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Dear Colleague,

It's true. Some new-home markets are off their record-setting pace of the past few years. Sales in these markets have returned to a normal, sustainable level rather than the super-heated levels we have recently experienced. It's a fact that doesn't worry me.

Cycles are part of our business. But our solid foundation of people, planning and execution has kept us calm and strong throughout highs, lows and uncertainties for nearly six decades now.

Business philosopher Philip B. Crosby had a model for this. He called it the "eternally successful organization." I think it describes Centex Homes pretty well:

- Customers are pleased that their needs are anticipated and met.
- Employees do things correctly on a routine basis.
- Growth is internally generated, profitable and planned.
- Change is welcomed and implemented to advantage.
- Everyone enjoys working here.

I discussed internal growth, and our strategies for it, in my last letter (you can find it on Sherlock, www.centexhomes.net, if you missed it), so let's discuss some of the other items in that list.

Customers are pleased

Several years ago we introduced a mission statement that emphasized customer satisfaction. The goal: Show employees, as well as customers, that our homeowners are top priority. Our buyers' happiness with our homes and service would prove vital to our reputation and our future success.

Today, I couldn't be more proud of your accomplishments. Ten divisions rank No. 1 in their markets in customer satisfaction, according to the latest J.D. Power and Associates national survey of new-home owners. Another dozen are in their local Top Three. In all, 28 of 29 divisions in the surveyed markets finished with at least an "above average" customer

satisfaction score. Overall, we also made significant progress in a year in which the industry, as a whole, remained static.



You have a need and desire for more teamwork. You want increased interaction with co-workers in other job responsibilities and with your leaders.

These successes should prove to be of growing importance, especially in our most competitive markets. I applaud each of you and encourage your continued commitment to our “Five Keys of Customer Satisfaction.” If your team still has room to grow, study our elite divisions in this key performance measure. In particular, our Sacramento team – with its fourth consecutive No. 1 market ranking and highest individual score in the entire survey – should be a model for everyone to investigate and imitate.

Employees do things correctly

J.D. Power scores are not the only proof of this. In the second quarter, you again achieved nearly all the goals you set for yourself.

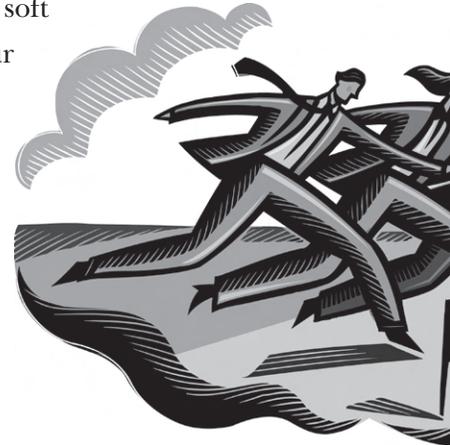
As a whole, our traditional home-building operations met their projections in neighborhood counts, sales, closings, total revenue and operating earnings. The Southwest Region hit every mark and the four other regions, as well as Centex Destination Properties, met their projections in four out of five of those areas. (The misses, in each case, were not by much.)

This kind of consistency and predictability is important. Our customers expect the work to be done right the first time and all the time. Our subcontractors and vendors respond to our steady business. (Seventy percent of our divisions are on pace to achieve even flow in at least eight of 12 months this year, meaning you’re keeping our work partners regularly engaged and dedicated to our customers’ needs.) Finally, you benefit from a strong bottom line, a good public reputation and appreciative stakeholders.

Change is welcomed

Consistent excellence comes from the ability to adapt and adjust. That’s always been the strength of our decentralized structure – planning for the cycles and then acting upon them swiftly. This is how we sell homes, increase market share and jump ahead while others struggle.

Certain markets, such as Washington, D.C., and southern California, have calmed of late. That shouldn’t be surprising. But our diversity of products and geographical locations will give us the flexibility to navigate a soft landing where needed. Our experienced managers, positive reputation with customers, ability to execute and the favorable demographics of today and the future will help us still generate superior overall results.



It boils down to each division closing a week from Nov. 2

It will be necessary for everyone to follow the game plan during these changing times. To do this, division-level communication – between job functions and up and down the ladder – must increase. All employees should be aware of:

- their local and our company business strategies,
- our key performance measures and how each job affects them on a daily basis, and
- what role each person and job plays in our overall success.

For example, employees should be familiar with the annual road show review and plan your division compiles every autumn. Haven't seen it? Seen but don't understand it? Go straight to your supervisor or division president for help.

Everyone enjoys working here

I believe most of you enjoy your jobs. In recent months, I've been moved by the many comments I've heard or read from employees who appreciate what our company stands for and how we've

conducted ourselves – not only in how we respond to tragedies, such as this year's hurricanes, but also in how we conduct our daily business in respect to the people and communities we affect. That's encouraging. It's also a reason to keep trying harder.



**on making just one extra
0 through March 31.**

Several divisions are taking part in a pilot program called TalentKeepers that I'm optimistic

will help us improve our retention rates and find ways to improve everyone's work environment. If your division is a participant in this pilot, get fully involved with the process. It will be to everyone's advantage.

The quarterly Roundtables I've been holding with employees this past year have also been very insightful. If nothing else, it has demonstrated you have a need and desire for more teamwork. You want to better

understand all aspects of the business. You want more interaction with co-workers in other job responsibilities and with your leaders.

I can't mandate teamwork. While we can provide you with tools and resources, you must use them to make a difference in your corner of the Centex world. If you have success stories, I'd love to hear them at AskAndy@centexhomes.com.

Your challenge – 40,000 closings

As I said earlier, you're two for two in meeting your quarterly projections this year. I'm confident you can keep a perfect record. Therefore, let me issue one final challenge for this fiscal year.

As of my writing this, we were on pace to close a little more than 39,000 homes. But if each of our traditional divisions, along with our Centex Destination Properties regions, closed 19 homes above and beyond their fiscal year projections, we will break the 40,000-home mark. That boils down to just one extra closing a week from Nov. 20 through March 31.

You've done great work so far. Let's see if you can exceed your own expectations when it comes to closings.

Please enjoy the holiday season with your friends, family and co-workers, and accept my early best wishes for an awesome 2006.

Best regards,

A handwritten signature in black ink that reads "ANDY". The signature is stylized and slanted.