitive disadvantage as compared to some of our competitors; and
- the terms of our indebtedness could prevent us from raising the funds necessary to repurchase all of the 2018 Senior Notes or the 2017 Convertible Senior Subordinated Notes tendered to us upon the occurrence of a change of control or a fundamental change, respectively, which would constitute a default under the applicable indenture, which in turn could trigger a default under the Credit Facility and the documents governing our other indebtedness.

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

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

Changes in accounting principles, interpretations and practices may affect our reported revenues, earnings and results of operations.

Generally accepted accounting principles and the accompanying standards, implementation guidelines, interpretations and practices for certain aspects of our business are complex and may involve subjective judgments, estimates and assumptions, such as revenue recognition, inventory valuations and income taxes. Changes in interpretations could significantly affect our reported revenues, earnings and operating results, and could add significant volatility to those measures without a comparable underlying change in cash flows from operations. The imposition of new accounting standards (*e.g.* , International Financial Reporting Standards) could result in increased expenses as we may be required to modify our current practices and systems in order to comply with such standards.

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

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

We experience fluctuations and variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.

We historically have experienced, and expect to continue to experience, variability in home sales and results of operations on a quarterly basis. As a result of such variability, our historical performance may not be a meaningful indicator of future results. Factors that contribute to this variability include:

- the timing of home deliveries and land sales;
- delays in construction schedules due to strikes, adverse weather, acts of God, reduced subcontractor availability and governmental restrictions;
- our ability to acquire additional land or options for additional land on acceptable terms;
- conditions of the real estate market in areas where we operate and of the general economy;
- the cyclical nature of the homebuilding industry, changes in prevailing interest rates and the availability of mortgage financing; and
- costs and availability of materials and labor.

Historically, a significant percentage of our home purchase contracts are entered into in the spring and summer months, and we deliver a corresponding significant percentage of our homes in the fall and winter months. Construction of our homes typically requires approximately four to six months and weather delays that often occur in late winter and early spring may extend this period. As a result of these combined factors, we historically have experienced uneven quarterly results, with lower revenues and operating income generally during the first and second quarters of the year.

Homebuilding is subject to warranty and liability claims in the ordinary course of business which may lead to additional reserves or expenses.

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. We record warranty and other reserves for homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes built. We have, and require the majority of our subcontractors to have, general liability, workers' compensation, and other business insurance. These insurance policies protect us against a portion of our risk of loss from claims, subject to certain self-insured retentions, deductibles and other coverage limits. We reserve for the costs to cover our self-insured retentions and deductible amounts under these policies and for any costs of claims and lawsuits based on an analysis of our historical claims, which includes an estimate of claims incurred but not yet reported. Because of the uncertainties inherent to these matters, we cannot provide assurance that our insurance coverage, our subcontractors' arrangements and our reserves will be adequate to address all of our warranty and construction defect claims in the future. For example, contractual indemnities can be difficult to enforce, we may be responsible for applicable self-insured retentions and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered and the availability of general liability insurance for construction defects are currently limited and costly. As a result, in some cases, we have reduced our customary insurance requirements. We have responded to the increases in insurance costs and coverage limitations by increasing our self-insured retentions. There can be no assurance that coverage will not be further restricted and may become even more costly or may not be available at rates that are acceptable to us.

There has been significant publicity about homes constructed with defective drywall. Since the discovery of defective drywall, we implemented procedures in every division to investigate homes for signs of the presence of defective drywall. As of September 30, 2012, the Company has identified 93 homes that have been confirmed as having defective drywall installed by our subcontractors. All of these homes are located in Florida. As of September 30, 2012, we have completed the repair of 88 homes and are in the process of repairing two homes. The remaining three homeowners have not granted us authority to repair their homes. In consideration for performing these repairs, we received from the homeowner a full release of claims (excluding, in nearly all cases, personal injury claims) arising from the defective drywall. Since 2009, the Company has accrued approximately $13.0 million for the repair of these 93 homes. The remaining balance in this accrual was $0.7 million as of September 30, 2012. Based on our investigation to date and our evaluation of the defective drywall issue, we believe our existing accrual is sufficient to cover costs and claims associated with the repair of these homes. However, if and to the extent the scope of the defective drywall issue proves to be significantly greater than we currently anticipate, or in the event defective drywall is, through credible evidence, linked to significant adverse health effects of the occupants of the homes containing such defective drywall, or if it is determined that our accrual for costs of repair attributable to defective drywall together with recoveries from our insurance carrier and from other responsible parties and their insurance carriers are not sufficient to cover claims, losses or other issues related to defective drywall, then it is possible that we could incur additional costs or liabilities related to this issue that may have a material adverse effect on our results of operations, financial position and cash flows. See Notes 9 and 10 to our Unaudited Condensed Consolidated Financial Statements and the risk factor above captioned "Our results of operations, financial condition and cash flows could be adversely affected if pending or future legal claims against us are not resolved in our favor" for more information.

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

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

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

The residential construction industry has, from time to time, experienced significant material and labor shortages in insulation, drywall, brick, cement and certain areas of carpentry and framing, as well as fluctuations in lumber prices and supplies. Any shortages of long duration in these areas could delay construction of homes, which could adversely affect our business and increase costs.

We are subject to extensive government regulations, which could restrict our homebuilding or financial services business.

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

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

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

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

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

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

Our future success depends, in part, on our ability to attract, train and retain skilled personnel. If we are unable to retain our key employees or attract, train and retain other skilled personnel in the future, this could materially and adversely impact our operations and result in additional expenses for identifying and training new personnel.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Recent Sales of Unregistered Securities — None.

(b) Use of Proceeds — Not Applicable.

(c) Purchases of Equity Securities

There were no purchases made by, or on behalf of, the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of the Company's equity securities during the quarter ended September 30, 2012. See Note 11 to our Unaudited Condensed Consolidated Financial Statements for more information regarding the limit imposed by the indenture governing our 2018 Senior Notes on our ability to pay dividends on, and repurchase, our common shares and 9.75% Series A Preferred Shares to the amount of the positive balance in our “restricted payments basket,” as defined in the indenture.

Item 3. Defaults Upon Senior Securities - None.

Item 4. Mine Safety Disclosures - None.

Item 5. Other Information - None.

Item 6. Exhibits

The exhibits required to be filed herewith are set forth below.

Exhibit Number	Description
4.1	Indenture, dated as of September 11, 2012, by and among the Company, the Guarantors and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 11, 2012).
4.2	Supplemental Indenture, dated as of September 11, 2012, by and among the Company, the Guarantors and U.S. Bank National Association, as Trustee (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed September 11, 2012).
4.3	Form of 3.25% Convertible Senior Subordinated Note due 2017 (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed September 11, 2012).
4.4	Form of Guarantee of 3.25% Convertible Senior Subordinated Notes due 2017(incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed September 11, 2012).
10.1	Third Amendment to Mortgage Warehousing Agreement among M/I Financial Corp., Comerica Bank and The Huntington National Bank (Filed herewith).
10.2	Third Amendment to Letter of Credit Agreement between M/I Homes, Inc. and Regions Bank (Filed herewith).
10.3	Third Amended and Restated Master Letter of Credit Facility Agreement between M/I Homes, Inc. and U.S. Bank National Association (Filed herewith).
10.4	Termination of the Continuing Agreement for Standby Letters of Credit between M/I Homes, Inc. and Citibank, N.A. (Filed herewith).
31.1	Certification by Robert H. Schottenstein, Chief Executive Officer, pursuant to Item 601 of Regulation S-K as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
31.2	Certification by Phillip G. Creek, Chief Financial Officer, pursuant to Item 601 of Regulation S-K as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
32.1	Certification by Robert H. Schottenstein, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
32.2	Certification by Phillip G. Creek, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
101.INS	XBRL Instance Document. (Furnished herewith.)
101.SCH	XBRL Taxonomy Extension Schema Document. (Furnished herewith.)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. (Furnished herewith.)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. (Furnished herewith.)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. (Furnished herewith.)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. (Furnished herewith.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

M/I Homes, Inc.
(Registrant)

Date:	October 29, 2012	By:	/s/ Robert H. Schottenstein
			Robert H. Schottenstein Chairman, Chief Executive Officer and President (Principal Executive Officer)
Date:	October 29, 2012	By:	/s/ Ann Marie W. Hunker
			Ann Marie W. Hunker Vice President, Corporate Controller (Principal Accounting Officer)

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THIRD AMENDMENT TO MORTGAGE WAREHOUSING AGREEMENT

This **Third Amendment to Mortgage Warehousing Agreement** ("Third Amendment") to Mortgage Warehousing Agreement is made as of September 26, 2012, by and among M/I Financial Corp. ("Borrower"), the Lenders (as defined below) and Comerica Bank, as administrative agent for the Lenders (in such capacity, the "Agent").

RECITALS

A. Borrower entered into that certain Mortgage Warehousing Agreement (as amended, restated or otherwise modified from time to time, the "Mortgage Warehousing Agreement") dated April 18, 2011, by and among the financial institutions from time to time signatory thereto (each, individually, a "Lender," and any and all such financial institutions collectively the "Lenders"), Agent and Borrower.

B. Borrower has requested that Agent and the Lenders make certain amendments to the Mortgage Warehousing Agreement and Agent and the Lenders are willing to do so, but only on the terms and conditions set forth in this Third Amendment.

NOW, THEREFORE, in consideration of the Recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower, Agent and Lenders agree as follows:

1. Section 1.1 of the Mortgage Warehousing Agreement is amended to add the following definitions:

"Change in Law" shall mean the occurrence, after the Effective Date, of any of the following: (i) the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not applicable to any Lender or Agent on such date, or (ii) any change in interpretation, administration or implementation of any such law, treaty, rule or regulation by any Governmental Authority, or (iii) the issuance, making or implementation by any Governmental Authority of any interpretation, administration, request, regulation, guideline, or directive (whether or not having the force of law), including any risk-based capital guidelines. For purposes of this definition, (x) a change in law, treaty, rule, regulation, interpretation, administration or implementation shall include, without limitation, any change made or which becomes effective on the basis of a law, treaty, rule, regulation, interpretation administration or implementation then in force, the effective date of which change is delayed by the terms of such law, treaty, rule, regulation, interpretation, administration or implementation, (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203, H.R. 4173) and all requests, rules, regulations, guidelines, interpretations or directives promulgated thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or promulgated, and (z) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case

pursuant to Basel III, shall each be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

“Governmental Authority” shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including without limitation any supranational bodies such as the European Union or the European Central Bank).

2. Section 6.1(e)(ii) of the Mortgage Warehousing Agreement is amended and restated in its entirety as follows:

   “*(ii) the aggregate principal amount of all such Funded Debt (such amounts to include the aggregate commitments applicable to such Funded Debt) at any one time outstanding plus the Revolving Credit Aggregate Commitment hereunder, shall not exceed $100,000,000;*”

3. Section 9.3 of the Mortgage Warehousing Agreement is amended to delete the words:

   “If, after the date of this Agreement, the adoption or introduction of, or any change in, any applicable law, rule or regulation or in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective LIBOR Lending Offices) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency”

   and replace them with:

   “*If any Change in Law*”

4. Section 9.4(a) of the Mortgage Warehousing Agreement is amended to delete the words:

   “(a) If, after the Effective Date, the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Lender or Agent, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Lender or Agent with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk based capital guidelines”

and replace them with:

"*If any Change in Law*"

5. Section 9.4(b) of the Mortgage Warehousing Agreement is amended and restated in its entirety as follows:

"(b) *Notwithstanding the foregoing, however, Borrower shall not be required to pay any increased costs under Sections 9.3 or 9.4 for any period ending prior to the date that is 180 days prior to the making of a Lender's initial request for such additional amounts (provided that this provision will not apply to any increased costs resulting from a Change in Law of the type referred to in clauses (x), (y) or (z) of the definition thereof), unless the applicable Change in Law is effective retroactively to a date more than 180 days prior to the date of such request, in which case a Lender's request for such additional amounts relating to the period more than 180 days prior to the making of the request must be given not more than 180 days after such Lender becomes aware of the applicable Change in Law resulting in such increased costs*."

6. This Third Amendment shall become effective (according to the terms hereof) on the date (the "Third Amendment Effective Date") that the following conditions have been fully satisfied:

   (a) Agent shall have received via facsimile or other form of electronic delivery (followed by the prompt delivery of original signatures) counterpart originals of this Third Amendment, in each case duly executed and delivered by the Agent, Borrower and the Lenders.

   (b) Borrower shall have paid to the Agent all fees or amounts, if any, that are due and owing to the Agent as of the Third Amendment Effective Date.

7. Borrower and each of the undersigned hereby represents and warrants that, after giving effect to the amendments to the Mortgage Warehousing Agreement contained herein, (a) the execution and delivery of this Third Amendment are within such party's corporate powers, have been duly authorized, are not in contravention of law or the terms of its organizational documents, and except as have been previously obtained do not require the consent or approval, material to the amendments contemplated in this Third Amendment, of any governmental body, agency or authority, and this Third Amendment and the Mortgage Warehousing Agreement (as amended herein) will constitute the valid and binding obligations of such undersigned party, enforceable in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought in a proceeding in equity or at law), (b) the representations and warranties set forth in Article 4 of the Mortgage Warehousing Agreement are true and correct in all material respects on and as of the

date hereof (other than any representation or warranty that expressly speaks only as of a certain date), and (c) as of the Third Amendment Effective Date, no Default or Event of Default shall have occurred and be continuing.

8. Borrower and Lenders each hereby ratify and confirm their respective obligations under the Mortgage Warehousing Agreement, as amended by this Third Amendment and agree that the Mortgage Warehousing Agreement hereby remains in full force and effect after giving effect to this Third Amendment and that, upon such effectiveness, all references in such Loan Documents to the "Mortgage Warehousing Agreement" shall be references to the Mortgage Warehousing Agreement as amended by this Third Amendment.

9. Except as specifically set forth above, this Third Amendment shall not be deemed to amend or alter in any respect the terms and conditions of the Mortgage Warehousing Agreement or any of the Notes issued thereunder, or to constitute a waiver by the Lenders or Agent of any right or remedy under or a consent to any transaction not meeting the terms and conditions of the Mortgage Warehousing Agreement, any of the Notes issued thereunder or any of the other Loan Documents.

10. Unless otherwise defined to the contrary herein, all capitalized terms used in this Third Amendment shall have the meaning set forth in the Mortgage Warehousing Agreement.

11. This Third Amendment may be executed in counterpart in accordance with Section 11.9 of the Mortgage Warehousing Agreement.

12. This Third Amendment shall be construed in accordance with and governed by the laws of the State of Michigan, without giving effect to principles of conflict of laws.

13. As a condition of the above amendments and waiver, Borrower waives, discharges, and forever releases Agent, Lenders and their respective employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions known to Borrower that Borrower has or may have had at any time up through, and including, the date of this Third Amendment, against any or all of the foregoing in connection with the Mortgage Warehousing Agreement, including the Third Amendment thereto regardless of whether any such claims, causes of action, allegations or assertions arose as a result of Agent's or such Lender's actions or omissions.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, Borrower, the Lenders and Agent have each caused this Third Amendment to be executed by their respective duly authorized officers or agents, as applicable, all as of the date first set forth above.

M/I FINANCIAL CORP.

By:
Name:
Title:

COMERICA BANK, as Agent and a Lender

By:
Name:
Title:

THE HUNTINGTON NATIONAL BANK, as a Lender

By:
Name:
Title:

THIRD AMENDMENT TO LETTER OF CREDIT AGREEMENT

THIS THIRD AMENDMENT TO LETTER OF CREDIT AGREEMENT ("this Amendment") dated as of August 31, 2012 (the "Effective Date") is entered into by **M/I HOMES, INC.**, an Ohio corporation (the "Borrower"), and **REGIONS BANK**, an Alabama banking corporation (the "Lender").

Recitals

A. The Borrower and the Lender are parties to a certain Letter of Credit Agreement dated as of July 27, 2009 as amended by a First Amendment thereto dated as of August 16, 2010 and by a Second Amendment thereto dated as of August 31, 2011 (as amended, the "Credit Agreement").

B. The Borrower has requested that the Lender amend the Credit Agreement to make certain modifications to the Credit Agreement as set forth herein.

C. The Lender has agreed to make such modifications, provided that the Borrower and the Lender enter into this Amendment.

Agreement

NOW, THEREFORE, in consideration of the foregoing recitals and in further consideration of the mutual agreements set forth herein, the Borrower and the Lender hereby agree as follows, with such agreements to become effective as of the Effective Date:

1. **Rules of Construction**. This Amendment is subject to the rules of construction set forth in the Credit Agreement.

2. **Definitions**. Capitalized terms used in this Amendment and not otherwise defined herein have the meanings defined for them in the Credit Agreement.

3. **Representations and Warranties of Borrower**. The Borrower represents and warrants to the Lender as follows:

   (a) **Representations and Warranties in Financing Documents**. All of the representations and warranties set forth in the Financing Documents are true and correct on and as of the Effective Date, except to the extent that such representations and warranties expressly relate to an earlier date.

   (b) **No Default**. As of the Effective Date, the Borrower is in compliance with all the terms and provisions set forth in the Financing Documents on its part to be observed or performed, and no Event of Default, nor any event that upon notice or lapse of time or both would constitute such an Event of Default, has occurred and is continuing.

   (c) **Borrower's Organizational Documents**. The Borrower's organizational documents have not been amended since July 27, 2009.

4. **Amendments to Credit Agreement**.

(a) Recital A of the Credit Agreement shall be amended to read, in its entirety, as follows:

> A. Borrower has asked the Bank to issue, at any time and from time to time, irrevocable standby letters of credit (the "Letters of Credit") in favor of the beneficiaries identified by Borrower (the "Beneficiaries") in a form customarily used or otherwise approved by the Bank in an aggregate amount not to exceed $5,000,000 (the "Commitment").

(b) The definition of "Termination Date" set forth in Section 1.1 of the Credit Agreement shall be amended to read, in its entirety, as follows:

> "**Termination Date**" shall mean August 31, 2013.

1. **Fees and Legal Expenses**. The Borrower hereby agrees to pay all reasonable invoiced legal costs and expenses incurred in connection with the review, analysis and preparation of this Amendment. Such expenses and legal costs shall be payable upon the execution of this Amendment and shall be non-refundable.

2. **References in Financing Documents**. All references in the Financing Documents to the "Credit Agreement" shall mean the Credit Agreement as amended by this Amendment.

3. **Financing Documents to Remain in Effect**. Except as specifically modified by this Amendment, the Credit Agreement and the other Financing Documents shall remain in full force and effect in accordance with their respective terms.

4. **No Novation, etc.** Nothing contained in this Amendment shall be deemed to constitute a novation of the terms of the Financing Documents, nor impair any liens granted to the Lender thereunder, nor release any obligor from liability for any of the Obligations, nor affect any of the rights, powers or remedies of the Lender under the Financing Documents, nor constitute a waiver of any provision thereof, except as specifically set forth in this Amendment.

5. **Governing Law, Successors and Assigns, etc.** This Amendment shall be governed by and construed in accordance with the laws of the State of Alabama and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

6. **Headings**. The descriptive headings of the sections of this Amendment are for convenient reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

7. **Entire Agreement**. This Amendment constitutes the entire understanding to date of the parties hereto regarding the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements of the parties thereto with respect to the subject matter hereof.

8. **<u>Severability</u>**. If any provision of this Amendment shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

9. **<u>Counterparts</u>**. This Amendment may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

10. **<u>No Waiver</u>**. Nothing contained herein shall be construed as a waiver or acknowledgement of, or consent to any breach of or Event of Default under the Credit Agreement and the Financing Documents not specifically mentioned herein, and the waivers and consents granted herein are effective only in the specific instance and for the purposes for which given.

11. **<u>Effect of this Amendment</u>**. This Amendment amends and supplements the Credit Agreement and shall be construed as if it were a part thereof for all purposes. Any representation or warranty contained herein that shall prove to be false or misleading in any material respect at the time made shall constitute an Event of Default under the Credit Agreement and the other Financing Documents in accordance with the Credit Agreement as if such representation or warranty had been contained in the Credit Agreement, and any default by the Borrower in the performance or observance of any provision of this Amendment shall constitute an Event of Default under that section as if such provision had been contained in the Credit Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Amendment to be executed and delivered by their duly authorized representatives to be effective as of the Effective Date.

M/I HOMES, INC.

By
Title:

REGIONS BANK

By
Its:

THIRD AMENDED AND RESTATED MASTER LETTER OF CREDIT FACILITY AGREEMENT

This Third Amended and Restated Master Letter of Credit Facility Agreement (this "Agreement") is entered into at Columbus, Ohio, as of the 30th day of September, 2012 (the "Effective Date"), by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association (the "Bank"), and M/I HOMES, INC., an Ohio corporation (the "Company").

1. Letter of Credit Facility.

1.1. Generally. Subject to the terms and conditions hereof, Bank, upon the proper application by the Company, will issue standby letters of credit in the form of Exhibit "A" attached hereto, or such other form as the Bank may approve from time to time (each, a "Letter of Credit" and collectively, "Letters of Credit"), provided that the aggregate stated value of Letters of Credit issued hereunder and under the Superseded Agreements (as hereinafter defined) outstanding at any one time shall in no event exceed $8,000,000.00 (the "Facility"), and provided, further, that all Letters of Credit issued under this Section 1.1 shall expire not later than thirty-seven (37) months from the date of issuance. The Company's right to obtain the issuance of Letters of Credit under the Facility shall terminate on September 30, 2013.

Each request for a Letter of Credit submitted by the Company shall, at the option of the Bank, be accompanied by the following materials (collectively, the "LC Application Materials"):

a. An application (the "Application") in the form of Exhibit "B" attached hereto and made a part hereof, or such other form as the Bank may require from time to time;
b. Cash (the "Cash Collateral") in an amount equal to not less than 101% of the face amount of the applicable Letter of Credit, which the Bank shall deposit in an Account (hereinafter defined);
c. Such information as the Bank reasonably requests regarding the intended use of the Letter of Credit;
d. Such other documents or materials as the Bank may request from time to time.

With respect to each request for the issuance of a Letter of Credit, the Company shall present the LC Application Materials to the Bank not later than noon, Columbus, Ohio time, on a Business Day that is not less than four (4) Business Days prior to the Business Day on which issuance of the Letter of Credit is desired. "Business Day" means a day which is not a Saturday or Sunday or a legal holiday and on which the Bank is not required by law or other governmental action to close in Ohio.

Each Letter of Credit issued by the Bank shall be deemed issued subject to the following:

a. The executed reimbursement agreement (the "Reimbursement Agreement") dated July 27, 2009, and attached hereto as Exhibit "C"; and

b. The executed security agreement (the "Security Agreement") dated July 27, 2009, and attached hereto as Exhibit "D".

At the request of the Company, and subject to the terms and conditions of this Agreement, the Bank shall issue Letters of Credit on behalf of one or more Company Subsidiaries (hereinafter defined), provided, however, that the applicable Company Subsidiary(ies) and the Company shall be jointly and severally liable for all obligations pursuant to this Agreement, the Reimbursement Agreement, and the other Loan Documents.

Notwithstanding anything in the Reimbursement Agreement to the contrary, to the extent that any provision of this Agreement or the Security Agreement is inconsistent with the Reimbursement Agreement, the terms of this Agreement and the Security Agreement shall prevail. Specifically, without limitation: (i) the security interest granted by the Company to the Bank pursuant to the Reimbursement Agreement shall be limited to the Collateral (as defined in the Security Agreement), and the Bank shall not file any financing statement that contains a collateral description that is broader than such definition of Collateral, and (ii) except for the Collateral and the Cash Collateral, as to which the Bank's rights shall include all rights contained in this Agreement, the Reimbursement Agreement and the Security Agreement, the Bank shall not set off or apply any deposits (general or special, time or demand, provisional or final) at any time held or other indebtedness at any time owing by Bank to or for the credit or the account of the Company.

1.2 Account(s). The Bank shall deposit the Cash Collateral in one or more accounts at the Bank specified in the Security Agreement (each, an "Account"). Each Account shall be an interest bearing account (unless the Company requests a non-interest bearing account) satisfactory to the Bank, including as of the Effective Date, without limitation, money market accounts and commercial paper open accounts. The Cash Collateral applicable to a given Letter of Credit shall be held in the Account until the earlier of (a) the occurrence of a draw pursuant to the Letter of Credit, or (b) the expiration of the Letter of Credit. Upon the expiration of a Letter of Credit, provided that no draws have been made upon such Letter of Credit, Bank shall remit to the Company an amount equal to the Cash Collateral together with any interest earned thereon.

1.3 Letter of Credit Draws. In the event that the Bank pays any sum (a "LC Draw Amount") drawn by the beneficiary of an outstanding Letter of Credit (a "LC Draw"), interest shall immediately start to accrue on the LC Draw Amount at the Adjusted One Month LIBOR Rate (hereinafter defined), and such interest shall continue to accrue until reimbursement in full to the Bank. In the event that the LC Draw Amount (together with accrued interest) has not been repaid to Bank within ten (10) Business Days, then the Bank may, without further notice to the Company and at Bank's sole option, reimburse itself from the Account applicable to the Letter of Credit. In the event that the funds contained in the Account are not sufficient to reimburse the Bank for the LC Draw Amount plus accrued interest, the Bank shall have the right to declare any remaining funds due and payable by written notice to the Company. Such funds shall continue to bear interest at the Adjusted One Month LIBOR Rate until fully repaid by the Company.

2. Interest Rate; Fees.

2.1. Adjusted One Month LIBOR Rate. As used herein, "Adjusted One Month LIBOR Rate" shall mean an annual rate equal to two and one-half percent (2.50%) plus the greater of: (a) the One-Month LIBOR Rate, or (b) one and one-half percent (1.50%). "One Month LIBOR Rate" shall mean the one-month LIBOR rate quoted by the Bank from Reuters Screen LIBOR01 Page or any successor thereto, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the Reprice Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate rounded up to the nearest one-sixteenth percent and such rate to be reset monthly on each Reprice Date. The term "New York Banking Day" means any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York. The term "Reprice Date" means the first day of each month. If an LC Draw occurs other than on the Reprice Date, the initial one-month LIBOR rate shall be that one-month LIBOR rate in effect two New York Banking Days prior to the date of the LC Draw, which rate plus the percentage described above shall be in effect until the next Reprice Date. Lender’s internal records of applicable interest rates shall be determinative in the absence of manifest error.

2.2. Fees, Costs, Expenses. In consideration of the issuance of each Letter of Credit, the Company agrees to pay to the Bank, for the sole benefit of the Bank, Bank's customary letter of credit negotiation and documentation fees (which fees shall not exceed $500.00 for each Letter of Credit), all such fees being due and payable at the time of issuance of such Letter of Credit.

With respect to the period through September 30, 2012, the Company also agrees to pay to the Bank a fee (which shall accrue on a daily basis, but be due and payable quarterly in arrears upon the issuance of a statement to the Company by the Bank) equal to the sum of (a) an amount equal to an annualized rate of one and one-half percent (1.50%) on the daily outstanding balance of all Letters of Credit pursuant to the Facility during such calendar quarter; and (b) an amount equal to an annualized rate of one-quarter of one percent (0.25%) on the daily unused portion of the Facility during such calendar quarter (i.e., $10,000,000.00 minus the daily outstanding balance of all Letters of Credit pursuant to the Facility).

With respect to the period after September 30, 2012 through September 30, 2013, the Company also agrees to pay to the Bank a fee (which shall accrue on a daily basis, but be due and payable quarterly in arrears upon the issuance of a statement to the Company by the Bank) equal to the sum of (a) an amount equal to an annualized rate of one and one-half percent (1.50%) on the daily outstanding balance of all Letters of Credit pursuant to the Facility during such calendar quarter; and (b) an amount equal to an annualized rate of one-quarter of one percent (0.25%) on the daily unused portion of the Facility during such calendar quarter (i.e., $8,000,000.00 minus the daily outstanding balance of all Letters of Credit pursuant to the Facility).

With respect to the period following September 30, 2013, the Company shall, in addition, pay to the Bank a variable fee (which shall be due and payable quarterly in arrears upon the issuance of a statement to the Company by the Bank) equal to an annualized rate of one and one-half percent (1.50%) on the average daily outstanding balance of all Letters of Credit pursuant to the Facility during such calendar quarter; such quarterly payments shall continue until a quarter occurs when there are no such outstanding Letters of Credit.

Additionally, the Company agrees to pay on demand by the Bank all other reasonable and actual costs and expenses incidental to or incurred in connection with (a) the Facility and the preparation of this Agreement and the other Loan Documents (as hereinafter defined), and any subsequent amendments or modifications thereof, (b) the enforcement of the rights of the Bank in connection therewith, and (c) any litigation, contest, dispute, proceeding or action in any way relating to the Collateral (as hereinafter defined), this Agreement or the other Loan Documents, whether any of the foregoing are incurred prior to or after maturity, the occurrence of an Event of Default, or the rendering of a judgment. Such costs and expenses shall include, but not be limited to, reasonable attorneys' fees and out-of-pocket expenses of the Bank. All indebtedness, debts and liabilities, including, without limitation, principal, interest, indemnification obligations, prepayment fees, late charges, collection costs, attorneys' fees and expenses, of the Company to the Bank arising under or in connection with this Agreement or the other Loan Documents are hereafter referred to collectively as the "Obligations.")

Upon the occurrence of an Event of Default as defined in Section 6.1, the payment of any fees, costs and expenses set forth in this Section 2.2 may be charged (via automatic debit) by the Bank to any Account.

All fees shall be fully earned by the Bank, as applicable, pursuant to the foregoing provisions of this Agreement on the due date thereof and, except as otherwise set forth herein or required by applicable law, shall not be subject to rebate, refund or proration. All fees provided for in this Section 2.2 shall be deemed to be for compensation for services and are not, and shall not be deemed to be, interest or any other charge for the use, forbearance or detention of money.

2.3 Letter of Credit Reserves. If any change in any law or regulation or in the interpretation or application thereof by any court or other governmental authority charged with the administration thereof shall either (a) impose, modify, deem or make applicable any reserve, special deposit, assessment or similar requirements against Letters of Credit issued by the Bank, or (b) impose on the Bank any other condition regarding this Agreement or the Facility, and the result of any event referred to in clause (a) or (b) above shall be to increase the cost to the Bank of issuing or maintaining any Letter of Credit or the Facility (which increase in cost shall be the result of the Bank's reasonable allocation of the aggregate of such cost increases resulting from such events), then, upon demand by the Bank, the Company shall immediately pay to the Bank additional amounts which shall be sufficient to compensate the Bank for such increased cost, together with interest on each such amount from the date demanded until payment in full thereof at a rate per annum equal to the Adjusted Daily LIBOR Rate. A certificate as to such increased cost incurred by the Bank, submitted by the Bank to the Company, shall be conclusive, absent manifest error, as to the amount thereof. This provision shall survive the termination of this Agreement and shall remain in full force and effect until there is no existing or future obligation of the Bank under any Letter of Credit.

2.4 Further Assurances. The Company hereby agrees to do and perform any and all acts and to execute any and all further instruments reasonably requested by the Bank more fully to effect the purposes of this Agreement and the issuance of Letters of Credit hereunder, and further agrees to execute any and all instruments reasonably requested by the Bank in connection with the obtaining and/or maintaining of any insurance coverage applicable to any Letter of Credit.

3. Warranties and Representations. In order to induce the Bank to enter into this Agreement and to make the Facility available to the Company, the Company warrants and represents to the Bank that each of the following statements is true and correct:

3.1. Corporate Organization and Authority. The Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio; (b) has all requisite corporate power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted; and (c) is not doing business or conducting any activity in any jurisdiction in which it has not duly qualified and become authorized to do business, except where the failure to so qualify will not have a Material Adverse Effect. "Material Adverse Effect" means a material adverse effect upon (i) the business (present or future), condition (financial or otherwise), operations, performance or properties of the Company, (ii) the ability of the Company to perform its obligations under this Agreement, the Reimbursement Agreement, the Security Agreement and/or the other documents contemplated herein or therein and/or executed in connection herewith or therewith, any mortgage, any guaranty, or any other agreement or instrument (collectively, the "Loan Documents"), or (iii) the rights and remedies of the Bank under the Loan Documents.

3.2. Borrowing is Legal and Authorized. (a) The Executive Committee of the Board of Directors of the Company has duly authorized the execution and delivery of the Loan Documents, and the Loan Documents constitute valid and binding obligations of the Company enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally; and (b) the execution of the Loan Documents and the compliance by the Company with the applicable provisions thereof (i) are within the corporate powers of the Company, and (ii) are legal and will not conflict with, result in any breach in any of the provisions of, constitute a default under, or result in the creation of any lien or encumbrance upon any property of the Company under the provisions of, any agreement, charter instrument, bylaw or other instrument to which the Company is a party or by which it is bound.

3.3. Taxes. All tax returns required to be filed by the Company in any jurisdiction have in fact been filed, and all taxes, estimated payments, assessments, fees and other governmental charges or levies upon the Company, or upon any of its property or assets or in respect of its franchises, businesses or income, which are due and payable have been paid, except those (a) contested in good faith by the Company, by appropriate proceedings diligently instituted and conducted, and (b) with respect to which any reserve or other appropriate provision, as shall be required in accordance with generally accepted accounting principles consistently applied ("GAAP"), shall have been made therefor. The Company does not know of any proposed additional tax assessment against it. The accruals for taxes on the books of the Company for its current fiscal period are adequate.

3.4. Compliance with Law. The Company is not in violation of any laws, ordinances, governmental rules or regulations to which it is subject, except to the extent that such a violation or failure does not have or is not likely to have a Material Adverse Effect.

3.5. Litigation; Adverse Effects. There is no action, suit, audit, proceeding, administrative proceeding, investigation or arbitration (or series of related actions, suits, audits, proceedings, investigations or arbitrations) before or by any governmental authority or private arbitrator pending or, to the knowledge of the Company, threatened against the Company or any property of the Company challenging the validity or the enforceability of any of the Loan Documents, or which, if adversely determined, shall have or is reasonably likely to have a Material Adverse Effect. The Company is not subject to or in default with respect to any final judgment, writ, injunction, restraining order or order of any nature, decree, rule or regulation of any court or governmental authority, in each case which shall have or is likely to have a Material Adverse Effect.

3.6. No Insolvency. On the date of this Agreement and after giving effect to all indebtedness of the Company, the Company (a) will be able to pay its obligations as they become due and payable; (b) has assets, the present fair saleable value of which exceeds the amount that will be required to pay its probable liability on its obligations as the same become absolute and matured; (c) has sufficient property, the sum of which at a fair valuation exceeds all of the Company's indebtedness; and (d) will have sufficient capital to engage in its business. The determination of the foregoing for the Company takes into account all of the Company's properties and liabilities, regardless of whether, or the amount at which, any such property or liability is included on a balance sheet of the Company prepared in accordance with GAAP, including property such as contingent contribution or subrogation rights, business prospects and goodwill. The determination of the sum of the Company's properties at the present fair salable value has been made on a going concern basis.

3.7. Government Consent. Neither the nature of the Company or of its business or properties, nor any relationship between the Company and any other entity or person, nor any circumstance in connection with the execution of this Agreement, is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company as a condition to the execution and delivery of the Loan Documents.

3.8. No Defaults. No event has occurred and no condition exists which would constitute an Event of Default pursuant to this Agreement. The Company is not in violation in any respect of any term of any material agreement, charter instrument, bylaw or other material instrument to which it is a party or by which it may be bound, which violation would have a Material Adverse Effect.

3.9. Warranties and Representations. On the date of the issuance of any Letter of Credit pursuant to the Facility, the warranties and representations set forth in this Section 3 shall be true and correct on and as of such date with the same effect as though such warranties and representations had been made on and as of such date, except to the extent that such warranties and representations expressly relate to an earlier date.

4. Company Business Covenants. The Company covenants that on and after the date of this Agreement until terminated pursuant to the terms of this Agreement, or so long as any of the indebtedness provided for herein remains unpaid:

4.1. Payment of Taxes. The Company shall pay all taxes, estimated payments, assessments and governmental charges or levies imposed upon it or its property or assets or in respect of any of its franchises, businesses, income or property before any penalty or interest accrues thereon; provided, however, that no such taxes, estimated payments, assessments and governmental charges are required to be paid if being contested in good faith by the Company, by appropriate proceedings diligently instituted and conducted, without any of the same becoming a lien upon the Cash Collateral, and if such reserve or other appropriate provision, if any, as shall be required in accordance with GAAP, shall have been made therefor.

4.2. Maintenance of Properties and Corporate Existence. The Company shall do or cause to be done all things necessary (i) to preserve and keep in full force and effect its existence, rights and franchises, and (ii) to maintain its status as a corporation duly organized and existing and in good standing under the laws of the state of its organization.

4.3. Subsidiaries. Except as disclosed in Schedule 4.3 attached hereto as amended from time to time (the "Company Subsidiaries"), the Company has no wholly-owned subsidiaries and conducts business only in the name of the Company. The Company will promptly notify the Bank upon the creation of any additional Company Subsidiaries; provided, that so long as Bank is a lender in the Company's primary credit agreement, notices to Bank as lender as required under such credit agreement of the creation of any additional Company Subsidiaries shall satisfy the requirements of this Section 4.3.

5. Financial Information and Reporting. As long as the Company is listed on the New York Stock Exchange, is publicly traded and timely Securities and Exchange Commission filings for the Company are generally available on EDGAR Online, the Company will have no additional financial information or reporting requirements hereunder, but if any of the foregoing shall cease to be true, then at the request of the Bank, the Company shall provide such tax returns and other financial information and reports as the Bank may from time to time reasonably require.

6. Default.

6.1. Events of Default. Each of the following shall constitute an "Event of Default" hereunder: (a) the Company fails to make any payment of fees, principal or interest in connection with this Agreement when due; (b) the Company fails to perform or observe any covenant contained in Sections 1, 2, 3, 4 or 5 of this Agreement; (c) the Company fails to comply with any other provision of this Agreement or (subject to any shorter cure period as may be set forth in any of the following agreements) any provision contained in any security agreement, reimbursement agreement or other agreement now or hereafter executed by the Company in connection with the Facility in favor of the Bank, and such failure continues for more than 10 days after such failure shall first become known to any officer of the Company; (d) any warranty, representation or other statement by or on behalf of the Company contained in this Agreement or in any other Loan Document or in any instrument or certificate furnished in compliance with or in reference hereto or thereto is false or misleading in any material respect; (e) the Company becomes insolvent or makes an assignment for the benefit of creditors, or consents to the appointment of a trustee, receiver or liquidator; (f) bankruptcy, reorganization, composition, arrangement, insolvency, dissolution or liquidation proceedings are instituted by the Company, or bankruptcy, reorganization, composition, arrangement, insolvency, dissolution or liquidation proceedings are instituted against the Company which are not stayed or dismissed within 60 days; (g) the default by Company or any Company Subsidiary with respect to any Obligation or indebtedness to the Bank; or (h) a Change of Control of the Company shall have occurred.

For purposes of this Agreement, a "Change of Control" of the Company shall mean any of the following: (a) any Person or group (as that term is understood under Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations thereunder) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of a percentage (based on voting power, in the event different classes of stock shall have different voting powers) of the voting stock of the Company equal to at least fifty percent (50%); or (b) as of any date a majority of the Board of Directors of the Company consists of individuals who were not either (i) directors of the Company as of the corresponding date of the previous year, (ii) selected or nominated to become directors by the Board of Directors of the Company of which a majority consisted of individuals described in clause (b)(i) above or (iii) selected or nominated to become directors by the Board of Directors of the Company of which a majority consisted of individuals described in clause (b)(i) above and individuals described in clause (b)(ii) above. For purposes of the definition of "Change of Control," "Person" shall mean shall mean an individual, a partnership (including without limitation a joint venture), a limited liability company (including without limitation a joint venture), a corporation (including without limitation a joint venture), a business trust, a joint stock company, a trust, an unincorporated association or any other entity of whatever nature (including without limitation a joint venture).

6.2. Default Remedies. If an Event of Default exists, the Bank may immediately exercise any right, power or remedy permitted to the Bank by law or any provision of this Agreement and the Security Agreement, provided that any outstanding Letter of Credit for which the Bank has Cash Collateral in accordance with the requirements of this Agreement and the Security Agreement shall remain in full force and effect in accordance with its terms, subject to the Bank's rights pursuant to this Agreement and the Security Agreement with respect to the Cash Collateral that secures such Letter of Credit. In addition, following the occurrence of an Event of Default, the Bank shall have no further obligation to issue additional Letters of Credit pursuant to the Facility.

7. Miscellaneous.

7.1. Notices. All communications under the Loan Documents shall be in writing and shall be mailed by certified mail, postage prepaid, or sent by commercial overnight courier:

(i) if to the Bank, at the following address, or at such other address as may have been furnished in writing to the Company by the Bank:

U.S. Bank National Association
10 West Broad Street, 12th Floor
Columbus, Ohio 43215
Attn: Commercial Real Estate

(ii) if to the Company, at the following address, or at such other address as may have been furnished in writing to the Bank by the Company:

M/I Homes, Inc.
3 Easton Oval
Columbus, Ohio 43219
Attn: Chief Financial Officer

(a) Any notice so addressed and stamped, if mailed by certified mail, shall be deemed to be given on the second business day following the postmark date, or if sent by commercial overnight courier, shall be deemed to be given when delivered.

7.2. Successors and Assigns. This Agreement and the Loan Documents shall inure to the benefit of and be binding upon the heirs, successors and assigns of each of the parties. Notwithstanding the foregoing, the Company shall not have the right to assign its rights or obligations under this Agreement or the Loan Documents.

7.3. Entire Agreement. The Loan Documents embody the entire agreement and understanding between the Company and the Bank and supersede all prior agreements and understandings between the Company and the Bank relating to the subject matter thereof.

7.4. Reinstatement. Notwithstanding any other provision of this Agreement, all of the rights, claims, interests and authorizations in favor of the Bank under this Agreement shall be reinstated and revived, and all of such rights, claims, interests and authorizations shall be fully enforceable, if at any time any amount paid to the Bank or any of their respective affiliates on account of any Obligation is thereafter required to be restored or returned by the Bank as a result of the bankruptcy, insolvency or reorganization of the Company, or any other person, or as a result of any other fact or circumstance, all as though such amount had not been paid.

7.5. Amendment and Waiver; Duplicate Originals. All references to this Agreement and the other Loan Documents shall also include all amendments, extensions, renewals, modifications and substitutions thereto and thereof. The provisions of this Agreement and the other Loan Documents may be amended, and the observance of any term of this Agreement and the other

Loan Documents may be waived, with (and only with) the written consent of the Company and the Bank; provided, however that nothing herein shall change the sole discretion of the Bank (as set forth elsewhere in this Agreement) to make advances, determinations, decisions or to take or refrain from taking other actions. Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. This Agreement amends, restates, releases and supersedes that certain Master Letter of Credit Facility Agreement by and between the Bank and the Company dated as of July 27, 2009, that certain Amended and Restated Master Letter of Credit Facility Agreement by and between the Bank and the Company dated as of August 16, 2010 and that certain Second Amended and Restated Master Letter of Credit Facility Agreement by and between the Bank and the Company dated as of September 30, 2011 (collectively, the "Superseded Agreements").

7.6. Severability; Enforceability; Governing Law; Jurisdiction; Venue; and Service of Process. Any provision of this Agreement or the other Loan Documents which is prohibited or unenforceable in any jurisdiction, as to such jurisdiction, shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. No delay or failure or other course of conduct by the Bank in the exercise of any power or right shall operate as a waiver thereof, nor shall any single or partial exercise of the same preclude any other or further exercise thereof, or the exercise of any other power or right. All of the rights and remedies of the Bank, whether evidenced hereby or by any other agreement or instrument, shall be cumulative and may be exercised singularly or concurrently.

The validity of this Agreement and the other Loan Documents, their construction, interpretation and enforcement, and the rights of the parties hereto and thereto shall be determined under, governed by and construed in accordance with the laws of the State of Ohio (without reference to the choice of law principles thereof), but giving effect to applicable federal laws. The parties agree that all actions or proceedings arising in connection with this Agreement and the other Loan Documents shall be tried and litigated only in the state and federal courts located in the County of Franklin, State of Ohio.

The Company hereby submits, for itself and in respect of its property, generally and unconditionally, to the jurisdiction of the aforesaid courts and waives, to the extent permitted under applicable law, any right it may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section 7.6.

The Company hereby waives personal service of the summons, complaint or other process issued in any action or proceeding and agrees that service of such summons, complaint or other process may be made by registered or certified mail addressed to the Company at the address for notices set forth in Section 7.1 of this Agreement and that service so made shall be deemed completed upon the earlier of the Company's actual receipt thereof or 3 days after deposit in the United States mails, proper postage prepaid.

Nothing in this Agreement shall be deemed or operate to affect the right of the Bank to serve legal process in any other manner permitted by law, or to preclude the enforcement by the Bank of any judgment or order obtained in such forum or the taking of any action under this Agreement or the other Loan Documents to enforce same in any other appropriate forum or jurisdiction.

7.7. No Consequential Damages. No claim may be made by the Company, or by any of its affiliates, or their respective directors, officers, employees, attorneys or agents, against the Bank, or any of its affiliates, directors, officers, employees, attorneys or agents for any special, indirect or consequential damages in respect of any breach or wrongful conduct (whether the claim therefor is based on contract, tort or duty imposed by law) in connection with, arising out of or in any way related to the transactions contemplated and relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, and the Company hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

7.8. Indemnity; Assumption of Risk. The Company agrees to indemnify the Bank, and its affiliates, directors, officers, employees, agents and advisors (each an "Indemnitee"), against, and hold each Indemnitee harmless from, any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any other document, agreement or instrument contemplated hereby or thereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Letter of Credit or the use of the proceeds therefrom (including any refusal by the Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (iii) any actual or prospective claim, litigation, proceeding or investigation (including, without limitation, any investigation instituted or conducted by any governmental agency or instrumentality) relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

As among the Company and the Bank, the Company assumes all risks of the acts and omissions of, or misuse of Letters of Credit by the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Bank shall not be responsible (other than as a result of its gross negligence or willful misconduct): (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent, or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of a Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, facsimile transmission or otherwise; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds of any drawing under such Letter of Credit; or (viii) for any consequences arising from causes beyond the control of the Bank including, without limitation, any act or omission, whether rightful or wrongful, of any government, court or other governmental agency or authority. None of the above shall affect, impair, or prevent the vesting of any of the Bank's rights or powers under this subsection 7.8.

7.9. WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY HERETO HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THEM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, OR ANY RELATIONSHIP AMONG THE COMPANY AND THE BANK. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO PROVIDE THE FINANCING DESCRIBED HEREIN OR IN ANY OTHER LOAN DOCUMENT.

7.10. Interest Rate Limitation. Notwithstanding anything in this Agreement to the contrary, if at any time the interest rate applicable to the Facility, together with all fees, charges and other amounts which are treated as interest on the Facility under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Bank in accordance with applicable law, the rate of interest payable in respect of the Facility hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate.

7.11. Important Information About Procedures For Opening A New Account. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an Account. When the Company opens an Account the Bank will ask for the depositor's name, address and other information that will allow the Bank to identify the depositor. The Bank may also ask to see other documents that substantiate the depositor's identity.

7.12. Capital Adequacy. If there shall occur, after the date of this Agreement, any adoption or implementation of, or change to, any Regulation, or interpretation or administration thereof, which shall have the effect of imposing on Bank (or Bank's holding company) any increase or expansion of or any new: tax (excluding taxes on or measured by its overall income and franchise taxes), charge, fee, assessment or deduction of any kind whatsoever, or reserve, capital adequacy, special deposits or similar requirements against credit extended by, assets of, or deposits with or for the account of Bank or other conditions affecting the extensions of credit evidenced by the Letters of Credit, and the result of any of the foregoing is that Bank (or Bank's holding company) has incurred increased costs or reductions in the amounts received or receivable by it hereunder in an amount that Bank reasonably deems to be material, then the Company shall pay to Bank such additional amount as Bank reasonably deems necessary to compensate Bank for any increased cost to Bank attributable to the extension(s) of credit evidenced by the Letters of Credit and/or for any reduction in the rate of return on Bank's capital and/or Bank's revenue attributable to such extension (s) of credit. As used above, the term "Regulation" shall include any federal, state or international law, governmental or quasi-governmental rule, regulation, policy, guideline or directive (including but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act and enactments, issuances or similar pronouncements by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices or any similar authority and any successor thereto) that applies to Bank. Bank's determination of the additional amount(s) due under this Section 7.12, in accordance with the foregoing, shall be binding in the absence of manifest error, and such amount(s) shall be payable within thirty (30) days of demand and, if recurring, as otherwise billed by Bank. Such demand or bill or any notice provided therewith shall set forth in reasonable detail the basis for Bank's determination and the calculation of such amounts. Notwithstanding anything in this Agreement to the contrary, Bank shall not demand compensation for any reduction referred to in this Section 7.12 or payment or reimbursement of other amounts under this Section 7.12 if it shall not at the time be the general policy or practice of Bank to demand such compensation, payment or reimbursement in similar circumstances under comparable provisions of other letter of credit facility agreements.

7.13. Definitions, Exhibits and Schedules.
Definitions:

"Account" is defined in Section 1.2.
"Act" is defined in Section 7.11.
"Adjusted One Month LIBOR Rate" is defined in Section 2.1.
"Agreement" is defined in the preamble.
"Application" is defined in Section 1.1.
"Bank" is defined in the preamble.
"Business Day" is defined in Section 1.1.
"Cash Collateral" is defined in Section 1.1.
"Change of Control" is defined in Section 6.1.
"Charges" is defined in Section 7.10.
"Company" is defined in the preamble.
"Company Subsidiaries" is defined in Section 4.3.
"Event of Default" is defined in Section 6.1.
"Facility" is defined in Section 1.1.
"GAAP" is defined in Section 3.3.
"LC Application Materials" is defined in Section 1.1.
"LC Draw" is defined in Section 1.3.
"LC Draw Amount" is defined in Section 1.3.
"Letter of Credit" is defined in Section 1.1.
"Loan Documents" is defined in Section 3.1.
"Material Adverse Effect" is defined in Section 3.1.
"Maximum Rate" is defined in Section 7.10.

"New York Banking Day" is defined in Section 2.1.
"Obligations" is defined in Section 2.2.
"One Month LIBOR Rate" is defined in Section 2.1.
"Reimbursement Agreement" is defined in Section 1.1.
“Person” is defined in Section 6.1.
"Reprice Date" is defined in Section 2.1.
"Security Agreement" is defined in Section 1.1.
"Superseded Agreements" is defined in Section 7.5.

Exhibits:

Exhibit A	Form of Letter of Credit
Exhibit B	Form of Application
Exhibit C	Reimbursement Agreement
Exhibit D	Security Agreement

Schedules:

Schedule 4.3	Schedule of Company Subsidiaries

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and the Bank have caused this Agreement to be duly executed as of the Effective Date first written above.

M/I HOMES, INC.,
an Ohio corporation

By:

Its: Senior Vice President, Finance and Business Development and Treasurer

U.S. BANK NATIONAL ASSOCIATION,
a national banking association

By:

Its:

EXHIBIT A

Form of Letter of Credit

U.S. BANK NATIONAL ASSOCIATION
INTERNATIONAL DEPT. SL-MO-L2IL
721 LOCUST STREET
ST. LOUIS, MO 63101

SWIFT: USBKUS44STL
TELEX:
TELEPHONE: 314-418-2875
FACSIMILE: 314-418-1376

DATE:

BENEFICIARY:

OUR IRREVOCABLE LETTER OF CREDIT NO. SLCLSTL0XXXX

GENTLEMEN:

WE HEREBY ISSUE OUR IRREVOCABLE LETTER OF CREDIT NO. SLCLSTL0XXXX IN FAVOR OF YOURSELVES FOR THE ACCOUNT OF UP TO THE AGGREGATE AMOUNT OF USD (AMOUNT IN WORDS AND 00/100 UNITED STATES DOLLARS) AVAILABLE BY YOUR DRAFT AT SIGHT DRAWN ON U.S. BANK NATIONAL ASSOCIATION, ST. LOUIS, MISSOURI ACCOMPANIED BY:

A DATED AND SIGNED STATEMENT APPEARING ON ITS FACE TO BE EXECUTED BY BENEFICIARY OR DULY AUTHORIZED AGENT THEREOF CERTIFYING THAT:
"
."

THIS INSTRUMENT MUST BE PRESENTED WITH THE ABOVE REFERENCED DOCUMENTS FOR NEGOTIATION.

DRAFTS MUST BE DRAWN AND PRESENTED AT U.S. BANK NATIONAL ASSOCIATION, INTERNATIONAL DEPT., SL-MO-L2IL, 721 LOCUST STREET, ST. LOUIS, MISSOURI 63101 NOT LATER THAN (EXPIRY DATE).

EACH DRAFT MUST STATE THAT IT IS "DRAWN UNDER U.S. BANK NATIONAL ASSOCIATION, ST. LOUIS, MISSOURI LETTER OF CREDIT NO. SLCLSTL0XXXX DATED (ISSUANCE DATE)."

WE HEREBY ENGAGE WITH THE DRAWERS OF ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT, THAT SUCH DRAFTS WILL BE DULY HONORED UPON PRESENTATION TO THE DRAWEE.

CANCELLATION OF LETTER OF CREDIT PRIOR TO EXPIRY: THIS LETTER OF CREDIT AND AMENDMENTS, IF ANY, MUST BE RETURNED TO US FOR CANCELLATION WITH BENEFICIARY'S STATEMENT THAT THE LETTER OF CREDIT IS BEING RETURNED FOR CANCELLATION. IN THE ABSENCE OF BENEFICIARY'S STATEMENT WE WILL CONSIDER THE LETTER OF CREDIT RETURNED FOR CANCELLATION.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION) INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NUMBER 600.

VERY TRULY YOURS,

U.S. BANK NATIONAL ASSOCIATION

____
AUTHORIZED SIGNATURE/

EXHIBIT B

Form of Application

usbank
Five Star Service Guaranteed

Bank Use Only: LC No.___________________
Date Rec'd________________

800 Nicollet Mall BC-MN-H20G **Minneapolis, MN 55402** (866) 359-2503 x5854 FAX (612) 303-5226	1420 Fifth Ave. PD-WA-T9IN **Seattle, WA 98101** (206) 344-2398 FAX (206) 344-5365	811 E Wisconsin Ave. MK-WI-J6N **Milwaukee, WI 53202** (414) 765-5626 FAX (414) 765-4485/6112	721 Locust St. SL-MO-L2IL **St. Louis, MO 63101** (314) 418-2875 FAX (314) 418-1376	111 SW 5th Ave. PD-OR-T5CE **Portland, OR 97204** (503) 275-7951 FAX (503) 275-5132

APPLICATION FOR STANDBY LETTER OF CREDIT

The undersigned ("Applicant") hereby requests U.S. Bank National Association ("Bank") to establish an irrevocable Letter of Credit (hereinafter, "Credit") as set forth below in such language as Bank may deem appropriate, with such variations from such terms as Bank may determine in its discretion are necessary and are not materially inconsistent with this Application, and to forward the same directly, or through Bank's correspondent, to the Beneficiary.

In Favor of ("Beneficiary") (include name & address):	For the Account of Applicant (or, if different from Applicant, the "Account Party") (include name & address):
Advising Bank (if any):	Amount $ Expiration Date:
To be available by drafts at sight drawn on Bank or, at Bank's option, by a written or authenticated SWIFT/telex demand for payment.	
☐ If checked, Applicant requests Bank to issue the Credit in the form of the attached document signed by Applicant and labeled "Exhibit A".	
The Credit shall be subject to the current revision of (*choose one*): ☐ the International Standby Practices (ISP), published by the International Chamber of Commerce ("ICC"), or ☐ the Uniform Customs and Practice for Documentary Credits (UCP), published by the ICC.	
Document(s), if any, required to accompany drawing(s):	
Additional Conditions:	

In consideration of Bank's issuance of the Credit, Applicant agrees to the terms and conditions as set forth herein, in any attachments, exhibits or addenda, and in the most recent Continuing Reimbursement Agreement executed by Applicant.

Applicant Name:	Account Number:
Authorized Signature:	Telephone:
Printed Name: Title:	Date:

If the Account Party listed above is not the Applicant: In consideration of Bank's issuance of the Credit, the Account Party hereby agrees, if Applicant fails to pay when due any amounts owing to Bank under this Application, Applicant's Continuing Reimbursement Agreement, or the Credit, the Account Party shall pay the same to Bank upon demand.

Account Party Name:	Account Number:
Authorized Signature:	Telephone:
Printed Name: Title:	Date:

EXHIBIT C

Form of Reimbursement Agreement

usbank
Five Star Service Guaranteed

CONTINUING REIMBURSEMENT AGREEMENT FOR LETTERS OF CREDIT
Including U.S. Bank Global Trade WorksSM

This Continuing Reimbursement Agreement for Letters of Credit is made effective this 27th day of July, 2009 by and between **U.S. BANK NATIONAL ASSOCIATION** ("Bank") and **M/I HOMES, INC.** ("Applicant").

In consideration of the issuance by Bank or an affiliate of Bank (each such affiliated issuer, an "Other Issuer") of one or more Credits, Applicant agrees that the following terms shall apply to each Application and each Credit issued by Bank or any Other Issuer (either or both referred to herein as "Bank").

1. **The Credit**.

(a) From time to time, Applicant may request Bank to issue or to request one of its subsidiaries or affiliates to issue one or more letters of credit (each, a "Credit") substantially in accordance with the terms of any application (each, an "Application") submitted to Bank by Applicant. All Credits will be deemed irrevocable unless otherwise stated in an Application. Bank may either issue the Credit or request one of its affiliates to issue the Credit. Bank may sell, assign or participate all or any part of its rights and obligations under this Agreement, the Application and the Credit. Without limiting the foregoing, any Other Issuer may sell a participation in all or any part of its rights and obligations under this Agreement and the Credit to Bank.

(b) Bank hereby is authorized to set forth in the Credit the terms appearing in the Application, with such modifications as Bank in its discretion may determine are appropriate or necessary and are not materially different from such terms.

(c) All communications relating to the Credit will be sent at Applicant's risk. Bank shall have no responsibility for any inaccuracy of translation, or any error or delay in transmission or delivery by mail, telecommunication or any other method outside of Bank's reasonable control, including all communications made through a correspondent.

(d) Neither Bank nor its correspondents shall be in any way responsible for the performance of any beneficiary's obligations to Applicant or for the form, sufficiency, accuracy, genuineness, authority of person signing, falsification or legal effect, of any documents required by the Credit if such documents appear in order on their face. Whether the documents conform to the terms of the Credit and whether any demand is timely and in proper form shall be independently determined by Bank in its sole discretion, which determination shall be final and binding on Applicant.

(e) Subject to Section 8(b), Bank may in its discretion honor Applicant's request to increase the amount of the Credit, extend the time for making and honoring of demands under the Credit and otherwise modify the terms and conditions governing the Credit. In the event of any extension of the maturity or time for negotiation or presentation of the drafts or documents or any other modification of the terms or provisions of, or increase in the amount of, the Credit at the request or with the consent of Applicant, this Agreement shall be binding upon Applicant with regard to (i) the Credit as so increased or otherwise modified, (ii) drafts, documents and property covered thereby, (iii) any action taken by Bank or Bank's correspondents in accordance with such extension, increase or other modification; and (iv) any draft paid by Bank or any of Bank's correspondents which is dated on or before the expiration of any time limit expressed in the Credit, regardless of when drawn or presented for payment and when or whether negotiated, provided the required documents are presented prior to the expiration of the Credit.

(f) Applicant shall promptly review all information, documents and instruments delivered to Applicant from time to time by Bank, including any Credits upon issuance and any amendments and all related presentations and negotiations, and shall notify Bank within five banking days after receipt if Applicant claims that Bank has failed to comply with Applicant's instructions or Bank's obligations with respect to the Credit, has wrongfully honored or dishonored any presentation under the Credit or claims any other irregularity. If Applicant does not so notify Bank within such time period, Applicant shall be conclusively deemed to have waived and shall be precluded from asserting such claim(s).

2. **Internet-Based Letter of Credit Services ("Internet Services")**.

(a) If requested by Applicant and agreed to by Bank, Bank will grant Applicant access to Bank's letter of credit-related Internet Services. U.S. Bank Global Trade Works is an example of one such Internet Service. Bank's Internet Services may be used by Applicant for the processing and issuance of Credits in accordance with the terms of this Agreement. Bank shall post Rules of Use of the Internet Services within each such Service. Applicant's initial use of an Internet Service shall constitute Applicant's acceptance of the Rules of Use.

(b) Applicant agrees to use the Internet Services in accordance with the security procedures established by Bank. Due to emerging technologies and ensuing changes in security practices, Bank reserves the right to supplement or change its security procedures from time to time upon reasonable notice to Applicant. Applicant shall designate one or more Security Administrators. The Security Administrator is responsible for setting up Applicant's Internet Services and for establishing internal security procedures related to such services, including without limitation, accepting software for delivery, assigning users, establishing authority levels, distributing passwords and other security devices and procedures related to the Internet Services. Designation of any Security Administrator may be amended or revoked upon written notice to Bank. Bank shall have a reasonable time to act on any such notice.

(c) Applicant is responsible for maintaining the security and confidentiality of all IDs, passwords and other security devices issued to or by Applicant (collectively, "Applicant's Internal Security Devices"). Applicant shall not permit unauthorized individuals to use Applicant's Internal Security Devices to access the Internet Services. Applicant is responsible for the actions of any individuals using Applicant's Internal Security Devices to access to the Internet Services and Applicant shall be bound by any transmission to Bank that is accepted in accordance with the established security procedures. Applicant shall promptly notify Bank if Applicant has actual knowledge that its Internal Security Devices have been compromised. Applicant agrees to defend and indemnify Bank against any claims, losses, damages, costs, expenses, fines and other liabilities arising out of Applicant's failure to maintain the security and confidentiality of Applicant's Internal Security Devices or arising out of the unlawful use of any Internet Services by Applicant or any person who obtains access to the Internet Services using Applicant's Internal Security Devices.

3. **Reimbursement Obligations**. Applicant promises to pay Bank on demand at the address specified in the Application for Credit in the following amounts:

(a) The amount of each draft or other request for payment (hereinafter called a "draft") drawn under the Credit (whether drawn before, on or, if in accordance with the law applicable to the Credit, after the expiration date stated in the Credit). For amounts payable in United States

currency, Applicant agrees to reimburse Bank in United States currency. For amounts payable in other currencies, Applicant agrees to reimburse Bank an equivalent amount in United States currency at Bank's then current selling rate for such foreign currencies or Applicant will reimburse Bank by sending the foreign currency amount due Bank by wire transfer to the account and location designated by Bank, or at Bank's option, in any other currency, place, form and manner acceptable to Bank. Upon request, Applicant will pay Bank in advance, in United States currency, all sums necessary for Bank to pay all such drafts upon presentation whether payable in United States currency or otherwise. If the draft is a time draft, Applicant shall make payment without demand sufficiently in advance of its maturity to enable Bank to arrange for funds to reach the place of payment when due.

(b) All commissions, at the rate fixed by Bank, shall be payable from time to time at such intervals as Bank may require and shall be nonrefundable, whether or not the Credit is drawn upon, reduced in time or amount or otherwise modified. Applicant also agrees to pay all of Bank's other standard fees and charges related to Credits.

(c) All taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any nature whatsoever paid or incurred by Bank in connection with this Agreement, the Credit or any related transactions, and any liability with respect thereto (including but not limited to interest, penalties and expenses).

(d) Interest on all amounts due under this Agreement from the applicable due date until paid will be variable at the per annum rate fixed from time to time by Bank. Interest shall be calculated on the basis of a 360-day year and the actual number of days elapsed. Interest accrued hereunder shall be due and payable on the first day of each calendar month.

(e) Without limiting Applicant's obligations to any Other Issuer, but without duplication, Applicant promises to pay Bank on demand, at the Bank International Banking Office designated by Bank, an amount equal to all amounts which Bank pays or becomes obligated to pay to any Other Issuer with respect to the Credit, whether as a participant in the Credit or otherwise.

(f) Notwithstanding any other provision of this Agreement, Applicant's obligation to make any payment hereunder to any Other Issuer shall, to the extent of such payment, be satisfied by payment to Bank as set forth in this Agreement.

(g) Applicant hereby authorizes Bank to automatically deduct from any of its accounts with Bank, all amounts which become due to Bank under this Agreement. Applicant will pay all fees on the account which result from the automatic deductions, including any overdraft/NSF charges. If for any reason Bank does not charge the account for any amount due, or if an automatic deduction is reversed, the amount due is still owing to Bank as set forth herein.

4. **Security and Insurance**.

(a) As security for payment of any and all of Applicant's obligations to Bank and any other Issuer under this Agreement, any Credit or any other indebtedness of Applicant to Bank and any Other Issuer, Applicant hereby grants Bank a continuous and continuing interest in (i) all property of Applicant or in which Applicant has an interest (including, but not limited to, all bank accounts Applicant maintains with Bank and all proceeds thereof) and which is now or hereafter for any reason in the possession or control of, or in transit to, Bank, Bank's affiliates or the agent or bailee thereof, and (ii) any and all bills of lading, other documents of title, policies, certificates of insurance, chattel paper, and general intangibles accompanying or relative to a Credit or any drafts drawn thereunder, and any and all inventory, goods and other property shipped under, in connection with or relative to a Credit or any drafts drawn thereunder. In addition to all other rights which Bank may have, Applicant hereby authorizes Bank to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Bank to or for the credit or the account of Applicant against any and all of the obligations of Applicant now or hereafter existing under this Agreement, irrespective of whether Bank shall have made any demand under this Agreement and although such deposits, indebtedness or obligations may be unmatured or contingent.

(b) If at any time Bank requires collateral (or additional collateral), Applicant will, on demand, assign and deliver to Bank as security for any and all obligations of Applicant now or hereafter existing under this Agreement collateral of a type and value satisfactory to Bank or make such cash payment as Bank may require and execute and deliver to Bank such security agreements, pledge agreements, or other documents requested by Bank covering such collateral.

(c) At Bank's request, Applicant will execute any financing statements and other documents or instruments as Bank may require to perfect the security interests granted or contemplated hereunder and will pay the cost of any filings in connection therewith.

(d) For commercial credits, Applicant shall keep any property described in the Credit adequately covered by insurance satisfactory to Bank, issued by companies satisfactory to Bank, and at Bank's request will furnish certificates or evidence thereof and will assign insurance policies or certificates to Bank and make losses, adjustments or proceeds payable to Bank. If any such policies procured by Applicant fails to provide for payment of the loss thereunder, Applicant hereby makes the loss payable to Bank under such policy and assigns to Bank all proceeds of such policy and agrees to accept proceeds of all insurance as Bank's agent and to hold same in trust for Bank, and forthwith to deliver the same to Bank, with Applicant's endorsement where necessary, and Bank or any of Bank's officers are hereby irrevocably empowered, with power of substitution, to endorse any check in the name of Applicant received in payment of any loss or adjustment.

(e) Bank shall not be liable for any failure to collect or demand payment of, or to protest or give any notice of non-payment of, any collateral or any part thereof or for any delay in so doing, nor shall Bank be under any obligation to take any action whatsoever with respect to the collateral or any part thereof. Bank shall use reasonable care in the custody and preservation of the collateral in Bank's possession but need not take any steps to preserve rights against prior parties or to keep the collateral identifiable. Bank shall have no obligation to comply with any recording, re-recording, filing, re-filing or other legal requirement necessary to establish or maintain the validity, priority or enforceability of, or Bank's right in and to, the collateral, or any part thereof. Bank may exercise any right of Applicant with respect to any collateral. Bank may endorse Applicant's name on any and all notes, checks, drafts, bills of exchange, money orders or commercial paper included in the collateral or representing the proceeds thereof.

5. **Default and Remedies**.

(a) Time is of the essence in this Agreement. The occurrence of any of the following shall be an Event of Default hereunder:

(i) Default in payment or performance of any of Applicant's obligations hereunder or under any promissory note or other agreement between Bank and Applicant;

(ii) Default under any security documents securing Applicant's obligations hereunder, whether executed by Applicant or any other person;

(iii) Levy or proceeding against any property of Applicant or any guarantor of Applicant's obligations hereunder ("Guarantor");

(iv) Death, dissolution, termination of existence, insolvency or business failure of, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by, commencement of any proceeding under any bankruptcy or insolvency laws by or against, or entry of judgment against, Applicant or any Guarantor;

(v) Any warranty, representation or statement made or furnished to Bank by Applicant or any Guarantor proves to have been false in any material respect when made or furnished;

(vi) Any event which gives the holder of any debt obligation of Applicant or any Guarantor the right to accelerate its maturity, whether or not such right is exercised;

(vii) Any guaranty of Applicant's obligations hereunder ceases to be, or is asserted by any person not to be, in full force and effect; or

(viii) Any material adverse change in the financial condition or management of Applicant or any Guarantor, or if Bank for any reason in good faith, deems itself insecure.

(b) Upon the occurrence of any Event of Default and at any time thereafter, Bank at its option and in addition to all other rights of Bank under this Agreement, any related agreement and applicable law, may (i) without notice or demand declare the amount for which the Credit was issued and any other amounts owing hereunder immediately due and payable; and (ii) exercise any and all rights and remedies of a secured party under the Uniform Commercial Code and other applicable law.

6. **Certain Warranties**.

(a) Applicant warrants that the execution, delivery and performance of this Agreement are within its authority and are not in contravention of law, of any terms of any agreement, instrument, order or judgment to which Applicant is a party or by which it or its property may be bound or of any provision of its charter document or bylaws, and that it has obtained all necessary approvals and consents therefor.

(b) Applicant represents and warrants that any Credit, and transactions related thereto, shall be in compliance with any federal, state, local and foreign laws, regulations, treaties or customs applicable to Bank or Customer, including without limitation the regulations promulgated by Office of Foreign Assets Control (OFAC), and any other foreign or domestic legal restriction on doing business with certain individuals or countries.

(c) Applicant will procure promptly all necessary licenses for the export, import, shipping or warehousing of, or payment for property covered by the Credit and will comply with all foreign and U.S. laws, rules and regulations (including exchange control regulations) now or hereafter applicable to the transaction related to the Credit or applicable to the execution, delivery and performance by Applicant of this Agreement.

7. **Changes to Laws and Regulations**. If any adoption of or change in law or regulation, or in the interpretation or administration thereof by any official authority shall impose on Bank any tax, charge, fee, deduction or withholding of any kind whatsoever, or shall impose or modify any reserve requirements, standards regarding capital adequacy or any other conditions affecting this Agreement or the Credit, and the result of any of the foregoing shall be to increase the cost to Bank of issuing and maintaining the Credit, reduce the amount of any sum receivable by Bank hereunder or reduce the rate of return on Bank's capital, then Applicant shall pay to Bank upon demand such additional amount or amounts as Bank may specify to be necessary to compensate Bank for such additional costs incurred or reduction suffered.

8. **General Terms and Conditions**.

(a) Each Application shall be subject to all terms and conditions of this Agreement. In addition, this Agreement shall apply to each Credit issued or confirmed by Bank at the request of Applicant, including, without limitation, all Credits (if any) previously opened and outstanding on the date hereof.

(b) Notwithstanding any other term hereof, Applicant understands and agrees that the Credit can be revoked or amended only with the consent of the beneficiary of the Credit, Bank or Other Issuer of the Credit and any confirming bank.

(c) If Applicant requests Bank to issue a Credit for the account of a third party, whether affiliated with Applicant or otherwise (the "Account Party"), the Account Party shall have no rights against Bank. Bank may deal with Applicant as if Applicant were the named Account Party.

(d) Applicant shall give Bank prior written notice of any change of name, address or place of business. Any notice of any nature by Applicant to Bank must be given at Bank's office to which the application was submitted.

(e) The singular includes the plural. If Applicant consists of more than one person, the obligations of Applicant hereunder are joint and several and are binding upon any marital community of which any Applicant is a member. This Agreement shall be binding on Applicant, its successors and assigns, and shall inure to the benefit of Bank or Bank's successors, transferees and assigns. Notwithstanding the foregoing, Applicant may not assign its rights under this agreement without Bank's prior written consent.

(f) Notwithstanding the title appearing on any Credit instrument, the rights and obligations of Bank and Applicant with respect to the Credit shall be as set forth herein.

(g) The Application and/or the Credit will set forth which rules or customs apply to the corresponding Credit. Such rules and customs may include, but are not limited to, the International Standby Practices, as published by the International Chamber of Commerce ("ISP") or the Uniform Customs and Practice for Documentary Credits, as published by the International Chamber of Commerce ("UCP"). In any event, the rules or practices set forth in the Credit are incorporated herein and shall govern the Credit. This Agreement and the Credit shall be governed by the internal laws of the State in which the credit was issued and the United States of America (the "Governing Laws"), except to the extent such laws are inconsistent with the rules adopted in the Application as set forth above.

(h) When possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(i) Applicant hereby indemnifies and agrees to defend and hold harmless Bank, its officers, directors, agents, successors and assigns, from and against any and all liabilities, claims, demands, losses and expenses (including without limitation legal costs and attorney fees incurred in any appellate proceeding, proceeding under the bankruptcy code or receivership and post-judgment attorney fees incurred in enforcing any judgment), arising from or in connection with this Agreement, the Credit or any related transaction, except to the extent such claims arise from Bank's gross negligence or willful misconduct.

(j) Any action, inaction or omission taken or suffered by Bank or by any of Bank's correspondents under or in connection with the Credit or any relative drafts, documents or property, if in good faith and in conformity with foreign or United States laws, regulations or customs applicable thereto, shall be binding upon Applicant and shall not place Bank or any of Bank's correspondents under any resulting liability to Applicant.

Without limiting the generality of the foregoing, Bank and Bank's correspondents may act in reliance upon any oral, telephonic, telegraphic, electronic or written request or notice believed in good faith to have been authorized by Applicant, whether or not in fact given or signed by an authorized person.

(k) Bank's waiver of any right on any occasion or occasions shall not be construed as a bar or waiver of any other right or of such right on any other occasion. Applicant hereby waives and agrees not to assert any defense under any applicable statute of limitations, to the fullest extent permitted by law.

(l) Without notice to any Applicant and without affecting Bank's rights or Applicant's obligations, Bank may deal in any manner with any person who at any time is liable for, or provides any collateral for, any obligations of Applicant to Bank. Without limiting the foregoing, Bank may impair, release (with or without substitution of new collateral) and fail to perfect a security interest in, any collateral provided by any person; and sue, fail to sue, agree not to sue, release, and settle or compromise with, any person.

(m) Except as otherwise provided herein or in any Credit, all notices and other communications required or permitted to be given to any party hereto shall be in writing or an electronic medium that is retrievable in a perceivable form and shall be deemed given when delivered by hand, electronically, by overnight courier, or when deposited in the United States mail, postage prepaid, addressed as set forth in the Application.

(n) Whether or not litigation or arbitration is commenced, Applicant promises to pay all attorney fees and other costs and expenses incurred by Bank in collecting overdue amounts or construing or enforcing any provision of this Agreement or the Credit, including but not limited to reasonable attorney fees at trial, in any arbitration, appellate proceeding, proceeding under the bankruptcy code or receivership and post-judgment attorney fees incurred in enforcing any judgment.

(o) If the Credit is issued pursuant to a loan agreement or other separate agreement, the terms of such other agreement shall control in the event of a conflict between the terms of this Agreement and such other agreement.

(p) This Agreement is a continuing agreement and shall remain in effect until terminated, amended or replaced. This Agreement may be terminated by Applicant or Bank by giving notice of termination to the other and may be amended or replaced by a written agreement signed by Applicant and accepted by Bank; provided, however that no such termination, amendment or replacement shall alter or affect the undertaking of Applicant or Bank with respect to any Credit issued, or commitment to issue, prior to such termination, amendment or replacement.

(q) This Agreement, as supplemented by the laws, rules and customs incorporated herein by subpart (g) to this part, and as supplemented by the terms of the Application, if any, constitutes the entire understanding between Bank and Applicant with respect to the matters treated herein and specifically supersedes any prior or contemporaneous oral agreements.

(r) Nothing in this Agreement shall be construed as imposing any obligation on Bank to issue any Credit. Each Credit shall be issued by Bank in its sole discretion and at its sole option.

(s) Bank is authorized, but not obligated, to record electronically or otherwise any telephone and other oral communications between Bank and Applicant.

(t) All terms and conditions on the attached Schedule 1, and any replacement Schedule 1 are hereby incorporated herein. Applicant may change the provisions of Schedule 1 by executing and delivering a new Schedule 1 to Bank.

(u) In the event Applicant submits an Application or other instruction by facsimile transmission (each, a "Faxed Document"), Applicant agrees: (i) each Faxed Document shall be deemed to be an original document and shall be effective for all purposes as if it were an original; (ii) Applicant shall retain the original of any Faxed Document and shall deliver it to Bank upon request; (iii) if Applicant sends Bank a manually signed confirmation of a Faxed Document, Bank shall have no duty to compare it to the previously received Faxed Document nor shall it have any liability or duty to act should the contents of the written confirmation differ therefrom. Any manually signed confirmation of a Faxed Document must be conspicuously marked "Previously transmitted by facsimile". Bank will not be liable for issuance of duplicate letters of credit or amendments thereto that result from Bank's receipt of confirmations not so marked; (iv) Bank cannot effectively determine whether a particular facsimile request is valid. Therefore Applicant shall have sole responsibility for the security of using facsimile transmissions and for any authorized or unauthorized Faxed Document received by Bank, purportedly on behalf of Applicant.

9. **IMPORTANT NOTICE.** ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING PREPAYMENT OF A DEBT INCLUDING VERBAL PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE.

Applicant acknowledges receipt of a completed copy of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first above written.

APPLICANT:

M/I HOMES, INC.

By: Phillip G. Creek

Name: Phillip G. Creek

Title: Exec VP + CFO

BANK:

U.S. BANK NATIONAL ASSOCIATION

By: [signature]

Name: Anthony J. Mathena

Title: Vice President

SCHEDULE 1

AUTHORIZATION
CONTINUING REIMBURSEMENT AGREEMENT FOR LETTERS OF CREDIT

The provisions of this Schedule 1 are hereby incorporated into and made a part of the Continuing Reimbursement Agreement for Letters of Credit ("Agreement") executed by and between **U.S. BANK NATIONAL ASSOCIATION**, ("Bank") and **M/I HOMES, INC.** ("Applicant"), dated July 27, 2009. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Agreement.

1. In addition to those authorized through U.S. Bank Global Trade Works or other electronic letter of credit application system offered by Bank, if applicable, any one of the persons whose name, title and signature appears below is authorized to give instructions to Bank and to execute and/or transmit Applications, requests for amendments, requests for extensions and other communications of any nature regarding any Credit issued by Bank for Applicant.

NAME	TITLE	SIGNATURE
Phillip G. Creek	Exec VP + CFO	Phillip G Creek
Ann Marie Hunker	Corp Controller + CAO	AM Hunker
William A. Roberts	VP + Treasurer	William A Roberts

2. In addition to those authorized through U.S. Bank Global Trade Works or other electronic letter of credit application system offered by Bank, if applicable, the following persons are entitled to waive discrepancies contained in documents presented under a Credit. (Applicant understands that upon any such waiver, Applicant is obligated to reimburse Bank to the same extent as if the documents fully complied with the terms of the Credit.):

NAME	TITLE	TELEPHONE NUMBER
Phillip G. Creek	Exec VP + CFO	614-418-8000
Ann Marie Hunker	Corp Controller + CAO	
William A Roberts	VP + Treasurer	

3. Bank is instructed to automatically deduct from Account No. _____ all amounts which become due under the Agreement. Should there be insufficient funds in this account to reimburse Bank, Bank is authorized to deduct any remaining amounts due from any of Applicant's accounts with Bank.

4. This Schedule 1 shall be effective upon receipt by Bank. Bank may rely on this Schedule I until it has been revoked in writing by Applicant and Bank has a reasonable opportunity to act on any such revocation.

APPLICANT:

M/I HOMES, INC.

By: Phillip G Creek

Name: Phillip G. Creek

Title: Exec VP + CFO

Date:

BANK:

U.S. BANK NATIONAL ASSOCIATION

By: [signature]

Name: Anthony J. Mathena

Title: Vice President

Date: July 27, 2009

M/I HOMES®
mihomes.com

February 1, 2010

Ms. Oretha Rogers
US Bank
Senior Loan Administrator
Commercial Real Estate
CN-OH-BD12
10 West Broad Street, 12th Floor
Columbus, OH 43215

Re: Authorization for Letters of Credit

Dear Ms. Rogers:

Enclosed please find a revised Schedule 1 to the Letter of Credit Agreement dated July 27, 2009. Please remove William A. Roberts as an authorized person and add Kevin Hake.

If you have any questions regarding this request, please contact Charlotte Stout at 614-418-8237 or cstout@mihomes.com.

Sincerely,

Phillip G. Creek

Phillip G. Creek
EVP, CFO

Enclosure

3 Easton Oval • Suite 500 • Columbus, Ohio 43219 • 614/418-8000 • 614/418-8080 Fax

AUTHORIZATION
CONTINUING REIMBURSEMENT AGREEMENT FOR LETTERS OF CREDIT

The provisions of this Schedule 1 are hereby incorporated into and made a part of the Continuing Reimbursement Agreement for Letters of Credit ("Agreement") executed by and between **U.S. BANK NATIONAL ASSOCIATION**, ("Bank") and **M/I HOMES, INC.** ("Applicant"), dated July 27, 2009. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Agreement.

1. In addition to those authorized through U.S. Bank Global Trade Works or other electronic letter of credit application system offered by Bank, if applicable, any one of the persons whose name, title and signature appears below is authorized to give instructions to Bank and to execute and/or transmit Applications, requests for amendments, requests for extensions and other communications of any nature regarding any Credit issued by Bank for Applicant.

NAME	TITLE	SIGNATURE
Phillip G. Creek	Exec VP + CFO	[illegible]
Ann Marie Hunker	Corp Controller + CAO	[illegible]
~~William A Roberts~~	~~VP + Treasurer~~	~~[illegible]~~
Kevin Hake	VP, Finance	[illegible]

2. In addition to those authorized through U.S. Bank Global Trade Works or other electronic letter of credit application system offered by Bank, if applicable, the following persons are entitled to waive discrepancies contained in documents presented under a Credit. (Applicant understands that upon any such waiver, Applicant is obligated to reimburse Bank to the same extent as if the documents fully complied with the terms of the Credit.):

NAME	TITLE	TELEPHONE NUMBER
Phillip G. Creek	Exec VP + CFO	614-418-8000
Ann Marie Hunker	Corp Controller + CAO	
~~William A Roberts~~	~~VP + Treasurer~~	
Kevin Hake	VP, Finance	614-[illegible]-8227

3. Bank is instructed to automatically deduct from Account No. _____ all amounts which become due under the Agreement. Should there be insufficient funds in this account to reimburse Bank, Bank is authorized to deduct any remaining amounts due from any of Applicant's accounts with Bank.

4. This Schedule 1 shall be effective upon receipt by Bank. Bank may rely on this Schedule I until it has been revoked in writing by Applicant and Bank has a reasonable opportunity to act on any such revocation.

APPLICANT:	BANK:
M/I HOMES, INC.	U.S. BANK NATIONAL ASSOCIATION
By: [illegible]	By:______________________
Name: Phillip G. Creek	Name:
Title: Exec VP + CFO	Title:
Date:	Date:

[illegible]

Phillip G. Creek
EVP, CFO
2-1-10

EXHIBIT D

Security Agreement

SECURITY AGREEMENT

(Pledge of Deposit Account)

DEBTOR: M/I Homes, Inc.
ADDRESS: 3 Easton Oval, Columbus, Ohio 43219
DATE: July 27, 2009

The undersigned ("Debtor" whether one or more), for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby jointly and severally grant, pledge and assign to U.S. BANK NATIONAL ASSOCIATION, a national banking association ("Bank"), a security interest in the following deposit account (the "Account") whether Debtor's interest in the Account be now owned or existing or hereafter arising or acquired, together with all substitutions and replacements therefor, all books and records relating thereto, all interest and increases arising therefrom or payable in respect thereto, whether in cash, property or otherwise, and whether now or hereafter earned, paid or made, and all cash and non-cash proceeds thereof including, but not limited to, notes, drafts, checks and instruments:

Name and Address of Depository	Account Description and Number	Principal Amount of Account Balance Assigned
U.S. Bank National Association	130111679473	

(all of the foregoing hereinafter sometimes called the "Collateral").

If the Account is less than the entire amount of the deposit account, any reduction of the monies comprising such deposit account shall be deemed first to be a reduction of monies other than those comprising the Account, unless the amount of such reduction is received by Bank. Nothing set forth in this paragraph shall authorize or be construed to authorize Debtor to spend, withdraw, reduce, pledge, transfer, assign or otherwise dispose of the Collateral except upon the prior written consent of Bank.

The security interest hereby granted is to secure the prompt and full payment and complete performance of all Obligations of Debtor to Bank. The word "Obligations" means all indebtedness, debts and liabilities (including principal, interest, late charges, collection costs, attorneys' fees to the extent permitted by law and the like) of Debtor to Bank in connection with Letters of Credit issued pursuant to any applicable Reimbursement Agreement(s) (as said terms are defined in the Credit Agreement hereinafter defined), whether now existing or hereafter arising, either created by Debtor alone or together with another or others, primary or secondary, secured or unsecured, absolute or contingent, liquidated or unliquidated, direct or indirect, whether evidenced by note, draft, application for letter of credit, reimbursement agreement or otherwise, and any and all renewals of or substitutes therefor.

1. General Representations and Covenants. Debtor represents, warrants and covenants as follows:

(a) Except for the security interest granted hereby, Debtor is, or as to Collateral arising or to be acquired after the date hereof, shall be, the sole, exclusive and record owner of the Collateral, and the Collateral is and shall remain free from any and all liens, security interests, encumbrances, claims and interests.

(b) Debtor shall, at Debtor's expense, perform, do, make, procure, execute and deliver all acts, things, certificates, instruments, passbooks, writings and other assurances as Bank may at any time request or require to protect, assure or enforce its interests, rights and remedies created by, provided in or emanating from this agreement.

(c) If any of the Collateral is not now evidenced by a certificate, instrument, passbook or writing, and if at any time during the term of this agreement, a certificate, instrument, passbook or writing shall be used or issued to evidence Debtor's interest in the Collateral, Debtor shall, immediately upon learning of the same, notify in writing the loan officer who is handling Debtor's Obligations on behalf of Bank that such has occurred, or that such is going to occur, and shall assist Bank in order to ensure that Bank obtains possession of that evidence or otherwise perfects its security interest in the certificate, instrument, passbook or writing evidencing the Collateral.

(d) Debtor shall not create, permit or suffer to exist, and shall take such action as is necessary to remove, any claim to or interest in or lien or encumbrance upon the Collateral, other than the security interest granted hereby, and shall defend the right, title and interest of Bank in and to the Collateral against all claims and demands of all persons and entities at any time claiming the same or any interest therein.

(e) Subject to any limitation stated therein or in connection therewith, all information furnished by Debtor concerning the Collateral or otherwise in connection with the Obligations, is or shall be at the time the same is furnished, accurate, correct and complete in all material respects.

(f) Debtor's legal name, state of organization and chief executive office are as set forth at the beginning of this Agreement. Unless Bank consents in writing to a change in Debtor's legal name or state of organization prior to such a change, Debtor shall not change its legal name or state of organization.

2. Preservation and Disposition of Collateral.

(a) Debtor shall not spend, withdraw, reduce, pledge, transfer, assign or otherwise dispose of the Account or any portion thereof. Bank shall be entitled to condition withdraws from the Account upon the receipt of such matters as it may reasonably request, including, but not limited to, evidence that Debtor is in full compliance with each of the terms and conditions of, and that no Event of Default exists under that certain Master Letter of Credit Facility Agreement dated as of July 27, 2009 (the "Credit Agreement"), evidencing the Obligations.

(b) Debtor shall advise Bank promptly, in writing and in reasonable detail, (i) of any material encumbrance upon or claim asserted against any of the Collateral; and (ii) of the occurrence of any event that would have a material effect upon the aggregate value of the Collateral or upon the security interest of Bank.

(c) At its option, Bank may discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or arising in connection with the Collateral. Debtor agrees to reimburse Bank upon demand for any payment made or any expense incurred (including reasonable attorneys' fees to the extent permitted by law) by Bank pursuant to the foregoing authorization. Should Debtor fail to pay said sum to Bank upon demand, interest shall accrue thereon, from the date of demand until paid in full, at the highest rate set forth in any document or instrument evidencing any of the Obligations.

3. Extensions and Compromises. With respect to any Collateral held by Bank as security for the Obligations, Debtor assents to all extensions or postponements of the time of payment thereof or any other indulgence in connection therewith, to each substitution, exchange or release of Collateral, to the

addition or release of any party primarily or secondarily liable, to the acceptance of partial payments thereon and to the settlement, compromise or adjustment thereof, all in such manner and at such time or times as Bank may deem advisable. Bank shall have no duty as to the collection or protection of Collateral or any income therefrom, nor as to the preservation of any right pertaining thereto, beyond the safe custody of Collateral in the possession of Bank.

4. Bank's Authorization. Debtor hereby irrevocably authorizes Bank and any officer or agent thereof, in the place and stead of Debtor and in the name of Debtor or in Bank's own name, in Bank's discretion, to take any and all appropriate action and to execute, authenticate and deliver any and all documents, instruments and records that may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, Debtor hereby authorizes Bank, on behalf of Debtor, without notice to or assent by Debtor:

Debtor hereby ratifies all that the Bank shall lawfully do or cause to be done by virtue hereof.

The authorization granted to Bank hereunder is solely to protect its interests in the Collateral and shall not impose any duty upon Bank to exercise the same. Bank shall be accountable only for amounts that Bank actually receives as a result of the exercise of such authorization and neither Bank nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act, except for Bank's own gross negligence or willful misconduct.

5. Default. If any event of default in the payment of any of the Obligations or in the performance of any of the terms, conditions, or provisions of any instrument or document evidencing the Obligations secured by this agreement or in the performance of any covenant contained herein shall occur and be continuing; or if any warranty, representation or statement made or furnished to Bank by Debtor proves to have been false in any material respect when made or furnished; or if Bank shall, in the exercise of commercially reasonable judgment, deem itself insecure as to the prospect of payment of any of the Obligations:

(a) Bank may, at its option and without notice, declare the unpaid balance of any or all of the Obligations immediately due and payable and this agreement and any or all of the Obligations in default and may immediately apply any or all of the Collateral to the payment of the Obligations; and

(b) Bank and its nominees shall have the additional rights and remedies of a secured party under this agreement, under any other instrument or agreement securing, evidencing or relating to the Obligations and under the law of the State of Ohio including, but not limited to, the right to demand and receive the Collateral from any of the depositories designated above. To the extent permitted by applicable law, Debtor waives all claims, damages and demands against Bank arising out of Bank's collection, receipt, retention or disposition of the Collateral including, but not limited to, any claim based upon the early withdrawal or redemption of the Collateral by Bank. Debtor shall remain liable for any deficiency if the Collateral is insufficient to pay all amounts to which Bank is entitled. Debtor shall also be liable for the costs of collecting any of the Obligations or otherwise enforcing the terms thereof or of this agreement including reasonable attorneys' fees to the extent permitted by law.

6. General. Debtor agrees that if Bank is the depository for any Account, Bank may reduce the rate of interest on such Account, at any time and from time to time, in order to comply with any laws or regulations, including those that require the rate of interest applicable to any Obligation to exceed any rate of interest payable with respect to such Account. Any provision of this agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other

jurisdiction. Bank shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Bank. No delay or omission on the part of Bank in exercising any right shall operate as a waiver of such right or any other right. All of Bank's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently. Any written demand upon or written notice to the Debtor shall be given in accordance with the Loan Agreement shall be effective when deposited in the mails addressed to the Debtor at the address shown at the beginning of this Agreement. This agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the law of the State of Ohio. The provisions hereof shall, as the case may require, bind or inure to the benefit of, the respective heirs, successors, legal representatives and assigns of Debtor and Bank.

[Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, Debtor has signed this Agreement as of the date first above written.

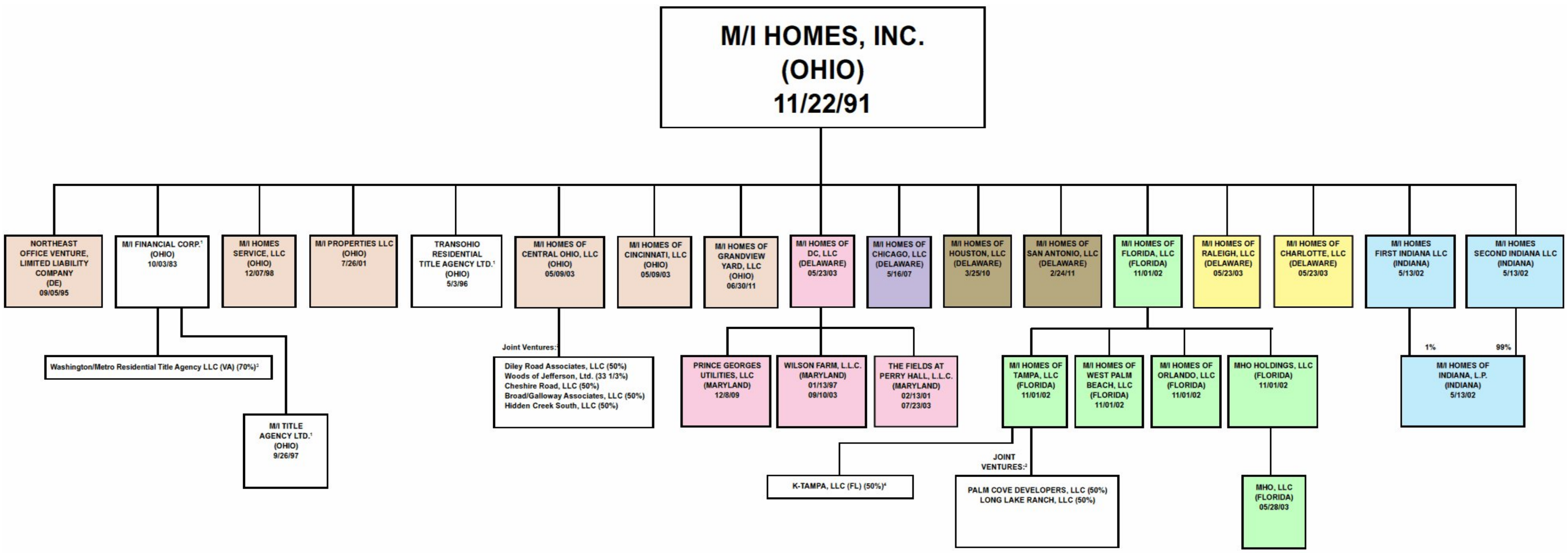
DEBTOR:

M/I HOMES, INC., an Ohio corporation

By: Phillip G. Creek
Print Name: Phillip G. Creek
Its: Exec VP + CFO

SCHEDULE 4.3

Schedule of Company Subsidiaries



Ownership is 100% unless otherwise indicated.

1.) Financial Subsidiary for Credit Agreement purposes; consolidated for accounting purposes (GAAP)

2.) Joint Venture for Accounting and Credit Agreement purposes

3.) Financial Subsidiary and Non-Guarantor Subsidiary for Credit Agreement purposes; consolidated for accounting purposes (GAAP)

4.) Non-Guarantor Subsidiary for Credit Agreement purposes; consolidated for accounting purposes (GAAP). In addition, The M/I Homes Foundation, an Ohio nonprofit corporation and wholly-owned subsidiary of M/I Homes, Inc., is a Non-Guarantor Subsidiary for Credit Agreement purposes.

Date: 4/28/12
(For Credit Agreement)

[Letterhead of M/I Homes, Inc.]

September 21, 2012

Citibank, N.A.
388 Greenwich Street
New York, NY 10013
Attention: Marni McManus

Re: Notice of Termination of Continuing Agreement for Standby Letters of Credit

Dear Marni:

Pursuant to Section 24 of the Continuing Agreement for Standby Letters of Credit, dated August 16, 2010 (the "Letter of Credit Agreement"), between M/I Homes, Inc. ("Applicant") and Citibank, N.A. ("Citibank"), Applicant hereby gives Citibank written notice of termination of the Letter of Credit Agreement, effective as of September 30, 2012. There are currently no letters of credit issued and outstanding under the Letter of Credit Agreement.

Please confirm your receipt and acknowledgment of this notice of termination by signing in the appropriate place below.

Thank you for your attention to this matter.

Sincerely,

Kevin C. Hake
Senior Vice President, Finance and Treasurer

cc: Citibank, N.A. (399 Park Avenue, New York, NY 10043)
Citicorp North America, Inc. (3800 Citibank Center, Tampa, FL 33610)

RECEIPT AND ACKNOWLEDGMENT

Citibank acknowledges receipt of Applicant's notice of termination of the Letter of Credit Agreement.

CITIBANK, N.A.

By: ____________________

Title: __________________

Date: ____________________

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert H. Schottenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of M/I Homes, Inc. for the fiscal quarter ended September 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Robert H. Schottenstein

Date: October 29, 2012

Robert H. Schottenstein
Chairman, Chief Executive Officer and
President

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Phillip G. Creek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of M/I Homes, Inc. for the fiscal quarter ended September 30, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Phillip G. Creek   Date: October 29, 2012

Phillip G. Creek
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of M/I Homes, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert H. Schottenstein, Chairman, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Robert H. Schottenstein
Robert H. Schottenstein
Chairman, Chief Executive Officer and
President

Date: October 29, 2012

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of M/I Homes, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip G. Creek, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Phillip G. Creek
Phillip G. Creek
Executive Vice President and Chief Financial Officer

Date: October 29, 2012