HORTON D R INC /DE/
Form DEF 14A
December 12, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

D.R. Horton, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On
Thursday, January 25, 2007

Dear Fellow Stockholder of D.R. Horton:

You are invited to attend the 2007 Annual Meeting of Stockholders of D.R. Horton, *America s Builder.* Our 2007 Annual Meeting will be held at our corporate offices located at: D.R. Horton Tower, 301 Commerce Street, Fort Worth, Texas, on Thursday, January 25, 2007, at 10:00 a.m., central time, for the following purposes:

To elect seven directors.

To vote on a shareholder proposal concerning a majority vote standard for the election of directors.

To conduct other business properly brought before the meeting.

Only stockholders of record at the close of business on Friday, December 1, 2006, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

While we would like to have each of you attend the meeting and vote your shares in person, we realize this may not be possible. However, whether or not you plan to attend the meeting, your vote is very important. A form of proxy on which to indicate your vote and an envelope, postage prepaid, in which to return your proxy are enclosed. WE URGE YOU TO COMPLETE, SIGN AND RETURN THE ENCLOSED FORM OF PROXY SO THAT YOUR SHARES WILL BE REPRESENTED. If you decide later to attend the Annual Meeting, you may revoke your proxy at that time and vote your shares in person. If you desire any additional information concerning the 2007 Annual Meeting or the matters to be acted upon at the meeting, we would be glad to hear from you.

Very truly yours,

DONALD R. HORTON
Chairman of the Board

Fort Worth, Texas
December 12, 2006

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D.R. Horton Tower
301 Commerce Street
Fort Worth, Texas 76102
www.drhorton.com

PROXY STATEMENT
for the
2007 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On January 25, 2007

GENERAL

Time, Place and Purposes of Meeting

Our 2007 Annual Meeting of Stockholders will be held on Thursday, January 25, 2007, at 10:00 a.m., central time, at our corporate offices, located at: D.R. Horton Tower, 301 Commerce Street, Fort Worth, Texas. The purposes of the Annual Meeting are set forth in the Notice of Annual Meeting of Stockholders to which this Proxy Statement is attached. D.R. Horton, Inc. is referred to as *D.R. Horton,* *Company,* *we,* *and* *our* in this Proxy Statement.

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of D.R. Horton. D.R. Horton expects that this Proxy Statement and the accompanying form of proxy will first be mailed to each stockholder of record on or about December 14, 2006. The cost of this solicitation will be paid by D.R. Horton. The solicitation of proxies will be made primarily by use of the mail. In addition, directors, officers and regular employees of D.R. Horton may make solicitations without special compensation by telephone, telegraph, e-mail or personal interview. They may request banks, brokers, fiduciaries and other persons holding stock in their names, or in the names of their nominees, to forward proxies and proxy materials to their principals and obtain authorization for the execution and return of such proxies to management. D.R. Horton will reimburse such banks, brokers and fiduciaries for their reasonable out-of-pocket expenses in connection therewith. We have retained The Altman Group to solicit proxies on our behalf and will pay The Altman Group fees we believe will not exceed $6,500 for their services.

Revocation and Voting of Proxies

A proxy for use at the Annual Meeting is enclosed. Any proxy given may be revoked by a stockholder at any time before it is exercised by filing with D.R. Horton a notice in writing revoking it or by duly executing a proxy bearing a later date. Proxies also may be revoked by any stockholder present at the Annual Meeting who expresses a desire to vote his or her shares in person. Subject to such revocation and except as otherwise stated herein or in the form of proxy, all proxies duly executed and received prior to, or at the time of, the Annual Meeting will be voted in accordance with the specifications of the proxies. If no specification is made, proxies will be voted FOR the nominees for election of directors (see *Proposal One Election of Directors*), AGAINST the shareholder proposal concerning a majority vote standard for the election of directors (see *Proposal Two Shareholder Proposal Concerning a Majority Vote Standard for the Election of Directors*) and, at the discretion of the proxy holders, on all other matters properly brought before the Annual Meeting or any adjournment thereof.

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Outstanding Shares and Voting Rights

December 1, 2006 has been set as the record date for the purpose of determining stockholders entitled to notice of, and to vote at, the Annual Meeting. There were 313,555,125 shares of D.R. Horton s Common Stock, $.01 par value, issued and outstanding on the record date. On any matter submitted to a stockholder vote, each holder of Common Stock will be entitled to one vote, in person or by proxy, for each issued and outstanding share of Common Stock registered in his or her name on the books of D.R. Horton as of the record date. A list of such stockholders will be available for examination by any stockholder at the offices of D.R. Horton set forth above for at least ten days before the Annual Meeting.

Quorum Requirement

The D.R. Horton Bylaws provide that if the holders of a majority of the issued and outstanding shares of Common Stock entitled to vote are present in person or represented by proxy, there will be a quorum. The aggregate number of votes entitled to be cast by all stockholders present in person or represented by proxy at the Annual Meeting, whether those stockholders vote for, against or abstain from voting on any matter, will be counted for purposes of determining whether a quorum exists. Broker non-votes, which are described below, will be considered present for purposes of determining whether a quorum exists.

Broker Non-Votes and Vote Required

If a broker holds your shares, this Proxy Statement and a proxy card have been sent to the broker. You may have received this Proxy Statement directly from your broker, together with instructions as to how to direct the broker to vote your shares. If you desire to have your vote counted, it is important that you return your voting instructions to your broker. Rules of the New York Stock Exchange *(NYSE)* determine whether proposals presented at stockholder meetings are *routine* or *non-routine.* If a proposal is *routine*, a broker or other entity holding shares for an owner in street name may vote on the proposal without voting instructions from the owner. If a proposal is *non-routine*, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A *broker non-vote* occurs when the broker or other entity is unable to vote on a proposal because the proposal is *non-routine* and the owner does not provide instructions. Proposal One the proposal to elect directors is a *routine* proposal under the rules of the NYSE. As a result, brokers or other entities holding shares for an owner in street name may vote on Proposal One even if no voting instructions are provided by the owner. Proposal Two the proposal concerning a majority vote standard for the election of directors, is a *non-routine* proposal under the rules of the NYSE. As a result, brokers or other entities holding shares for an owner in street name may vote on Proposal Two only if voting instructions are provided by the owner. If you do not provide your broker with voting instructions for Proposal Two, your shares will not be counted as shares present with respect to the vote required for this proposal.

The following table reflects the vote required for each proposal and the effect of broker non-votes, withhold votes and abstentions on the vote, assuming a quorum is present at the meeting:

Proposal	Vote Required	Effect of Broker Non-Votes, Withhold Votes and Abstentions
(1) Election of Directors		

	(1) The seven nominees who receive the most votes will be elected	(1) Broker non-votes and withhold votes have no legal effect, subject to our recently amended Corporate Governance Principles
(2) Consider shareholder proposal concerning a majority vote standard for the election of directors	(2) An affirmative vote of the holders of a majority of our common stock which has voting power present in person or represented by proxy and is entitled to vote	(2) Broker non-votes have no effect; abstentions have the same effect as a vote against the proposal

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If any other proposals are properly presented to the stockholders at the meeting, the number of votes required for approval will depend on the nature of the proposal. Generally, under Delaware law and our Bylaws, the number of votes required to approve a proposal is a majority of the shares of Common Stock present and entitled to vote at the meeting. The enclosed proxy card gives discretionary authority to the proxy holders to vote on any matter not included in this Proxy Statement that is properly presented to the stockholders at the meeting. The persons named as proxies on the enclosed proxy card are Donald R. Horton, Chairman, Donald J. Tomnitz, Vice Chairman, President and Chief Executive Officer, and Bill W. Wheat, Executive Vice President and Chief Financial Officer.

Stockholders Sharing the Same Address

The broker, bank or other nominee of any stockholder who is a beneficial owner, but not the record holder, of the Company s Common Stock may deliver only one copy of this Proxy Statement and our Annual Report to multiple stockholders sharing an address, unless the broker, bank or nominee has received contrary instructions from one or more of the stockholders.

In addition, with respect to record holders, in some cases, only one copy of this Proxy Statement and our Annual Report will be delivered to multiple stockholders sharing an address, unless the Company has received contrary instructions from one or more of the stockholders. Upon written or oral request, the Company will deliver free of charge a separate copy of this Proxy Statement and our Annual Report to a stockholder at a shared address to which a single copy was delivered. You can notify your broker, bank or other nominee (if you are not the record holder) or the Company (if you are the record holder) that you wish to receive a separate copy of our proxy statements and annual reports in the future, or alternatively, that you wish to receive a single copy of the materials instead of multiple copies. The Company s contact information for these purposes is: D.R. Horton, Inc., Attention: Investor Relations, D.R Horton Tower, 301 Commerce Street, Suite 500, Fort Worth, Texas 76102, telephone number: (817) 390-8200, or e-mail: mslapper@drhorton.com.

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Board of Directors currently consists of seven members who will serve until the 2007 Annual Meeting, and until their successors have been elected and qualified.

By unanimous resolution, the Nominating and Governance Committee recommended to the Board of Directors, as nominees to the Board of Directors, our seven current Directors of the Company, each of whom is listed below under the caption *Nominees for Director.* After review and consideration by the Board of Directors, the Board nominated the seven Directors for election as directors of D.R. Horton at the 2007 Annual Meeting.

Unless otherwise specified in the accompanying proxy, the shares voted by proxy will be voted for each of the persons named below as nominees for election as directors. The seven nominees receiving the most votes cast, which is a plurality of the votes, will be elected for one year terms and will serve until the next annual meeting of stockholders and their successors have been elected and qualified. If any nominee is unable to serve, the proxies will be voted by the proxy holders in their discretion for another person. The Board of Directors has no reason to believe that any nominee will be unable to serve as a director for his prescribed term.

The Corporate Governance Principles of the Company were recently amended to address the situation in which a director does not receive a majority of affirmative votes cast. Under a newly-adopted guideline, any nominee for director who, in an uncontested election, receives a greater number of votes withheld from his or her election than votes for his or her election at the annual meeting (*Majority Withheld Vote*) will promptly tender his or her resignation. The Nominating and Governance Committee, which is comprised exclusively of independent directors, will consider the resignation and recommend to the Board whether to accept the tendered resignation. The Board will act upon the Nominating and Governance Committee s recommendation within a reasonable period of time. The action taken by the Board will be publicly disclosed

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in a report filed with the Securities and Exchange Commission and may include, without limitation, acceptance or rejection of the tendered resignation or adoption of measures designed to address the issues underlying the Majority Withheld Vote. The foregoing description is qualified in its entirety by reference to our Corporate Governance Principles, which can be found under the Investor Relations and Corporate Governance links on our website at www.drhorton.com. A copy of our Corporate Governance Principles is also included as Appendix A to this Proxy Statement.

According to our Bylaws, any stockholder may make nominations for the election of directors if notice of such nominations is delivered to, or mailed and received at, the principal executive office of D.R. Horton not less than thirty days prior to the date of the originally scheduled meeting. However, if less than forty days notice or prior public disclosure of the date of the originally scheduled meeting is given by D.R. Horton, notice of such nomination must be so received not later than the close of business on the tenth day following the earlier of the day on which notice of the originally scheduled meeting was mailed or the day on which such public disclosure was made. If nominations are not so made, only the nominations of the Board of Directors may be voted upon at the 2007 Annual Meeting.

The Board of Directors Recommends Voting FOR Each of the Following Director Nominees.

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Nominees for Director

The following is a summary of certain information regarding the nominees for election as directors.

Name	Age	Director Since	Principal Occupation and Business Experience
Donald R. Horton	56	1991	Mr. Horton has been Chairman of the Board of D.R. Horton since it was formed in July 1991, and he was President from July 1991 until November 1998. He has been involved in the real estate and homebuilding industries since 1972, and he was the sole or principal stockholder, director and president of each of D.R. Horton s predecessor companies since their respective organization, which date from 1978 to 1990.
Bradley S. Anderson	45	1998	Mr. Anderson is a Senior Vice President of CB Richard Ellis, Inc., an international real estate brokerage company, and he has held various positions in Phoenix, Arizona with its predecessor, CB Commercial Real Estate Group, Inc., since January 1987. He served as Interim Chairman of the Board of Continental Homes Holding Corp. from October 1997 through April 1998, when it merged into D.R. Horton, and he became a director of D.R. Horton at that time. Mr. Anderson has been a member of both the Audit and Compensation Committees since 1998 and he has also been a member of the Nominating and Governance Committee since it was formed in November 2003.
Michael R. Buchanan	59	2003	Mr. Buchanan has significant commercial banking experience with several banking institutions serving the real estate and homebuilding sectors. He retired from commercial banking in March 2002. From March 2002 to March 2003, Mr. Buchanan was engaged as a senior advisor to Banc of America Securities. From 1998 to March 2002, Mr. Buchanan was a Managing Director of Bank of America, an executive officer position in which he was head of its national real estate banking group. From 1990 to 1998, Mr. Buchanan was an Executive Vice President of NationsBank, which later merged with Bank of America. Mr. Buchanan is also a member of the board of directors and the asset committee of Wells Real Estate Investment Trust, a publicly held, non-traded real estate investment trust. Mr. Buchanan was appointed to the Audit Committee in July 2003 and the Compensation Committee in January 2004 and he has also been a member of the Nominating and Governance Committee since it was formed in November 2003.
Richard I. Galland	90	1992	

Mr. Galland is an attorney. He was formerly the Chief Executive Officer and Chairman of the Board of Fina, Inc. and Of Counsel to the law firm of Jones, Day, Reavis & Pogue. Mr. Galland formerly served on the boards of directors, and as a member of the audit and compensation committees, of First RepublicBank Corporation, Texas Industries, Inc. and Associated Materials, Inc., each an NYSE listed company. He has been a director of the Company and a member of both the Audit and Compensation Committees since 1992, and he has also been a member of the Nominating and Governance Committee since it was formed in November 2003.

Name	Age	Director Since	Principal Occupation and Business Experience
Michael W. Hewatt	57	2005	Mr. Hewatt is a certified public accountant and owner of Hewatt & Associates, CPAs, an auditing and tax services firm. He has worked for Hewatt & Associates or its predecessor firms since 1980. From 1971 to 1979, Mr. Hewatt worked in the tax and audit areas at Coopers & Lybrand LLP (currently PricewaterhouseCoopers LLP) and was an audit manager for five years during this period. Mr. Hewatt is a member of the American Institute of Certified Public Accountants (AICPA), the AICPA s peer review program, former member of the board of directors of the Texas Society of Certified Public Accountants and former President of the Texas Society of Certified Public Accountants Fort Worth Chapter. Mr. Hewatt has been a director of the Company since 2005. He is a member of the Audit, Compensation and Nominating and Governance Committees.
Donald J. Tomnitz	58	1995	Mr. Tomnitz is Vice Chairman, President and Chief Executive Officer of D.R. Horton. He was a Vice President in charge of various divisions of D.R. Horton from 1983 until he was elected Vice President Western Region of D.R. Horton in August 1994. From July 1996 until November 1998, Mr. Tomnitz was President of D.R. Horton s Homebuilding Division; in January 1998 he was elected an Executive Vice President of D.R. Horton; in November 1998 he was elected Vice Chairman and Chief Executive Officer of D.R. Horton; and in March 2000, he became President as well. Mr. Tomnitz previously was a Captain in the U.S. Army, a Vice President of RepublicBank Dallas, N.A., and a Vice President of Crow Development Company, a Trammell Crow company.
Bill W. Wheat	40	2003	Mr. Wheat is an Executive Vice President and Chief Financial Officer of D.R. Horton, positions he has held since October 2003. Mr. Wheat was a Senior Vice President and Controller since 2000. From 1998 until 2000, Mr. Wheat was an Accounting Manager with the Company. From 1991 to 1998, Mr. Wheat held financial planning and assistant controller positions with The Bombay Company. Prior to 1991, Mr. Wheat was an auditor with Price Waterhouse LLP (currently PricewaterhouseCoopers LLP).

Other Executive Officers

Samuel R. Fuller, age 63, is a Senior Executive Vice President of the Company. Mr. Fuller has been employed by D.R. Horton since 1992. In 1995, he was promoted to Controller. In 2000, Mr. Fuller was promoted to Executive Vice President and Chief Financial Officer, and in 2000 he was also appointed a director. In October 2003, Mr. Fuller was promoted to Senior Executive Vice President. He retired from the Board of Directors in November 2003.

Stacey H. Dwyer, age 40, is an Executive Vice President and Treasurer of D.R. Horton and is in charge of investor relations for D.R. Horton. She has been an employee of D.R. Horton since 1991. She was promoted from Assistant Secretary to Assistant Vice President in 1998 and from Assistant Vice President to Executive Vice President in 2000. She also became Treasurer in October 2003. Prior to 1991, Ms. Dwyer was an auditor for Ernst & Young LLP.

Corporate Governance Standards

Our Board of Directors has adopted a number of standards to comply with requirements of the Sarbanes-Oxley Act of 2002, and the final rules of the NYSE and Securities and Exchange Commission *(SEC)* relating to Sarbanes-Oxley and other corporate governance matters. Our Board has adopted the D.R. Horton Corporate Governance Principles, which contain a number of corporate governance initiatives designed to comply with the NYSE listing standards (the *NYSE Rules*) and the rules and regulations of the SEC (the *SEC Rules*) relating to corporate governance. The significant corporate governance initiatives adopted by the Board of Directors are discussed below. The Board recently revised the Corporate Governance Principles to provide for a Director resignation policy described in *Proposal One The Election of Directors.* The newly revised Corporate Governance Principles can be found under the Investor Relations and Corporate Governance links on our website at www.drhorton.com and as Appendix A to this Proxy Statement.

Director Independence

Our Board of Directors is comprised of a majority of independent directors in accordance with the NYSE Rules. Our Board made the independence determination of its members based on the *Independence Standards* discussed below.

Our Board has adopted a set of *Independence Standards,* consistent with the NYSE Rules, to aid it in determining whether a member of the Board is independent under the NYSE Rules. In accordance with these Independence Standards, a director must not have a direct or indirect material relationship with the Company or its management, other than as a director. The Independence Standards specify the criteria by which the independence of our directors will be determined, including strict guidelines for directors and their immediate family members with respect to past employment or affiliation with the Company, its management or its independent auditor.

The Independence Standards are contained in the Corporate Governance Principles set forth on our website under the Investor Relations and Corporate Governance links and as Appendix A to this Proxy Statement. These include the following:

- A director who is an employee or whose immediate family member is an executive officer of D.R. Horton is not independent until three years after the end of such employment relationship.

- A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from D.R. Horton, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $100,000 per year in compensation. Compensation received by an immediate family member for service as a non-executive employee or non-member of senior management of D.R. Horton will not be considered in determining independence under this test.

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A director is not independent if (i) the director or an immediate family member is a current partner of D.R. Horton s internal or external auditor, (ii) the director is a current employee of such a firm, (iii) the director s immediate family member is a current employee of such a firm and participates in the firm s audit, assurance or tax compliance (but not tax planning) practice, or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on D.R. Horton s audit within that time.

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of D.R. Horton s present executives serve on that company s compensation committee is not independent until three years after the end of such service or the employment relationship.

A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, D.R. Horton for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, is not independent until three years after falling below such threshold.

If a director serves as an executive officer, director or trustee of a charitable or educational organization, and D.R. Horton s contributions to the organization are less than $500,000, then the relationship will not be considered to be a material relationship that would impair a director s independence.

For purposes of these Independence Standards, an *immediate family member* includes a director s spouse, parents, children, siblings, mothers and fathers-in-laws, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the director s home.

Audit Committee Independence, Financial Literacy and Audit Committee Financial Expert

In addition to being independent based on the Independence Standards, the NYSE Rules and related SEC Rules require that each member of an audit committee satisfy additional independence and financial literacy requirements, and at least one of these members must satisfy the additional requirement of having accounting or related financial management expertise. This additional requirement can be satisfied by the Board determining that at least one Audit Committee member is an *audit committee financial expert* within the meaning of the SEC Rules. Accordingly, the Corporate Governance Principles contain a set of standards that relate to audit committee independence, financial literacy and audit committee accounting and financial management expertise. Generally, the additional independence standard provides that (i) a member of the Audit Committee, or his or her immediate family members, are prohibited from receiving any direct or indirect compensation or fee from the Company or its affiliates, and (ii) he or she may not be an affiliated person of the Company or any of its subsidiaries. Generally, the financial literacy standard provides that the Board, in its business judgment, shall determine if each member is financially literate, taking into account factors such as the member s education, experience and ability to read and understand financial statements of public companies. Also, audit committee financial experts must have five additional attributes, which are (i) an understanding of generally accepted accounting principles and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company s financial statements, or experience actively supervising one or more persons engaged in such activities, (iv) an understanding of internal control over financial reporting and (v) an understanding of audit committee functions. All together, attributes (i) through (v) are referred to as the *Financial Expert Attributes.* The audit committee financial expert standards are set forth in the Corporate Governance Principles.

Board Determinations

Based on the independence, financial literacy and financial expert standards discussed above, the Board has determined that Bradley S. Anderson, Michael R. Buchanan, Richard I. Galland and Michael W. Hewatt are (i) independent, for purposes of serving as independent members of the Board of Directors, the Compensation Committee and the Nominating and Governance Committees, (ii) independent, for purposes of serving as independent members on the Audit Committee, and (iii) financially literate, for purposes of serving on the Audit Committee. The Board has also determined, as set forth below, that Mr. Hewatt, Mr. Galland and Mr. Buchanan each have the Financial Expert Attributes described above.

Mr. Hewatt. Mr. Hewatt acquired the Financial Expert Attributes primarily through his more than 30 years of experience working as a certified public accountant for Coopers & Lybrand LLP and Hewatt & Associates, CPAs and its predecessor firms. Mr. Hewatt s experience as an auditor provided him active experience in conducting audits and reviewing financial statements. This active accounting experience further developed Mr. Hewatt s understanding of generally accepted accounting principles and financial statements and his ability to assess the application of such principles in connection with accounting for estimates, accruals and reserves. Mr. Hewatt s active status as a certified public accountant requires him to stay current on pronouncements and advisory notices issued by accounting, auditing and tax regulatory boards and organizations.

During his career as a certified public accountant, Mr. Hewatt has served on various management teams directly responsible for designing and conducting testing procedures on financial statements for compliance with applicable controls and procedures, such as estimates, accruals and reserves, and evaluating related internal control structures. These types of compliance reviews were documented and evaluated and used in forming audit procedures. In connection with certain audits and compliance testing, Mr. Hewatt prepared and issued reports to boards of directors, whereby he gained understanding into the functioning of boards of directors and related committees. Mr. Hewatt has additional experience in providing management advisory services and providing tax advisory and tax preparation services, which has provided Mr. Hewatt with a strong background in the Internal Revenue Code and dealing with the Internal Revenue Service. Mr. Hewatt has worked with clients which include public and private companies, governmental organizations and non-profit organizations.

Mr. Galland. Mr. Galland acquired the Financial Expert Attributes primarily through years of experience as president and chief executive officer of several companies where he actively supervised principal accounting officers and actively oversaw the preparation and evaluation of financial statements. Throughout Mr. Galland s career, he has actively participated in numerous mergers and acquisitions where he was involved in evaluating balance sheets and analyzing appropriate estimates, accruals and reserves to record on the financial records of the acquiring company. Mr. Galland also has had extensive experience as a board member of two other public companies, where he also served as chair of their audit committees.

Mr. Buchanan. Mr. Buchanan acquired the Financial Expert Attributes primarily through his experience as a commercial banker in the real estate and homebuilding sectors, including serving as head of Bank of America s national real estate group. Mr. Buchanan s responsibilities as a banker required him to analyze and evaluate financial statements in order to make credit and lending decisions. In this regard, he developed significant expertise in understanding the integrity of the financial information used to prepare financial statements and how such information should be used to analyze and evaluate a company s financial condition and its ability to meet the Company s debt obligations. As head of the national real estate group at Bank of America, Mr. Buchanan also actively supervised others in conducting financial statement and financial condition analysis and evaluation.

As provided by the safe harbor contained in the SEC Rules, our audit committee financial experts will not be deemed *experts* for any purpose as a result of being so designated, such designation does not impose on such persons any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on such persons as members of the Audit Committee or the Board of Directors in the absence of such designation, and such designation does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board of Directors.

The Board also determined that Donald R. Horton, Donald J. Tomnitz and Bill W. Wheat are not independent members of the Board, because they currently are executive officers of, and employed by, the Company.

Code of Ethical Conduct for the CEO, CFO and Senior Financial Officers

In accordance with SEC Rules, the Audit Committee and the Board have adopted the *Code of Ethical Conduct for the CEO, CFO and Senior Financial Officers.* The Board believes that these individuals must set an exemplary standard of conduct for D.R. Horton, particularly in the areas of accounting, internal accounting control, auditing and finance. The ethics code sets forth ethical standards the designated officers must adhere to and other aspects of accounting, auditing and financial compliance. The full text of the *Code of Ethical Conduct for CEO, CFO and Senior Financial Officers* has been posted to the Company s website, and can be found under the Investor Relations and Corporate Governance links.

Corporate Code of Business Conduct and Ethics

The Board of Directors has adopted a *Corporate Code of Business Conduct and Ethics* for employees and directors of D.R. Horton in accordance with the NYSE Rules. The Board adopted the *Corporate Code of Business Conduct and Ethics* to provide guidance to the Board and management in areas of ethical business conduct and risk and provide guidance to employees and directors by helping them to recognize and deal with ethical issues including, but not limited to, (i) conflicts of interest, (ii) corporate opportunities, (iii) confidentiality, (iv) fair dealing, (v) protection of corporate assets, (vi) compliance with rules and regulations, including insider trading of securities, and (vii) confidential reporting of unethical behavior and hotline telephone numbers. *The Corporate Code of Business Conduct and Ethics* can be found on our website under the Investor Relations and Corporate Governance links.

Qualifications for Directors

The Nominating and Governance Committee utilizes a variety of methods for identifying nominees for director, including considering potential director candidates who come to the committee s attention through current officers, directors, professional search firms, stockholders or other persons. Once a potential nominee has been identified, the Nominating and Governance Committee evaluates whether the nominee has the appropriate skills and characteristics required to become a director in light of the then current make-up of the Board of Directors. This assessment includes an evaluation of the nominee s judgment and skills, such as his or her depth of understanding of the Company s industry, financial sophistication, leadership and objectivity, all in the context of the perceived needs of the Board of Directors at that point in time.

In addition to the foregoing, the Company s Corporate Governance Principles provide that each member of the Board of Directors should have the following minimum characteristics:

- the highest personal and professional ethical standards, integrity and values;
- a commitment to representing the long-term interests of the stockholders;
- practical wisdom and mature judgment;
- be objective and inquisitive; and
- be prepared to offer his or her resignation in the event of any significant change in personal circumstances that could affect the discharge of his or her responsibilities as a director, including a change in his or her principal job responsibilities.

Ordinarily, directors who serve as CEOs or in equivalent positions for other companies should not serve on more than one other board of a public company in addition to the D.R. Horton Board, and other directors should not serve on more than two other boards of public companies in addition to the D.R. Horton Board. Because of the value the Board places on having directors who are knowledgeable about the Company and its operations, neither the Board nor the Nominating and Governance Committee believes that arbitrary term limits on directors service are appropriate.

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Procedures for Nominating or Recommending for Nomination Candidates for Director

Any stockholder may submit a nomination for director by following the procedures outlined in our Bylaws and described under Proposal One *Election of Directors* in this Proxy Statement. In addition, the Nominating and Governance Committee has adopted a policy permitting stockholders to recommend candidates for director for consideration by the committee, which will consider such candidates on the same basis as candidates identified through other means. Stockholders wishing to recommend candidates for election at the 2008 Annual Meeting must give notice to the Nominating and Governance Committee no more than 150 days and no less than 120 days prior to the anniversary date of this Proxy Statement. All director candidates shall, at a minimum, possess the qualifications for director discussed above. Each notice must set forth (1) the name and mailing address of such stockholder, (2) the number of shares beneficially owned by such stockholder, (3) the name, age, business address and residence address of each candidate, (4) the number of shares of Common Stock, if any, beneficially owned by each candidate, and (5) all other information relating to such person that is required to be disclosed in the solicitations for proxies for election of directors under the SEC Rules and NYSE Rules. The Nominating and Governance Committee may request additional information to assist in the evaluation of the candidacy of such person.

Committees of the Board

The Board of Directors has four committees: the Executive Committee, the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Board of Directors has adopted governing Charters for each of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. New rules in the area of stockholder nominations are being considered by the SEC, and if adopted, the Board will amend the Charter for the Nominating and Governance Committee accordingly. Each of the Charters of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee is posted on the Company s website, and can be found under the Investor Relations and Corporate Governance links. A copy of the Audit Committee Charter is also included as Appendix B to this Proxy Statement.

Complaint Procedures For Accounting, Internal Control, Auditing and Financial Matters

In accordance with SEC Rules, the Audit Committee has established procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal control, auditing or financial matters (collectively, *Accounting Matters*) and (ii) the confidential, anonymous submission by employees of concerns regarding questionable Accounting Matters. The Audit Committee oversees treatment of complaints and concerns in this area. The full text of the *Complaint Procedures For Accounting, Internal Control, Auditing and Financial Matters* has been posted to the Company s website, and can be found under the Investor Relations and Corporate Governance links.

Executive Sessions of the Board of Directors

In accordance with the NYSE Rules, the Board of Directors has held and will continue to hold regularly scheduled executive sessions of the non-management directors, all of whom are independent. Mr. Michael R. Buchanan, Chairperson of the Nominating and Governance Committee, presides at these independent sessions.

Communications with the Board of Directors

You can communicate with any member of our Board of Directors by sending the communication to the Chairperson of the Nominating and Governance Committee, who also serves as the Presiding Director. Currently, Mr. Buchanan serves as chairperson of the Nominating and Governance Committee. Send communications to: Presiding Director c/o Chief Legal Officer, D.R. Horton, Inc., 301 Commerce Street, Suite 500, Fort Worth, Texas 76102. Our Chief Legal Officer will review the communications and determine if such communications come within the purview of a

Board committee or Board member(s). After such determination, these communications will be promptly forwarded to such Board member(s) or the Presiding Director as applicable. The Presiding Director reports these communications to the Board on a quarterly basis. Further information may be obtained on our website at www.drhorton.com under the Investor Relations and Corporate Governance links.

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BENEFICIAL OWNERSHIP OF COMMON STOCK

Management

The following table shows the beneficial ownership of the Common Stock of D.R. Horton as of November 15, 2006 by (i) all D.R. Horton directors and director nominees, (ii) all D.R. Horton executive officers, and (iii) all D.R. Horton directors and executive officers as a group. Unless stated otherwise, the shares are owned directly and the named beneficial owners possess sole voting and investment power with respect to the shares set forth in the table.

	Amount and Nature of Common Stock Beneficially Owned(1)	
Name of Beneficial Owner	**Number of Shares Beneficially Owned**	**Percent of Class(2)**
Donald R. Horton	27,031,979(3)	8.62%
Bradley S. Anderson	20,948	*
Michael R. Buchanan	12,000	*
Stacey H. Dwyer	186,948	*
Samuel R. Fuller	79,940(4)	*
Richard I. Galland	36,299	*
Michael W. Hewatt	2,000	*
Gordon D. Jones	242,779	*
Thomas F. Noon	361,828(5)	*
George W. Seagraves	149,373	*
Donald J. Tomnitz	1,477,884(6)	*
Bill W. Wheat	81,630(7)	*
All directors and executive officers as a group (12 persons)	29,683,608	9.42%

* Less than 1%.

A named executive officer.

(1) Beneficial ownership includes the following shares which the executive officers and directors could acquire by exercising stock options on, or within 60 days after, November 15, 2006: Mr. Horton 213,333, Mr. Anderson 10,000, Mr. Buchanan 12,000, Ms. Dwyer 143,735, Mr. Fuller 49,173, Mr. Galland 34,151, Mr. Hewatt 2,000, Mr. Jones 195,152, Mr. Noon 256,818, Mr. Seagraves 131,159, Mr. Tomnitz 820,364 and Mr. Wheat 77,166. These options represent an aggregate of 1,945,051 shares.

(2) The percentages are calculated based on 313,263,333 issued and outstanding shares on November 15, 2006. For each person, separately, his or her percentage was calculated by including his or her options set forth in footnote (1) in both the numerator and denominator, and for the group, the percentage was calculated by including the 1,945,051 options set forth in footnote (1) in both the numerator and denominator.

(3) These shares do not include (i) 2,048,341 shares directly owned by Donald Ryan Horton, an adult son of Mr. Horton, and 2,048,338 shares directly owned by Douglas Reagan Horton, another adult son of Mr. Horton, (ii) 2,359,590 shares held by the Douglas Reagan Horton Trust, (iii) 2,359,589 shares held by the Donald Ryan Horton Trust, (iv) 1,368,005 shares held by the Martha Elizabeth Horton Trust, and (v) 1,499,984 shares held by the Donald Ray Horton Trust. Mr. Horton disclaims any beneficial interest in these shares. These trusts were established by Mr. Horton and his wife for the benefit of their descendants. Terrill J. Horton serves as the sole trustee of these trusts. Terrill J. Horton is a retired director of the Company and the brother of Donald R. Horton. Donald R. Horton s address is D.R. Horton, Inc., D.R. Horton Tower, 301 Commerce Street, Suite 500, Fort Worth, Texas 76102.

(4) These shares do not include 4,000 shares owned by an IRA for the benefit of Mr. Fuller s spouse. Mr. Fuller disclaims any beneficial interest in these shares.

(5) These shares do not include an aggregate of 9,466 shares owned by Mr. Noon s adult sons. Mr. Noon disclaims any beneficial interest in these shares.

(6) These shares do not include 20,568 shares owned by an IRA for the benefit of Mr. Tomnitz s spouse. Mr. Tomnitz disclaims any beneficial interest in these shares.

(7) These shares do not include 116 shares owned by an IRA for the benefit of Mr. Wheat s spouse and 332 shares held in trust for the benefit of Mr. Wheat s child. Mr. Wheat disclaims any beneficial interest in these shares.

Certain Other Beneficial Owners

Based on filings under the Securities Exchange Act of 1934, as amended, available as of November 15, 2006, the only other known beneficial owners of more than 5% of D.R. Horton Common Stock outstanding were the following:

	Shares Beneficially Owned	
Name and Address of Beneficial Owner	**Number**	**Percent**
FMR Corp(1) 82 Devonshire Street Boston, Massachusetts 2109	46,972,039	15.00%
Wellington Management Company, LLP(2) 75 State Street Boston, Massachusetts 02109	16,633,158	5.27%
Neuberger Berman Inc.(3) 605 Third Ave New York, New York 10158	15,665,562	5.01%

(1) Based solely upon information contained in the most recently filed Schedule 13G/A of FMR Corp., filed with the SEC on February 14, 2006, reflecting beneficial ownership as of December 31, 2005. According to this Schedule 13G/A, FMR Corp. had sole voting power for 5,268,790 of these shares, no shared voting power, sole dispositive power for all 46,972,039 of these shares and no shared dispositive power.

(2) Based solely upon information contained in the most recently filed Schedule 13G of Wellington Management Company, LLP, filed with the SEC on February 14, 2006, reflecting beneficial ownership as of December 31, 2005. According to this Schedule 13G, Wellington Management Company, LLP had no sole voting power, shared voting power for 13,473,063 of these shares, sole dispositive power for all 16,633,158 of these shares and no shared dispositive power.

(3) Based solely upon information contained in the most recently filed Schedule 13G of Neuberger Berman Inc., filed with the SEC on February 15, 2006, reflecting beneficial ownership as of December 31, 2005. According to this Schedule 13G, Neuberger Berman Inc. had sole voting power for 9,408,197 of these shares, shared voting power for 2,156,798 of these shares, no sole dispositive power and shared dispositive power over all 15,665,562 of these shares.

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EXECUTIVE COMPENSATION

The following tables show, with respect to the Chief Executive Officer and the other named executive officers of D.R. Horton, all plan and non-plan compensation awarded, earned or paid for all services rendered in all capacities to D.R. Horton during the periods indicated.

Summary Compensation Table

		Annual Compensation			Long Term Compensation Awards		Payouts	
Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Shares Underlying Options/ SARs	LTIP Payouts	All Other Compensation
Donald R. Horton Chairman and Director	2006	$ 400,000	$ 12,120,909	$		150,000		$ 80,221(1)
	2005	400,000	12,824,804					71,139(2)
	2004	400,000	8,320,134			100,000		65,122(3)
Donald J. Tomnitz Vice Chairman,	2006	$ 300,000	$ 12,120,909	$		100,000		$ 61,194(1)
President,	2005	300,000	12,824,804					54,511(2)
CEO and Director	2004	300,000	8,320,134			70,000		50,095(3)
Gordon D. Jones Executive Vice	2006	$ 175,000	$ 2,157,627	$		40,000		$ 33,542(1)
President and COO Central US Operations(4)	2005	175,000	2,628,691					30,447(2)
George W. Seagraves Executive Vice	2006	$ 175,000	$ 1,552,997	$		40,000		$ 37,665(1)
President COO Eastern US Operations(4)	2005	175,000	958,317					33,659(2)
Thomas F. Noon Executive Vice	2006	$ 175,000	$ 2,488,189	$		40,000		$ 39,524(1)
President and COO Western US Operations(4)	2005	175,000	3,818,218					35,107(2)

(1) These amounts represent (a) credits made by D.R. Horton of $40,000, $30,000, $17,500, $17,500 and $17,500 to the respective accounts of Messrs. Horton, Tomnitz, Jones, Seagraves and Noon under the Supplemental Executive Retirement Plan 2 (*SERP 2*), (b) the above-market portion of earnings of $32,421, $23,394, $9,442, $13,565 and $15,424 to the respective accounts of Messrs. Horton, Tomnitz, Jones, Seagraves and Noon under SERP 2, (c) matching contributions by D.R. Horton of $6,600 to the accounts of Messrs. Horton, Tomnitz, Jones, Noon and Seagraves under the D.R. Horton, Inc. Profit Sharing Plus Plan (the *401(k) Plan*), and (d) the

individual participant s portion of group health plan premiums of $1,200 paid by D.R. Horton for the benefit of each of Messrs. Horton and Tomnitz.

(2) These amounts represent (a) credits made by D.R. Horton of $40,000, $30,000, $17,500, $17,500 and $17,500 to the respective accounts of Messrs. Horton, Tomnitz, Jones, Seagraves and Noon under SERP 2, (b) the above-market portion of earnings of $23,639, $17,011, $6,647, $9,859 and $11,307 to the respective accounts of Messrs. Horton, Tomnitz, Jones, Seagraves and Noon under SERP 2, (c) matching contributions by D.R. Horton of $6,300 to the accounts of Messrs. Horton, Tomnitz, Jones, Seagraves and Noon under the 401(k) Plan, and (d) the individual participant s portion of group health plan premiums of $1,200 paid by D.R. Horton for the benefit of each of Messrs. Horton and Tomnitz.

(3) These amounts represent (a) credits made by D.R. Horton of $40,000 and $30,000 to the respective accounts of Messrs. Horton and Tomnitz under SERP 2, (b) the above-market portion of earnings of $17,772 and $12,745 to the respective accounts of Messrs. Horton and Tomnitz under SERP 2, (c) matching contributions by D.R. Horton of $6,150 to the accounts of Messrs. Horton and Tomnitz under the 401(k) Plan, and (d) the individual participant s portion of group health plan premiums of $1,200 paid by D.R. Horton for the benefit of each of Messrs. Horton and Tomnitz.

(4) Messrs. Noon, Jones and Seagraves each became an executive officer of D.R. Horton in April 2005 and served as executive officers throughout fiscal year 2006 and into the first month of fiscal 2007. Therefore,

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for each of these executive officers, compensation only for fiscal years 2005 and 2006 is reported. On October 17, 2006, D.R. Horton eliminated the Chief Operating Officer positions. Mr. Jones and Mr. Seagraves continue to serve the Company in non-executive officer positions. Mr. Noon resigned from the Company, effective October 20, 2006.

The following table sets forth information about options that were granted to our Chief Executive Officer and the other named executive officers during the fiscal year ended September 30, 2006.

Option/SAR Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	**Number of Securities Underlying Options/SARs Granted(1)**	**Percent of Total Options/ SARs Granted to Employees in Fiscal Year**	**Exercise or Base Price per Share**	**Expiration Date**	**5% (Stock Price $47.95)**	**10% (Stock Price $76.36)**
Donald R. Horton	150,000	4.99%	$ 29.44	5/2/2016	$ 2,777,199	$ 7,037,967
Donald J. Tomnitz	100,000	3.33%	$ 29.44	5/2/2016	$ 1,851,466	$ 4,691,978
Gordon D. Jones	40,000	1.33%	$ 29.44	5/2/2016	$ 740,586	$ 1,876,791
George W. Seagraves	40,000	1.33%	$ 29.44	5/2/2016	$ 740,586	$ 1,876,791
Thomas F. Noon(2)	40,000	1.33%	$ 29.44	5/2/2016	$ 740,586	$ 1,876,791

(1) These shares are covered by non-qualified stock options granted under the D.R. Horton 2006 Stock Incentive Plan. Mr. Horton s options and Mr. Tomnitz s options vest as to 20% of the grant amount each year. Mr. Noon s, Mr. Jones s and Mr. Seagraves s options vest with respect to 10% of the grant amount on each of the first nine anniversaries of the grant date, and the final 10% of the grant vests 9.75 years after the grant date. However, each option becomes fully exercisable upon a change of control of D.R. Horton, or upon the death or disability of the option holder, or upon his or her retirement at or after age 65.

(2) Mr. Noon resigned from his position with the Company on October 20, 2006. None of the shares underlying the option had vested at the time of resignation and, pursuant to the terms of the 2006 Stock Incentive Plan, the option was terminated.

Aggregated Option/ SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/ SAR Values

	Number of Securities Underlying Unexercised Options/SARs	Value of Unexercised In-the-Money

Name	Shares Acquired on Exercise (#)	Value Realized(1)	at Fiscal Year-End Exercisable(E)/Unexercisable(U)	Options/SARs at Fiscal Year-End(2) Exercisable(E)/Unexercisable(U)
Donald R. Horton Common Stock			213,333(E)/270,000(U)	$2,205,333(E)/ $708,000(U)
Donald J. Tomnitz Common Stock	72,595	$ 2,010,029	820,364(E)/278,373(U)	$14,430,474(E)/ $2,261,829(U)
Gordon D. Jones Common Stock	18,151	$ 336,670	181,233(E)/211,154(U)	$3,077,410(E)/ $2,277,115(U)
George W. Seagraves Common Stock	13,244	$ 369,860	121,169(E)/178,086(U)	$2,102,843(E)/ $2,001,035(U)
Thomas F. Noon(3) Common Stock	23,259	$ 625,962	256,818(E)/170,595(U)	$4,575,445(E)/ $1,471,975(U)

(1) Based upon the difference between the exercise prices of the options and the closing prices of our Common Stock on the dates on which the stock options were exercised.

(2) Based upon the difference between the exercise prices of the options and the closing price of our Common Stock on September 29, 2006.

(3) Mr. Noon resigned from his position with the Company on October 20, 2006. Pursuant to the terms of the 2006 Stock Incentive Plan, all of Mr. Noon s unexercisable options described above were terminated.

Compensation of Directors

During fiscal year 2006, D.R. Horton paid directors fees only to non-management directors. During the first quarter of fiscal year 2006, D.R. Horton paid each of these directors a fee of $7,500 per Board meeting attended in person or by tele-conference, an annual fee, paid in quarterly installments, of $2,500 per committee for serving on the Audit Committee, Compensation Committee and the Nominating and Governance Committee of the Board and an additional fee, paid in quarterly installments, of $1,250 for serving as a Chairperson of a Committee. On November 17, 2005, the Board of Directors approved an increase in director fees, committee member fees and chairperson fees payable to non-management directors of the Company beginning with the first Board meeting following November 17, 2005. The increase provided that each non-management director, beginning with the first Board meeting following November 17, 2005, will be paid a fee of $10,000 per Board meeting attended in person or by tele-conference, paid quarterly and not to exceed $40,000 per year. In addition, each non-management director who serves on a committee of the Board of Directors will receive an annual fee of $5,000 per committee paid quarterly, and each non-management director who serves as the Chairperson of a Committee of the Board of Directors will receive an annual fee of $2,500 per committee paid quarterly. The Board has also approved this fee structure for fiscal year 2007.

As a result of the above described director and committee fee policy, our non-management directors, Bradley S. Anderson, Richard I. Galland, Michael R. Buchanan and Michael W. Hewatt each received a total of $37,500 in director fees. In addition, Mr. Anderson, Mr. Buchanan and Mr. Galland each received committee fees of $4,375 for serving on the Audit Committee, $4,375 for serving on the Compensation Committee and $4,375 for serving on the Nominating and Governance Committee during fiscal year 2006. Mr. Hewatt received $4,375 for serving on each of the Audit Committees and the Nominating and Governance Committee and $3,750 for a partial year of service on the Compensation Committee. Also, Mr. Galland received an additional fee of $2,187.50 for serving as Chairperson of the Audit Committee. Mr. Anderson received an additional fee of $2,187.50 for serving as Chairperson of the Compensation Committee during fiscal year 2006. Mr. Buchanan received an additional fee of $2,187.50 for serving as Chairperson of the Nominating and Governance Committee in fiscal year 2006. Ms. Francine I. Neff, a former director who retired from our Board of Directors following our 2006 Annual Meeting of Stockholders, received $17,500 for her service on the Board and an aggregate fee of $5,625 for her service on the Audit Committee, Compensation Committee and Nominating and Governance Committee prior to her retirement. Additionally, on May 2, 2006, each non-management director received a grant of options to purchase 10,000 shares of our common stock at an exercise price of $29.44. The options vest over five years and have a ten year term. Directors coming to meetings from outside the Dallas-Fort Worth area received reimbursement for expenses incurred to attend Board and committee meetings.

Our three management directors are Donald R. Horton, Donald J. Tomnitz and Bill W. Wheat. These three management directors did not receive any director fees for serving as directors of the Company. The compensation of Mr. Horton and Mr. Tomnitz, as officers of the Company, is set forth under the Executive Compensation section of this Proxy Statement. Mr. Wheat, in his capacity as an Executive Vice President and the Chief Financial Officer of the Company, was paid an annual salary of $200,000 and a bonus of $350,000 for fiscal year 2006. Mr. Wheat was also paid other compensation of $32,090, which represents a credit and the above-market portion of earnings to his account under SERP 2, a matching contribution under the 401(k) Plan, and a portion of group health plan premiums paid for his benefit. Additionally, on May 2, 2006, Mr. Wheat received a grant of options to purchase 40,000 shares of our common stock at an exercise price of $29.44. Mr. Wheat s salary and discretionary bonus plan for the 2007 fiscal year remain the same as for the 2006 fiscal year.

No director of D.R. Horton who receives compensation from D.R. Horton for services other than as a director received any additional compensation for serving as a director of D.R. Horton. However, D.R. Horton paid the participant s portion of premiums pursuant to D.R. Horton s major medical plan for all directors except for Mr. Anderson, Mr. Buchanan, Mr. Galland and Mr. Hewatt. The amount of such premiums paid by

D.R. Horton during the 2006 fiscal year for each director was approximately $100 per month, or $1,200 in the aggregate.

Transactions with Management

On the effective date of the 1998 merger between D.R. Horton and Continental Homes Holding Corp., Bradley S. Anderson, a former director of Continental, was elected a director of D.R. Horton. In connection with the merger, D.R. Horton agreed to indemnify Mr. Anderson, along with the other former Continental directors, in connection with their prior service as directors or executive officers of Continental.

Effective as of October 20, 2006, Thomas F. Noon, Chief Operating Officer Western U.S. Operations, resigned from his position with the Company. In connection with Mr. Noon s resignation, the Company and Mr. Noon entered into an agreement regarding his resignation dated November 3, 2006. Pursuant to the terms of the agreement, the Company agreed to pay Mr. Noon a lump sum payment of $52,115. Mr. Noon received payment for earned and unpaid salary, vacation through the date of his resignation and bonus through September 30, 2006 and will continue to be paid salary, at an annual rate of $175,000, and health benefits for a period of 60 days following his resignation.

Compensation Committee Interlocks and Insider Participation

During our fiscal year ended September 30, 2006, D.R. Horton s Compensation Committee was composed of Mr. Bradley S. Anderson, Mr. Michael R. Buchanan, Mr. Richard I. Galland, Mr. Michael W. Hewatt and, until her retirement immediately following our 2006 Annual Meeting of Stockholders, Ms. Francine I. Neff, with Mr. Anderson serving as its Chairperson. None of the members of the Compensation Committee has served D.R. Horton in any capacity other than as a member of the board or a member of a committee thereof. In 1998, Mr. Anderson was a party to an indemnification arrangement with the Company as described under the caption *Transactions with Management* above.

Compensation Committee Report on Executive Compensation

General. D.R. Horton has undertaken to formulate a fair and competitive compensation policy for executive officers that will attract, motivate and retain highly experienced, qualified and productive personnel, reward superior performance and provide incentives that are based on performance of the Company, particularly with regard to pre-tax income and the market value of our Common Stock. D.R. Horton also has attempted to develop an executive compensation policy that will serve to align the interests of D.R. Horton, its executive officers and its stockholders.

The primary components of executive compensation consist of:

- Base salaries.
- Cash bonus payments.
- Deferred compensation plans.
- Stock options.

Through the Company s current executive compensation policy, a substantial portion of the compensation an executive officer has the opportunity to earn consists of bonus and stock option incentives.

Base Salaries. Base salaries for D.R. Horton s executive officers for the 2006 fiscal year were based on each executive officer s level of experience, level of responsibility, contributions made and potential for significant contributions to D.R. Horton s success and stockholder value, and D.R. Horton s historical levels of base compensation for executive officers. For fiscal 2006, Messrs. Horton and Tomnitz were paid salaries of $400,000 and $300,000, respectively. The salaries of Messrs. Horton and Tomnitz, as set by the Compensation Committee, have remained at these same levels since 2001 and such salaries are below the average of comparable executives at the Company s homebuilder peer group. No quantitative relative weights were assigned to the above factors when setting base salaries.

Bonus Payments. The 2006 compensation for executive officers provided each of D.R. Horton s executive officers the opportunity to earn substantial bonuses in addition to his or her 2006 annual base salary. See *Summary Compensation Table* for more information regarding the bonuses for the named executive officers.

Bonus to Chairman and Chief Executive Officer. Messrs. Horton and Tomnitz each received incentive bonus payments for achieving performance goals with regard to quarterly consolidated pre-tax income of D.R. Horton. The quarterly bonuses are based on a pre-approved percentage of quarterly consolidated pre-tax income. These goals and percentages were set and approved by the Compensation Committee at the beginning of the 2006 fiscal year. Based on the Company s performance of achieving the second highest pre-tax income in the Company s history, Messrs. Horton and Tomnitz each received a performance bonus of $12,120,909 for fiscal year 2006, all of which was paid under the D.R. Horton 2000 Incentive Bonus Plan. Messrs. Horton s and Tomnitz s aggregate 2006 fiscal year bonuses were paid in quarterly installments, each payment having been approved by the Compensation Committee prior to payment. The Compensation Committee considered the factors listed below in determining the performance goals at the beginning of the fiscal year, and in determining whether to pay the full amount of the bonus after the end of the fiscal year. No quantitative relative weights were assigned to the following factors:

The financial and operating performance of D.R. Horton in fiscal 2006 as compared to fiscal 2005.

An analysis of recent compensation of senior executive officers of comparable homebuilding companies.

The financial and operating performance of D.R. Horton as compared to D.R. Horton s business plan.

Other actions and activities by each executive officer to maximize stockholder value.

The Compensation Committee did not take any action with respect to Messrs. Horton s and Tomnitz s bonus plans that would have increased or decreased the bonus payable to Messrs. Horton or Tomnitz beyond their respective bonus plans that were approved at the beginning of the 2006 fiscal year.

Chief Operating Officers. Messrs. Jones, Noon and Seagraves each received incentive bonus payments for achieving performance goals with regard to quarterly consolidated pre-tax income of their respective operating regions. The quarterly bonuses are based on a pre-approved percentage of quarterly consolidated pre-tax income of their respective operating regions. These goals and percentages were set and approved by the Compensation Committee at the beginning of the 2006 fiscal year. Based on the consolidated pre-tax income of their respective operating regions, Messrs. Jones, Noon and Seagraves each received a performance bonus of $2,157,627, $2,488,189 and $1,552,997, for fiscal year 2006, all of which was paid under the D.R. Horton 2000 Incentive Bonus Plan. The bonus payments for the fourth quarter of fiscal 2006 were approved by the Compensation Committee on November 16, 2006 for Messrs. Jones and Seagraves and October 26, 2006 for Mr. Noon. Mr. Noon s bonus was determined earlier than the bonuses of Messrs. Jones and Seagraves due to Mr. Noon s resignation from the Company effective as of October 20, 2006. The Compensation Committee considered the factors listed below in determining the performance goals at the beginning of the fiscal year, and in determining whether to pay the full amount of the bonus after the end of the fiscal year. No quantitative relative weights were assigned to any of the following factors:

The financial and operating performance of the Western, Central and Eastern Operating regions in fiscal 2006 as compared to fiscal 2005.

The financial and operating performance of the Western, Central and Eastern operating regions as compared to the business plan for such operating regions.

Other actions and activities by each executive officer to maximize stockholder value.

Other Executive Officers. Based on recommendations from the Chairman of the Board, the Compensation Committee adopted discretionary bonus recommendations and submitted such recommendations to the Board for Mr. Fuller, Mr. Wheat, and Ms. Dwyer, the other executive officers of the Company during the 2006 fiscal year who were not named executive officers. In determining and adopting the discretionary bonuses for these executive officers, the Board took into account the Company s executive compensation policy, including the factors considered by the Compensation Committee in determining bonuses for the other executive officers of the Company.

Deferred Compensation Plan. D.R. Horton established the D.R. Horton Deferred Compensation Plan (*the Deferred Compensation Plan*), effective as of June 15, 2002. The Deferred Compensation Plan is the successor to and superseded D.R. Horton s and Schuler Homes s previously established deferred unfunded compensation plans. The Deferred Compensation Plan is an unfunded deferred compensation plan maintained primarily to provide deferred compensation benefits for a select group of *management or highly compensated employees* as defined by the Employee Retirement Income Security Act of 1974, as amended. The Deferred Compensation Plan permits participants voluntarily to defer receipt of compensation from D.R. Horton. Amounts deferred are invested on behalf of the participant in investment vehicles selected from time to time by the administrators of the Deferred Compensation Plan. The Deferred Compensation Plan was adopted and approved by the Compensation Committee and ratified by the Board of Directors.

SERP 2. The Supplemental Executive Retirement Plan 2 *(SERP 2)* was adopted by D.R. Horton in 1994 to permit eligible participants, which include our executive officers, the regional presidents, most division presidents and other selected employees, to defer income and establish a source of funds payable upon retirement, death or disability. Messrs. Horton s and Tomnitz s participation in SERP 2 is approved by the Compensation Committee annually at the beginning of the fiscal year. Pursuant to SERP 2, if the executive is employed by the Company on the last day of a fiscal year, then the Company will establish a liability to such officer equal to 10% of his annual base salary as of first day of such fiscal year. This liability will accrue earnings in future years at a rate established by the administrative committee for SERP 2.

Post-Employment Health Insurance. Messrs. Horton and Tomnitz are also entitled to post-employment health and dental insurance coverage that is similar to the insurance coverage that is currently provided by the Company to each of them, their spouses and their dependent children. The post-employment insurance coverage becomes effective upon Mr. Horton s and Mr. Tomnitz s respective retirement, disability, death or termination (without cause) from the Company and coverage shall be for the life of each of Mr. Horton and Mr. Tomnitz, respectively, and for the life of Mr. Horton s spouse and Mr. Tomnitz s spouse.

Stock Option Grants. Grants of stock options are made under the 2006 Stock Incentive Plan (the *2006 Stock Incentive Plan*), which was adopted by the Company s stockholders at the 2006 annual meeting of stockholders. The 2006 Stock Incentive Plan replaced the 1991 Stock Incentive Plan, as amended (the *1991 Plan*) and no further awards will be granted under the 1991 Plan. The 2006 Stock Incentive Plan is administered by the Compensation Committee. The Board, the Compensation Committee and the Company believe that stock options provide an important long-term incentive to executive officers and align the interests of D.R. Horton, its executive officers and its stockholders by creating a direct link between executive compensation and long-term performance of D.R. Horton.

Generally, when the Compensation Committee decides to grant stock options to executive officers, in determining the number of stock options to grant and the other material terms of the stock option grants, the Compensation Committee makes a subjective evaluation of:

- The overall performance of the Company in comparison to other publicly-traded homebuilding companies.
- An analysis of recent compensation of senior executive officers of comparable homebuilding companies.
- Recommendations of the Chairman of the Board, with the Chairman not making a recommendation with respect to the option grant on his behalf.

Contributions the executive officer made and is anticipated to make to the success of D.R. Horton.

Level of experience and responsibility of the executive officer.

Number of stock options that previously have been granted to the executive officer.

Number of stock options granted to other participants in the stock incentive plans.

In 2006, stock options were granted under the 2006 Stock Incentive Plan to the following named executive officers and in the following amounts: Mr. Horton, 150,000, Mr. Tomnitz 100,000, Mr. Jones, 40,000, Mr. Noon, 40,000 and Mr. Seagraves, 40,000. Each of these options has an exercise price of $29.44 per share and vests over five years for Messrs. Horton and Tomnitz and vests over 9.75 years for Messrs. Jones, Noon and Seagraves. Mr. Noon s options were cancelled when he resigned in October 2006. The exercise price for each of these option grants was based on the closing price of the Company s stock on the date the Compensation Committee approved the grant of the stock options at a committee meeting. Additional information regarding the stock option grants to our named executive officers is set forth in more detail under the under *the Option/SAR Grants in Last Fiscal Year* table under the *Executive Compensation* section of this proxy statement. No quantitative relative weights were assigned to any of these factors.

Chief Executive Officer 2006 Compensation. Donald J. Tomnitz s compensation for the 2006 fiscal year consisted of an annual base salary, bonuses and participation in the Incentive Bonus Plan, the 2006 Stock Incentive Plan, the Deferred Compensation Plan and SERP 2. The Compensation Committee sets this compensation on the basis of D.R. Horton s executive compensation policy and the factors described above.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to publicly-held companies for compensation over $1 million paid for any fiscal year to the corporation s chief executive officer and the other executive officers as of the end of any fiscal year who are disclosed in the *Summary Compensation Table* in the Company s proxy statement. However, the statute exempts qualifying performance-based compensation if certain requirements are met. Early in fiscal year 2004, the Compensation Committee adopted, and the stockholders approved, the Incentive Bonus Plan, as amended. D.R. Horton generally intends for awards to its executive officers under the bonus plan and its stock option plan to qualify for the performance-based compensation exemption under Section 162(m).

While D.R. Horton generally structures its compensation plans to comply with the exemption requirements of Section 162(m), corporate objectives, or other circumstances, may not always be consistent with the requirements for, or permit, full deductibility. Accordingly, the Board of Directors and the Compensation Committee reserve the authority to award non-deductible compensation to D.R. Horton s executive officers as they deem appropriate. During the 2006 fiscal year, the entire amount of the performance bonus paid to each of Messrs. Horton, Tomnitz, Jones, Noon and Seagraves qualified as performance-based compensation under Section 162(m) because the bonus amounts awarded by the Compensation Committee were within the limits of the Incentive Bonus Plan. Accordingly, the bonuses paid to each of our named executive officers were tax deductible by the Company. However, the compensation of (i) Messrs. Tomnitz, Jones, Noon and Seagraves arising from the exercise of options in the 2006 fiscal year that were initially granted in 1996, and (ii) Messrs. Noon and Seagraves arising from the exercise of options in the 2006 fiscal year of options that were initially granted in 1995, was not deductible for tax purposes by the Company because in 1996 and 1995 our 1991 Plan did not contain an appropriate individual grant limitation. However, the 1991 Plan (the predecessor plan to the 2006 Stock Incentive Plan) was amended in November 2001 to include an appropriate individual grant limitation, and our 2006 Stock Incentive Plan also includes an appropriate individual grant limitation.

COMPENSATION COMMITTEE:

Bradley S. Anderson, Chair
Richard I. Galland
Michael R. Buchanan
Michael W. Hewatt

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Stock Performance/Stock Performance Graph

The following graph illustrates the cumulative total stockholder return on D.R. Horton s Common Stock for the last five fiscal years through September 30, 2006 assuming a hypothetical investment of $100 and a reinvestment of all dividends paid on such an investment, compared to the Standard & Poor s 500 Stock Index and the S&P 500 Homebuilding Index.

The Compensation Committee report above, and the graph and the related disclosure contained in this section of this Proxy Statement, will not be deemed to be soliciting material or to be filed with or incorporated by reference into any filing by D.R. Horton under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that D.R. Horton specifically incorporates the report, graph or related disclosure by reference. The graph and related disclosure are presented in accordance with SEC requirements. Stockholders are cautioned against drawing any conclusions from the data contained therein, as past results are not necessarily indicative of future performance. The graph and related disclosure in no way reflect D.R. Horton s forecast of future financial performance.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

TOTAL RETURN TO SHAREHOLDERS
(Includes reinvestment of dividends)

		Years Ending				
Company/Index	**Base Period Sep 01**	**Sep 02**	**Sep 03**	**Sep 04**	**Sep 05**	**Sep 06**
D.R. HORTON INC	100	135.11	240.07	368.26	542.51	364.59
S&P 500 INDEX	100	79.51	98.91	112.63	126.44	140.08
S&P 500 HOMEBUILDING INDEX	100	145.84	225.86	357.43	512.15	370.93

MEETINGS AND COMMITTEES OF THE BOARD

During fiscal year 2006, the Board of Directors of D.R. Horton held five meetings and acted five times by written consent. Each director attended all of the Board meetings and at least 90% of the committee meetings for each committee on which he or she served during fiscal year 2006. Executive sessions of our non-management directors, all of whom are independent, are regularly held. The sessions are scheduled and chaired by the Chairperson of the Nominating and Governance Committee, who also acts as our Presiding Director. Directors are encouraged to attend annual meetings of our stockholders. The 2006 annual meeting was attended by all of our current directors. During fiscal year 2006, the Board of Directors had four standing committees: an Executive Committee, an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

Executive Committee

The Executive Committee, while the Board is not in session, possesses all of the powers and may carry out all of the duties of the Board of Directors in the management of the business of D.R. Horton, which by state or federal law or the NYSE Rules may be delegated to it by the Board of Directors. The Executive Committee acted 73 times by written consent during the 2006 fiscal year, of which 66 of these consents related to matters that were routine to the operations of the Company, and seven of these consents related to matters that were delegated to the Executive Committee by the Board. During our 2006 fiscal year and currently, the Executive Committee was and is composed of Messrs. Horton, Tomnitz and Wheat.

Nominating and Governance Committee

The members of the Nominating and Governance Committee are Mr. Michael R. Buchanan, Mr. Bradley S. Anderson, Mr. Richard I. Galland and Mr. Michael W. Hewatt, with Mr. Buchanan serving as Chairperson. Each committee member has been determined by the Board to be independent in accordance with the NYSE Rules. During fiscal year 2006, the Nominating and Governance Committee met four times, and each member attended in person or by telephone conference all of the meetings.

The Nominating and Governance Committee Charter has been posted to the Company s website under the Investor Relations and Corporate Governance links. The Nominating and Governance Committee s primary purpose is to provide assistance to the Board of Directors in fulfilling its responsibility to the stockholders by:

- Identifying individuals qualified to become directors consistent with criteria approved by the Board and recommending to the Board for selection the qualified candidates for directorships to be filled by the Board or by the stockholders;

- Developing and recommending to the Board a set of corporate governance principles applicable to the Company; and

- Overseeing the evaluation of the Board and management.

Compensation Committee

The members of the Compensation committee are Mr. Bradley S. Anderson, Mr. Michael R. Buchanan, Mr. Richard I. Galland, and Mr. Michael W. Hewatt, with Mr. Anderson serving as Chairperson. Each committee member has been determined by the Board to be independent. During fiscal year 2006, the Compensation Committee met two times and acted by written consent five times, and each member attended in person or by telephone conference all of the meetings.

The Compensation Committee Charter has been posted to the Company s website under the Investor Relations and the Corporate Governance links. The Charter provides that the Compensation Committee shall assist the Board of Directors in discharging its responsibility to the stockholders with respect to the Company s compensation programs and compensation of the Company s executive officers.

The Compensation Committee Charter also sets forth the responsibilities and duties of the committee regarding reviewing the compensation for the Chief Executive Officer and other executive officers, monitoring incentive and equity-based compensation plans, preparing an annual report on executive compensation and reporting to the Board of Directors.

Audit Committee and Audit Committee Report

The members of the Audit Committee of the Board of Directors are Mr. Richard I. Galland, Mr. Bradley S. Anderson, Mr. Michael R. Buchanan and Mr. Michael W. Hewatt, with Mr. Galland serving as Chairperson. The Audit Committee met ten times during fiscal year 2006 and took no action by written consent, and each member attended in person or by telephone conference 90% or more of the meetings.

As discussed under the caption *Corporate Governance Standards* on pages 7 and 8 of this Proxy Statement, each member of the Audit Committee has been determined by the Board to be *independent* and *financially literate* in accordance with NYSE Rules, the SEC Rules, and the corporate governance and independent standards adopted by the Board. Also, Messrs. Galland, Buchanan and Hewatt each have been determined by the Board to be an *audit committee financial expert* under such rules, regulations and standards as are set forth in the Company s Corporate Governance Principles posted on our website under the Investor Relations and Corporate Governance links. The Board s determinations are set forth on pages 8 and 9 of this Proxy Statement.

The Audit Committee operates pursuant to an Audit Committee Charter, which was approved and adopted by the Board of Directors. A copy of the adopted Audit Committee Charter is posted to the Company s website under the Investor Relations and Corporate Governance links. A copy also accompanies this Proxy Statement as Appendix B. The duties and responsibilities of the Audit Committee are set forth in its Charter. The Audit Committee s primary purposes are to:

- assist the Board in fulfilling its oversight responsibilities relating to the:
  - integrity of the Company s financial statements;
  - Company s compliance with legal and regulatory requirements;
  - independent auditor s qualifications and independence; and
  - performance of the Company s internal audit function and independent auditor; and
- prepare an Audit Committee report to be included in the Company s annual proxy statement.

The Audit Committee has reviewed and discussed with management D.R. Horton s audited consolidated financial statements for the fiscal year ended September 30, 2006. Further, the Audit Committee has discussed with D.R. Horton s independent auditor the matters required to be discussed by Auditing Standards Board Statement on Auditing Standards No. 61, as amended or supplemented, including D.R. Horton s audited consolidated financial statements for the fiscal year ended September 30, 2006, the auditor s responsibility under generally accepted auditing standards, significant accounting policies, management s judgments and accounting estimates, any audit adjustments, other information in documents containing audited financial statements and other matters. Finally, the Audit Committee has received and reviewed the written disclosures and the letter from the independent auditor required by the Independence Standards Board Independence Standard No. 1, as amended or supplemented, and has discussed the auditor s independence with the auditor.

Based on its review and discussion described above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements for fiscal year 2006 be included in D.R. Horton s Annual Report on Form 10-K for the fiscal year ended September 30, 2006. Further, the Audit Committee approved the engagement of

Ernst & Young LLP as D.R. Horton s independent auditor for the fiscal year ending September 30, 2007.

AUDIT COMMITTEE:

Richard I. Galland, Chair
Bradley S. Anderson
Michael R. Buchanan
Michael W. Hewatt

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Ernst & Young LLP served as D.R. Horton s independent auditor for the fiscal years ended September 30, 2006 and September 30, 2005 and has been engaged by the Audit Committee to continue to serve through the 2007 fiscal year. A representative of Ernst & Young LLP is expected to be present at the 2007 Annual Meeting and will have an opportunity to make a statement and to respond to appropriate questions from stockholders.

Audit Fees and All Other Fees

The following table shows the fees paid or accrued by D.R. Horton for the audit and other services provided by Ernst & Young LLP for fiscal years ended September 30, 2006 and September 30, 2005.

	Fiscal Year Ended September 30,	
	2006	**2005**
Audit fees	$ 1,643,104	$ 1,717,882
Audit-Related fees(1)	80,527	102,175
Tax fees(2)	45,700	45,150
All other fees		
Total(3)	$ 1,769,331	$ 1,865,207

(1) Related primarily to audits of employee benefit plans, the statutory audit of the Company s captive insurance company and consultations related to Sarbanes-Oxley compliance.

(2) Related primarily to tax compliance services.

(3) Of the fees listed above, approved by the Audit Committee, none were approved based on waiver of pre-approval under Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve audit and permissible non-audit services provided by the independent auditor.

In connection with the engagement of the independent auditor for the 2007 fiscal year, the Audit Committee pre-approved the services listed below by category of service, including the pre-approval of fee limits. The Audit Committee s pre-approval process by category of service also includes a review of specific services to be performed and fees expected to be incurred within each category of service. The term of any pre-approval is 12 months from the date of the pre-approval, unless the Audit Committee specifically provides for a different period. During fiscal 2007, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires separate pre-approval before engaging the independent auditor.

The services pre-approved by the Audit Committee to be performed by our auditor during our fiscal year 2007, include the following:

Audit Services include audit work performed in the preparation of financial statements (including quarterly reviews), as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

Audit-Related Services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

Tax Services include all services performed by the independent auditor s tax personnel except those services specifically related to the audit of the financial statements, and include fees in the areas of tax compliance, tax planning, and tax advice.

All Other Fees are those associated with permitted services not included in the other categories. The Company generally does not request such services from the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not otherwise delegate its responsibilities to pre-approve services performed by the independent auditor to management.

PROPOSAL TWO

SHAREHOLDER PROPOSAL CONCERNING A MAJORITY VOTE STANDARD FOR THE ELECTION OF DIRECTORS

D.R. Horton has received the following proposal from a shareholder. Pursuant to Rule 14a-8(l)(1) of the Securities Exchange Act of 1934, we will provide the name, address and number of securities held by the shareholder proponent of this proposal promptly upon receipt of a written or oral request. The Company s contact information is: D.R. Horton, Inc., Attention: Corporate Counsel, D.R. Horton Tower, 301 Commerce Street, Suite 500, Fort Worth, Texas 76102; e-mail tbmontano@drhorton.com; and telephone (817) 390-8200.

D.R. Horton is not responsible for the contents of the supporting statement or the shareholder proposal, both of which are quoted verbatim in italics below.

Supporting Statement and Proposal of Shareholder Proponent

Resolved:

That the shareholders of DR Horton (Company) hereby request that the Board of Directors initiate the appropriate process to amend the Company s governance documents (certificate of incorporation or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

Supporting Statement:

Our Company is incorporated in Delaware. Delaware law provides that a company s certificate of incorporation or bylaws may specify the number of votes that shall be necessary for the transaction of any business, including the election of directors. (DGCL, Title 8, Chapter 1, Subchapter VII, Section 216). The law provides that if the level of voting support necessary for a specific action is not specified in a corporation s certificate or bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Our Company presently uses the plurality vote standard to elect directors. This proposal requests that the Board initiate a change in the Company s director election vote standard to provide that nominees for the board of directors must receive a majority of the vote cast in order to be elected or re-elected to the Board.

We believe that a majority vote standard in director elections would give shareholders a meaningful role in the director election process. Under the Company s current standard, a nominee in a director election can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are withheld from that nominee. The majority vote standard would require that a director receive a majority of the vote cast in order to be elected to the Board.

Some companies have adopted board governance policies requiring director nominees that fail to receive majority support from shareholders to tender their resignations to the board. We believe that these policies are inadequate for they are based on continued use of the plurality standard and would allow *director nominees to be elected despite only minimal shareholder support. We contend that changing the legal standard to a majority vote is a superior solution that merits shareholder support.*

Our proposal is not intended to limit the judgment of the Board in crafting the requested governance change. For instance, the Board should address the status of incumbent director nominees who fail to receive a majority vote under a majority vote standard and whether a plurality vote standard may be appropriate in director elections when the number of director nominees exceeds the available board seats.

We urge your support FOR this important director election reform.

Statement in Opposition to Shareholder Proposal

After careful consideration of the subject matter of this stockholder proposal, the Board of Directors of D.R. Horton recommends a vote against this proposal because D.R. Horton recently adopted a policy that the Board believes provides a better structure for addressing the concerns reflected by the proposal. We believe the policy, which is set forth in our Corporate Governance Principles, is effective in enhancing the stockholder role in the director election process without placing undue limitations on the Board s judgment in addressing the circumstances giving rise to a majority of votes withheld.

As described under *Proposal One Election of Directors*, D.R. Horton s amended Corporate Governance Principles require any nominee for the Board of Directors who fails to receive a majority affirmative vote in an uncontested election to promptly tender his or her resignation to the Board of Directors. The Nominating and Governance Committee will assess whether the resignation should be accepted and make its recommendation to the Board of Directors. The Board of Directors will then consider the Committee s recommendation within a reasonable period of time and take the action it deems appropriate.

In conducting the assessment, both the Nominating and Governance Committee and the Board of Directors will consider all information they deem relevant, including the underlying reasons for the results of the election, the length of service and qualifications of the director, the director s contributions to D.R. Horton, our compliance with listing standards, and our Corporate Governance Principles. As a result, each nominee as to whom a majority of votes is withheld will undergo a high degree of review as to his or her ability to serve as a director.

The default standard for election of directors for Delaware corporations has long been the plurality vote standard. Our amended Corporate Governance Principles modify the plurality vote standard in uncontested elections in a manner that we believe affords our stockholders greater input than they would have under a pure plurality standard. However, it also retains for the Board the ability to exercise its judgment on case-by-case basis. We believe this is in the best interest of all stockholders. For example, Delaware law provides that an incumbent director who is not re-elected holds over and continues to serve with the same voting rights and powers until his or her successor is elected and qualified. A majority voting standard does not necessarily address hold over directors. However, our amended Corporate Governance Principles do address hold over directors by providing that a director nominee who receives majority of votes withheld from his or her election will tender his or her resignation. This then allows the Nominating and Governance Committee and the Board of Directors to assess fully whether to (i) appoint a successor, (ii) incur the expenses of a special meeting of stockholders to elect a replacement, or (iii) to permit the director to remain in office. The last alternative may be appropriate if the Board believes the underlying stockholder concerns are better addressed in another manner or if required to meet the listing standards of the New York Stock Exchange.

Over 120 public companies have adopted a policy similar to our amended Corporate Governance Principles. Moreover, we believe adopting the majority vote standard is not necessary considering our recent election results. Since we became a publicly traded company in 1992, no director nominee has ever received a greater number of votes withheld from his or her election than votes for his or her election. As a result, we believe adopting the voting requirement that has been proposed would not have ever affected the outcome of our election process. Since our stockholders have a history of electing highly qualified, independent directors under a traditional plurality system, we believe a change to a strict majority voting requirement is not necessary to improve our corporate governance processes, especially in light of our recent changes to our Corporate Governance Principles.

The Board of Directors Unanimously Recommends that Shareholders Vote AGAINST this Proposal.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires D.R. Horton s directors, certain of its officers, and persons who own more than 10% of a registered class of D.R. Horton s equity securities to file reports of ownership and changes in ownership with the SEC. Such officers, directors and greater than 10% stockholders are required by SEC regulations to furnish D.R. Horton with copies of all forms they file pursuant to Section 16(a). Based solely on its review of the copies of such forms received by it and on written representations from certain reporting persons that no Form 5 reports were required for those persons, D.R. Horton believes that all filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with during the year ended September 30, 2006, with the exceptions that Mr. Horton inadvertently did not timely file a Form 4 to reflect a non-discretionary distribution of 718 shares from an exchange fund, Mr. Tomnitz inadvertently did not timely file a Form 4 to reflect the exercise of an option to purchase and hold 8,232 shares, and Mr. Galland inadvertently filed a Form 5 for fiscal year 2005 incorrectly reporting the number of shares beneficially held. In each case, the individual filed a late or amended filing to correct the respective deficiency.

STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

Any stockholder who intends to present a proposal for action at D.R. Horton s 2008 Annual Meeting of Stockholders and to have D.R. Horton include such proposal in its proxy soliciting materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, must deliver a copy of the proposal to D.R. Horton not later than August 16, 2007. In addition, the Bylaws of D.R. Horton provide that only stockholder proposals submitted in a timely manner to a Corporate Counsel of D.R. Horton may be acted upon at an annual meeting of stockholders. To be timely, a stockholder s notice must be delivered to, or mailed and received at, the principal executive offices of D.R. Horton not less than 30 days prior to the date of the originally scheduled meeting. However, if less than 40 days notice or prior public disclosure of the date of the originally scheduled meeting is given by D.R. Horton, notice by the stockholder to be timely must be so received not later than the close of business on the tenth calendar day following the earlier of the day on which such notice of the date of the originally scheduled meeting was mailed or the day on which such public disclosure was made.

REQUESTING DOCUMENTS FROM THE COMPANY

On our website, at www.drhorton.com, under the Investor Relations and Corporate Governance links, you will find the following: (i) Corporate Governance Principles, (ii) Audit Committee Charter, (iii) Compensation Committee Charter, (iv) Nominating and Governance Committee Charter, (v) Code of Ethical Conduct for the CEO, CFO, and Senior Financial Officers, (vi) Complaint Procedures for Accounting, Internal Control, Auditing and Financial Matters and Complaint Procedures for Employee Matters, and (vii) Corporate Code of Business Conduct and Ethics for Employees and Directors. You may obtain a copy of any of these documents through our website or by contacting us for a printed set. You may contact us for these purposes at: Attention Corporate Counsel, D.R. Horton, Inc., 301 Commerce Street, Suite 500, Fort Worth, TX 76102, (817) 390-8200 or e-mail: tbmontano@drhorton.com.

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OTHER MATTERS

Management knows of no other matters to be voted upon at the Annual Meeting. If any other matter is properly brought before the Annual Meeting, it is the intention of the persons named as proxies in the form of proxy to vote in their discretion upon such matters in accordance with their judgment.

You are urged to sign, date and return the enclosed proxy in the envelope provided. No postage is required if the envelope is mailed from within the United States. If you subsequently decide to attend the Annual Meeting and wish to vote your shares in person, you may do so. Your cooperation in giving this matter your prompt attention is appreciated.

By Order of the Board of Directors,

Thomas B. Montano
Vice President and Assistant Secretary

Fort Worth, Texas
December 12, 2006

APPENDIX A

D.R. HORTON, INC.
CORPORATE GOVERNANCE PRINCIPLES

I. Purpose

These Corporate Governance Principles, adopted by the Board of Directors of D.R. Horton, Inc. (the Company or D.R. Horton which shall include all of the Company s subsidiaries) together with the charters of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee of the Board, provide the framework for the governance of D.R. Horton, Inc. The Board will review these principles and other aspects of D.R. Horton governance at least annually or as the Board deems necessary or appropriate.

The Board of Directors of the Company is elected by and responsible to the stockholders of D.R. Horton. D.R. Horton s business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer (the CEO) and the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board of Directors monitors the performance of the CEO and senior management to assure that the long-term interests of the stockholders are being served.

II. Board of Directors Structure and Operations/Board Compensation

Selection Process and Size of Board

The directors are elected each year by the stockholders at the annual meeting of stockholders. The Board will consider nominee recommendations from the Nominating and Governance Committee, and thereafter the Board will propose a slate of nominees to the stockholders for election to the Board. The Board also determines the number of directors on the Board as such number is provided for in the Bylaws of the Company. Between annual stockholder meetings, the Board may elect directors to vacant Board positions to serve until the next annual meeting in a manner consistent with its Bylaws & Delaware law.

Qualifications

Directors should possess the highest personal and professional ethical standards, integrity and values, and be committed to representing the long-term interests of the stockholders. Directors should also have practical wisdom and mature judgment. Directors should be objective and inquisitive. Directors should be prepared to offer their resignation in the event of any significant change in their personal circumstances that could affect the discharge of their responsibilities as directors of the Company, including a change in their principal job responsibilities. Ordinarily, directors who also serve as CEOs or in equivalent positions for other companies should not serve on more than one other board of a public company in addition to the D.R. Horton board, and other directors should not serve on more than two other boards of public companies in addition to the D.R. Horton board.

Because of the value the Board places on having directors who are knowledgeable about the Company and its operations, the Board does not believe that arbitrary term limits on directors service are appropriate.

Election of Directors

In an uncontested election of directors (i.e., an election where the only nominees are those recommended by the Board), any nominee who receives a greater number of votes withheld from his or her election than votes for his or her election (Majority Withheld Vote) will promptly tender his or her resignation to the Chairman of the Board following certification of the stockholder vote.

The Nominating and Governance Committee will within a reasonable period of time consider the resignation submitted by a director receiving a Majority Withheld Vote and recommend to the Board whether to accept the tendered resignation. In considering whether to accept the resignation, the Nominating and Governance Committee will consider all factors deemed relevant by members of the Committee, including, without limitation, the underlying reasons for the Majority Withheld Vote (if ascertainable), the length of service and qualifications of the director whose resignation has been tendered, the director s contributions to the Company, continued compliance with New York Stock Exchange listing standards, and the Company s Corporate Governance Guidelines.

The Board will act on the Nominating and Governance Committee s recommendation within a reasonable period of time. In considering the Nominating and Governance Committee s recommendation, the Board will consider the factors considered by the Committee and such additional information and factors the Board believes to be appropriate. Following the Board s decision on the Nominating and Governance Committee s recommendation, the Company will promptly publicly disclose the Board s decision and process (including, if applicable, the reasons for rejecting the tendered resignation) in a periodic or current report filed with the Securities and Exchange Commission. The Board may also elect to delay acceptance of a tendered resignation for a specified period to provide it with an opportunity to address the underlying stockholder concerns, to recruit a new director or for any other reasons it deems appropriate.

To the extent that one or more directors resignations are accepted by the Board, the Nominating and Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Nominating and Governance Committee recommendation or Board consideration regarding whether to accept the tendered resignation. If a majority of the members of the Nominating and Governance Committee received a Majority Withheld Vote at the same election, then the independent directors who are on the Board and who did not receive a Majority Withheld Vote will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the independent directors who did not receive a Majority Withheld Vote.

This corporate governance principle will be summarized or included in each proxy statement relating to an election of directors of the Company.

Independence of Directors

A majority of the directors must be independent directors under the New York Stock Exchange Listed Company rules, which include the new NYSE corporate governance and independence standards (collectively, NYSE Rules) or any other applicable regulatory requirements, as such requirements may change from time to time. The Board of Directors recognizes, however, that directors who do not meet the NYSE s independence standards have historically made, and can be expected to continue to make, valuable contributions to the Board and to the Company by reason of their experience, judgment, intelligence and wisdom.

Independence Standards

To be considered independent under the NYSE Rules, the Board must determine that a director does not have any direct or indirect material relationship with the Company or its management. The Board has established the following independence standards to assist it in determining director independence in accordance with the NYSE Rules:

A director who is an employee or whose immediate family member is an executive officer of D.R. Horton is not independent until 3 years after the end of such employment relationship.

A director who receives, or whose immediate family member receives, more than $100,000 per year in direct compensation from D.R. Horton, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $100,000 per year in compensation. Compensation received by an immediate family member for service as a non-executive employee or non-member of senior management of D.R. Horton will not be considered in determining independence under this test.

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A director is not independent if: (A) a director or an immediate family member is a current partner of a firm that is D.R. Horton s internal or external auditor; (B) a director is a current employee of such a firm; (C) a director has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or (D) a director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the listed company s audit within that time.

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of D.R. Horton s present executives serve on that company s compensation committee is not independent until three years after the end of such service or the employment relationship.

A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, D.R. Horton for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, is not independent until three years after falling below such threshold.

Transition Rule: In accordance with the NYSE Rules which were adopted by the SEC on November 4, 2003, each of the above standards contains a three-year look-back provision. In order to facilitate a smooth transition to the new independence standards, the Board, in accordance with the NYSE Rules, will phase in the look-back provisions by applying a one-year look-back for the first year after adoption of the new standards. For example, until November 3, 2004, the Board will only look-back one year when testing the above standards. Beginning November 4, 2004, however, the Board would need to look-back the full three years when testing the above standards.

Immediate Family Member: For purposes of analyzing independence, an *immediate family member* includes a Board member s spouse, parents, children, siblings, mothers and fathers-in-laws, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the Board member s home.

When applying the look-back provisions discussed above, the Board need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

Other Relationships

If a D.R. Horton director serves as an executive officer, director or trustee of a charitable or educational organization, and D.R. Horton s contributions to the organization are less than $500,000 then the relationship will not be considered to be a material relationship that would impair a director s independence.

The Board, as part of its self-evaluation, will review all commercial, charitable, and educational relationships between the Company and its directors. The Board s determination of each director s independence will be disclosed annually in the Company s proxy statement.

For relationships other than those governed by the independence standards set forth above, the determination of whether the relationship is material, and therefore whether the director is independent, shall be made by the Board of Directors.

The Company will not make any personal loans or extensions of credit to directors or executive officers, other than consumer loans on terms offered to the general public.

Board Committees

The Board has established the following Committees to assist the Board in discharging its responsibilities: (i) Audit, (ii) Compensation, and (iii) Nominating and Governance. The current charters of these Committees are published on the D.R. Horton public website, and will be mailed to stockholders on written request. The Committee chairs report on the matters considered at each of their meetings to the full Board of Directors following each Committee meeting.

Membership on the Audit Committee

In addition to the requirement that a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy additional independence and financial literacy requirements. In addition, at least one member of the Audit Committee shall qualify as an audit committee financial expert as determined by the Board. The Board has established the following standards to assist it in determining whether a Board member who is independent as set forth above is also independent for Audit Committee purposes and whether such member is also financially literate and whether such Board member qualifies to be the audit committee financial expert in accordance with applicable NYSE Rules and SEC rules and regulations:

Audit Committee Independence

(i) Each member of the Audit Committee must be an independent member of the Board of Directors using the standards set fort above in Independence of Directors, and

(ii) In order to be considered independent for purposes of membership on the Audit Committee, a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other committee of the Board of Directors:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof, provided that, the NYSE Rules provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior services with D.R. Horton (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of D.R. Horton or any subsidiary thereof. The term affiliate of, or a person affiliated with, a specified person, means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under the common control with, the person specified.

The term indirect acceptance by a member of the Audit Committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a member s spouse, a minor child or stepchild or a child or stepchild sharing a home with a member or by an entity in which such a member is a partner, member, an officer, person occupying a comparable position such as a managing director or executive officer, or occupies a similar position (except limited partners, non managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any of its subsidiaries.

The Board may determine that a member of the Audit Committee is independent based on an exemption if such exemption has been adopted by the NYSE or the SEC as applicable. Any independence determinations based on an exemption will be disclosed in D.R. Horton s proxy statement.

Audit Committee Financial Literacy

Each member of the Audit Committee must be financially literate, as such qualification is interpreted by D.R. Horton s Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. In determining a member s financial literacy, among other things such as education and professional experience, the Board will consider the member s ability to read and understand fundamental financial statements, including D.R. Horton s balance sheet, income statement and cash flow statement as well as a member s understanding of the overall financial reporting process relating to public companies.

Audit Committee Financial Expert

Item 401(h) of Regulation S-K of the Securities Act of 1933 requires D.R. Horton to disclose in its annual proxy statement the name of the person, if any, the Board of Directors determines to be the audit committee financial expert (defined below) serving on its Audit Committee and whether the person is independent, or if the Company does not have such an audit committee financial expert serving on its Audit Committee, the reason why it does not must be disclosed.

An *audit committee financial expert,* as defined by SEC rules and regulations, is a person who has all of the attributes listed below. Accordingly, the Board of Directors has adopted the following standards to aid it in making the determination of whether or not a member of the Audit Committee qualifies as an audit committee financial expert:

does the member have an understanding of generally accepted accounting principles and financial statements (the level of understanding will be analyzed using the means set forth in (a) through (d) below);

does the member have the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves (the level of understanding will be analyzed using the means set forth in (a) through (d) below);

does the member have experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company s financial statements, or experience actively supervising one or more persons engaged in such activities (the level of understanding will be analyzed using the means set forth in (a) through (d) below);

does the member have an understanding of internal control over financial reporting (the level of understanding will be analyzed using the means set forth in (a) through (d) below); and

does the member have an understanding of audit committee functions (the level of understanding will be analyzed using the means set forth in (a) through (d) below).

The *audit committee financial expert* must have acquired the above listed attributes through any of the following means:

(a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant or auditor or person performing similar functions;

(c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(d) other relevant experience (if an audit committee financial expert qualifies as such because of other relevant experience, then the Company will include disclosure in its proxy statement providing a brief listing of that person s relevant experience).

Compensation of Directors

The Board shall have the responsibility for setting and approving compensation for non-employee directors in their capacity as board members or board committee members. Each year, the Board shall review non-employee director compensation.

Director Orientation and Continuing Education

The Company shall provide an orientation for new directors, and shall periodically provide informational and educational materials or briefing sessions for all directors on subjects that would assist them in discharging their duties.

Access to Senior Management

Each director shall have full and complete access to the executive officers and senior managers of the Company and, if desired, without the supervisors of such executive officers and senior managers present.

Access to Independent Advisors

The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors at the Company s expense.

III. Meetings

The Board of Directors ordinarily has 4 scheduled in person meetings a year. Directors ordinarily are expected to attend all scheduled Board and Committee meetings, and are expected to review the materials provided to them in advance of each meeting.

Before, during or after each regularly scheduled Board meeting, the non-employee directors ordinarily will meet for a period of time without management present. The Chairman of the Nominating and Corporate Governance Committee shall preside over such non-employee director sessions and also will serve as the presiding director in performing such other functions as the Board may direct. The non-employee directors may meet without management present at such other times as determined by the presiding director or at the request of any non-employee director. The presiding director will, from time to time, and following consultation with the Chairs of the Committees of the Board and the other directors, discuss with the Chairman of the Board of Directors potential items for inclusion in the agendas of future meetings of the Board of Directors.

IV. Responsibilities and Duties

CEO/Management Oversight and Compensation

In addition to the Board s general oversight of the CEO and senior management, the Board also is responsible for:

- selecting, evaluating and compensating the CEO and overseeing CEO succession planning;

- providing counsel and oversight on the selection, evaluation, development and compensation of the senior officers of the Company; and

- approving and maintaining a succession plan for the CEO and other key senior executives, including an emergency succession plan for the CEO.

Business, Product and Strategic Matters/Compliance with Law and Company Policy

As part of its overall responsibility to serve the long-term interests of the stockholders, the Board also shall:

review, approve and monitor fundamental financial and business strategies and major Company actions;

review and discuss reports by management on the performance of the Company, its plans, products and prospects;

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assess major risks facing the Company and review and approve strategies for addressing such risks; and

ensure processes are in place for maintaining the integrity and reputation of the Company, the integrity of the financial statements, compliance with law and Company policy, the integrity of relationships with customers, vendors and suppliers, and the integrity of relationships with other Company stakeholders.

Concern Reporting

Any person who has a legitimate concern about the Company s conduct may contact the presiding non-management director by writing to: presiding director, c/o Corporate Counsel, D.R. Horton Tower, 301 Commerce Street, Suite 500, Fort Worth, Texas 76102. The status of all outstanding concerns addressed to the presiding director will be reported to the directors as appropriate, on a quarterly basis.

V. Annual Performance Evaluation

The members of the Board will perform an annual self-evaluation of the Board and each of the Committees. Each of the directors will be requested to provide his or her assessment of the effectiveness of the Board and the Committees. If determined by the Board to be desirable, the Board may retain independent corporate governance experts to assist the Board with the evaluations.

APPENDIX B

D.R. HORTON, INC.
AMENDED AND RESTATED CHARTER
OF THE
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. Purpose

The purpose of the Audit Committee (the Committee) of the Board of Directors (the Board) of D.R. Horton, Inc. (the Company) is to assist the Board in fulfilling its oversight responsibilities relating to the:

1. integrity of the Company s financial statements;

2. Company s compliance with legal and regulatory requirements;

3. independent auditor s qualifications and independence; and

4. performance of the Company s internal audit function and independent auditors;

and to prepare an audit committee report as required by Securities and Exchange Commission (SEC) rules to be included in the Company s annual proxy statement.

II. Membership

The Committee shall consist of at least three persons, all of whom are members of the Board. Each member of the Committee shall satisfy the independence requirements set forth in (i) Section 10A(m) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules adopted by the SEC thereunder, and (ii) the corporate governance and other listing standards of the New York Stock Exchange (the NYSE) as in effect from time to time (the NYSE Standards).

Each member of the Committee shall be financially literate within the meaning of the NYSE Standards, as such term is interpreted by the Board in its business judgment (or shall become financially literate within a reasonable period of time after appointment to the Committee). In addition, at least one member of the Committee shall have accounting or related financial management expertise within the meaning of the NYSE Standards, as such term is interpreted by the Board in its business judgment. Furthermore, unless the Board determines that it is not necessary for an audit committee financial expert to serve on the Committee, at least one member of the Committee shall meet the requirements to be an audit committee financial expert within the meaning of Item 401(h) of Regulation S-K.

No member of the Committee shall serve as a member of the audit committee of more than two public companies other than the Company.

The Board shall elect the members of the Committee at the Board meeting (Annual Board Meeting) that is held immediately after the annual meeting of the stockholders of the Company, after considering the recommendations of the Corporate Governance and Nominating Committee of the Board, and each Committee member shall serve until the date of the next Annual Board Meeting, unless he or she resigns, is removed or replaced or otherwise ceases to be a director or a member of the Committee prior to such date, in which event the Board may appoint another director of the Company to fill the resulting vacancy for his or her unexpired term. Furthermore, if for any reason the Board does not elect the members to the Committee at an Annual Board Meeting, the directors who then comprise the Committee will continue to serve as members of the Committee until the Board takes action to elect new members of the Committee. The Board may remove or replace a member of the Committee at any time.

(121,702
)

(109,260
)

Capitalized interest
(8,054
)

(7,032
)
Purchase of property and equipment
(428,061
)

(447,455
)
Net cash used in investing activities
(558,787
)

(663,773
)
Financing activities:

Proceeds from issuance of long-term debt
405,827

378,569

Proceeds from stock options exercised
45

92

Payments on debt and capital lease obligations
(63,643
)

(29,663
)
Excess tax (deficiency) benefit from equity-based compensation
—

(497
)
Repurchase of common stock
(1,238
)

(102,390
)
Debt issuance costs
(5,896
)

(107

)
Net cash provided by financing activities
335,095

246,004

Net (decrease) increase in cash and cash equivalents
162,780

22,272

Cash and cash equivalents at beginning of period
700,900

803,632

Cash and cash equivalents at end of period
$
863,680

$
825,904

Supplemental disclosures

Cash payments for:

Interest, net of capitalized interest
$
22,541

$
26,025

Income taxes paid, net of refunds
$
4,352

$
(18,169
)
Non-cash transactions:

Capital expenditures funded by capital lease borrowings
$
(1,370
)

$
(31
)

The accompanying Notes are an integral part of these Condensed Financial Statements.

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Notes to Condensed Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed financial statements include the accounts of Spirit Airlines, Inc. (the Company). These unaudited condensed financial statements reflect all normal recurring adjustments which management believes are necessary to fairly present the financial position, results of operations and cash flows of the Company for the respective periods presented. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements of the Company and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on February 13, 2017.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect both the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The interim results reflected in the unaudited condensed financial statements are not necessarily indicative of the results that may be expected for other interim periods or for the full year.

Certain prior period amounts have been reclassified to conform to the current year's presentation.

2. Recent Accounting Developments

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2014-09, (ASU 2014-09) "Revenue from Contracts with Customers." The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new guidance is effective for the Company in the first quarter of 2018. Entities have the option to use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company currently anticipates utilizing the full retrospective method of adoption allowed by the standard, in order to provide for comparative results in all periods presented, and plans to adopt the standard as of January 1, 2018. While the Company is still evaluating the impact, it currently believes the most significant impact of this ASU will be the elimination of the incremental cost method for frequent flier program accounting, which will require the Company to re-value and record a liability associated with customer flight miles earned as part of the Company’s frequent flier program with a relative fair value approach. While our evaluation is ongoing, the Company currently estimates that applying a relative fair value would increase its air traffic liability by approximately $10 million at the date of adoption. The Company also expects the classification and timing of recognition of certain ancillary fees to be impacted by the adoption of ASU 2014-09. While the Company believes the adoption will not have a significant impact on earnings, the classification of certain revenues, such as bags, seats and other travel-related fees may be deemed part of the single performance obligation of providing passenger transportation. The Company expects that these revenues currently classified as non-ticket revenue, approximately $1 billion annually, will be reclassified to passenger revenue after adoption.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments – Overall (Subtopic 825-10).” ASU 2016-01 makes several modifications to Subtopic 825-10 including the elimination of the available-for-sale classification of equity investments, and requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in net income. ASU 2016-01 is effective for the Company for interim and annual periods beginning January 1, 2018 and is not expected to have a material impact on the Company’s financial statements.

Leases

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Notes to Condensed Financial Statements—(Continued)

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This standard will require all leases with durations greater than twelve months to be recognized on the condensed balance sheet and is effective for the Company in the first quarter of 2019, with early adoption permitted. The Company is currently evaluating the new guidance and believes adoption of this standard will have a significant impact on its condensed balance sheets although adoption is not expected to significantly change the recognition, measurement or presentation of lease expenses within the statements of operations and cash flows. See Note 8, Commitments and Contingencies for information regarding the Company's undiscounted future lease payments and the timing of those payments.

Share-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification on the statement of cash flows. The Company adopted this guidance on January 1, 2017. As a result, excess income tax benefits and deficiencies related to share-based compensation are now included within income tax expense rather than additional paid in capital. For the nine months ended September 30, 2017, $0.6 million of income tax deficiency related to share-based compensation was included within income tax expense on the Company's statements of operations. Additionally, excess income tax benefits and deficiencies for share-based payments are now included in net operating cash flows rather than net financing cash flows. The changes have been applied prospectively in accordance with the guidance and prior periods have not been adjusted.

Accounting for Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses." The standard requires the use of an "expected loss" model on certain types of financial instruments. The standard also amends the impairment model for available-for-sale securities and requires estimated credit losses to be recorded as allowances instead of reductions to amortized cost of the securities. This standard is effective for the Company for fiscal years, and interim periods within those years, beginning January 1, 2020, with early adoption permitted. The Company is evaluating the new guidance, but does not expect it to have a material impact on its financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows." The standard is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. This standard is effective for the Company for fiscal years, and interim periods within those years, beginning January 1, 2018, with early adoption permitted. The Company is evaluating the new guidance, but does not expect it to have a material impact on its financial statements.

3. Special Charges

During the three months ended September 30, 2017, the Company purchased one aircraft which was previously financed under an operating lease agreement. The purchase price of the aircraft was $20.0 million, comprised of a cash payment of $12.6 million and the non-cash application of maintenance and security deposits held by the previous lessor of $7.4 million. The Company estimated the fair value of the aircraft to be $11.9 million and has recorded the 1 purchased aircraft at fair value within flight equipment on the condensed balance sheets. The Company determined the valuation of the aircraft based on a third-party appraisal considering the condition of the aircraft (a Level 3 measurement). The Company recognized $7.9 million as a cost of terminating the lease within special charges on the condensed statement of operations, made up of the excess of the purchase price paid over the fair value of the aircraft, less other non-cash items of $0.2 million.

During the three months ended September 30, 2016, the Company purchased three A319 aircraft which were formerly financed under operating lease agreements. The purchase price for the 3 aircraft was $58.8 million, comprised of a cash payment of $58.1 million and the application of security deposits held by the previous lessor of $0.7 million. The Company estimated the fair value of the aircraft to be $38.2 million and has recorded the 3 purchased aircraft within flight equipment on the condensed balance sheets. The Company determined the valuation of the aircraft based on a third-party appraisal considering the condition of each aircraft (a Level 3 measurement). The Company recognized $7.4 million as a cost of terminating the leases within special charges on the condensed statement of operations, made up of the excess of the purchase price paid over the fair value of the aircraft, less previously expensed supplemental rent and other non-cash items of $13.2 million.

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Notes to Condensed Financial Statements—(Continued)

During the nine months ended September 30, 2017, the Company purchased one engine and one aircraft which were previously financed under operating lease agreements. The purchase price of the 1 engine and 1 aircraft was $8.1 million and $20.0 million, respectively, comprised of a cash payment of $3.8 million and $12.6 million, respectively, and the non-cash application of maintenance and security deposits held by the previous lessor of $4.3 million and $7.4 million, respectively. The Company estimated the fair value of the engine and aircraft to be $3.1 million and $11.9 million, respectively, and has recorded the 1 purchased engine and 1 aircraft at fair value within flight equipment on the condensed balance sheets. The Company determined the valuation of the engine and aircraft based on a third-party appraisal considering the condition of the engine and aircraft (a Level 3 measurement). The Company recognized $4.8 million and $7.9 million as a cost of terminating the lease within special charges on the condensed statement of operations, respectively, made up of the excess of the purchase price paid over the fair value of the engine and the aircraft, less other non-cash items of $0.2 million and $0.2 million, respectively.

During the nine months ended September 30, 2016, the Company purchased six A319 aircraft which were previously financed under operating lease agreements. The purchase price of the 6 aircraft was $124.7 million, comprised of a cash payment of $91.9 million and the non-cash application of maintenance and security deposits held by the previous lessor of $32.8 million. The Company estimated the fair value of the aircraft to be $79.4 million and has recorded the 6 purchased aircraft at fair value within flight equipment on the condensed balance sheets. The Company determined the valuation of the aircraft based on a third-party appraisal considering the condition of each aircraft (a Level 3 measurement). The Company recognized $31.6 million as a cost of terminating the leases within special charges on the condensed statement of operations, made up of the excess of the purchase price paid over the fair value of the aircraft, less other non-cash items of $13.7 million.

4. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Numerator				
Net income	$60,190	$81,382	$170,268	$216,386
Denominator				
Weighted-average shares outstanding, basic	69,370	69,727	69,363	70,689
Effect of dilutive stock awards	88	81	174	143
Adjusted weighted-average shares outstanding, diluted	69,458	69,808	69,537	70,832
Net income per share				
Basic earnings per common share	$0.87	$1.17	$2.45	$3.06
Diluted earnings per common share	$0.87	$1.17	$2.45	$3.05
Anti-dilutive weighted-average shares	124	122	76	87

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Notes to Condensed Financial Statements—(Continued)

5. Short-term Investment Securities

The Company's short-term investment securities consist of available-for-sale asset-backed securities with contractual maturities of twelve months or less. These securities are stated at fair value within current assets on the Company's condensed balance sheets. Realized gains and losses on sales of investments, if any, are reflected in non-operating income (expense) in the condensed statements of operations. Unrealized gains and losses on investment securities are reflected as a component of accumulated other comprehensive income (AOCI).

As of September 30, 2017 and December 31, 2016, the Company had $100.7 million and $100.2 million in short-term available-for-sale investment securities, respectively. During the nine months ended September 30, 2017, these investments earned interest income at a weighted-average fixed rate of approximately 1.5%. For the three and nine months ended September 30, 2017, an unrealized gain of $13 thousand and an unrealized loss of $11 thousand, net of deferred taxes of $7 thousand and $6 thousand, respectively, was recorded within AOCI related to these investment securities. For the three and nine months ended September 30, 2016, an unrealized gain of $4 thousand, net of deferred taxes of $3 thousand, was recorded within AOCI related to these investment securities. The Company has not recognized any realized gains or losses related to these securities as the Company has not transacted any sale of these securities. As of September 30, 2017 and December 31, 2016, $34 thousand and $23 thousand, net of tax, respectively, remained in AOCI, related to these instruments.

6. Accrued Liabilities

Other current liabilities as of September 30, 2017 and December 31, 2016 consist of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Salaries and wages	$50,635	$54,578
Airport obligations	47,289	43,989
Federal excise and other passenger taxes and fees payable	43,860	42,064
Aircraft maintenance	41,781	30,233
Interest payable	15,168	8,499
Fuel	14,940	14,828
Aircraft and facility lease obligations	11,678	10,378
Other	23,781	21,442
Other current liabilities	$249,132	$226,011

7. Financial Instruments and Risk Management

As part of the Company’s risk management program, the Company, from time to time, may use a variety of financial instruments to reduce its exposure to fluctuations in the price of jet fuel and interest rates. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company is exposed to credit losses in the event of nonperformance by counterparties to these financial instruments. The Company periodically reviews and seeks to mitigate exposure to the financial deterioration and nonperformance of any counterparty by monitoring the absolute exposure levels, each counterparty's credit ratings and the historical performance of counterparties relating to hedge transactions. The credit exposure related to these financial instruments is limited to the fair value of contracts in a net receivable position at the reporting date. The Company also maintains security agreements that require the Company to post collateral if the value of selected instruments falls below specified mark-to-market thresholds. As of September 30, 2017, the Company did not hold any derivatives with requirements to post collateral. The Company records financial derivative instruments at fair value, which includes an evaluation of each counterparty's credit risk.

Fuel Derivative Instruments

From time to time, the Company may enter into fuel derivative contracts in order to mitigate the risk of future volatility in fuel prices. Historically, the Company's fuel derivative contracts have generally consisted of United States Gulf Coast jet fuel swaps (jet fuel swaps) and United States Gulf Coast jet fuel options (jet fuel options). Both jet fuel swaps and jet fuel options have been used at times to protect the refining price risk between the price of crude oil and the price of refined jet fuel, and to manage the risk of increasing fuel prices. Fair value of such instruments is determined using standard option valuation models.

The Company accounts for its fuel derivative contracts at fair value and recognizes them in the condensed balance sheet in prepaid expenses and other current assets or other current liabilities. The Company did not enter into any fuel derivative instruments during the nine months ended September 30, 2017 and 2016 and did not have any outstanding fuel derivatives as of September 30, 2017 and December 31, 2016. Historically, the Company has not elected hedge accounting on any fuel derivative instruments entered into and, as a result, changes in the fair value of fuel derivative contracts, if any, were recorded in aircraft fuel expense.

Interest Rate Swaps

During 2015, the Company settled six forward interest rate swaps that were designed to fix the benchmark interest rate component of interest payments on the debt related to three Airbus A321 aircraft, which the Company took delivery of during the third quarter of 2015. These instruments limited the Company's exposure to changes in the benchmark interest rate in the period from the trade date through the date of maturity. The interest rate swaps were designated as cash flow hedges. The Company accounts for interest rate swaps at fair value and recognizes them in the condensed balance sheet in prepaid expenses and other current assets or other current liabilities with changes in fair value recorded within accumulated other comprehensive income (AOCI). As of September 30, 2017 and December 31, 2016, the Company did not have any outstanding interest rate swaps.

Notes to Condensed Financial Statements—(Continued)

Realized gains and losses from cash flow hedges are recorded in the statement of cash flows as a component of cash flows from operating activities. Subsequent to the issuance of each debt instrument, amounts remaining in AOCI are amortized over the life of the fixed-rate debt instrument. During the three and nine months ended September 30, 2017 and 2016, there were no unrealized gains or losses recorded within AOCI related to these instruments as they settled in 2015. For the three and nine months ended September 30, 2017, the Company reclassified interest rate swap losses of $53 thousand and $160 thousand, net of tax of $31 thousand and $92 thousand, respectively, into earnings. For the three and nine months ended September 30, 2016, the Company reclassified interest rate swap losses of $56 thousand and $170 thousand, net of tax of $32 thousand and $97 thousand, respectively, into earnings. As of September 30, 2017 and December 31, 2016, $1.2 million and $1.3 million, net of tax, respectively, remained in AOCI, related to these instruments.

8. Commitments and Contingencies

Aircraft-Related Commitments and Financing Arrangements

The Company’s contractual purchase commitments consist primarily of aircraft and engine acquisitions through manufacturers. During the first quarter of 2017, the Company negotiated revisions to its A320 aircraft order. The Company originally had four A320neo aircraft scheduled for delivery in 2018 of which two were converted to A320ceo aircraft, to be delivered in 2017, and the remaining two are deferred until 2019. As of September 30, 2017, the Company's aircraft orders consisted of the following:

	Airbus			
	A320ceo	A320neo	A321ceo	Total
remainder of 2017	2		4	6
2018	5		5	10
2019	1	14		15
2020		16		16
2021		18		18
	8	48	9	65

The Company also has four spare engine orders for V2500 SelectTwo engines with International Aero Engines (IAE) and nine spare engine orders for PurePower PW1100G-JM engines with Pratt & Whitney. Spare engines are scheduled for delivery from 2018 through 2023. Purchase commitments for these aircraft and spare engines, including estimated amounts for contractual price escalations and pre-delivery payments, are expected to be $227.8 million for the remainder of 2017, $528.4 million in 2018, $773.7 million in 2019, $820.5 million in 2020, $784.8 million in 2021, and $24.6 million in 2022 and beyond. As of September 30, 2017, the Company had secured debt financing commitments of $160.0 million for 4 aircraft, scheduled for delivery in the remainder of 2017, and did not have financing commitments in place for the remaining 61 Airbus aircraft currently on firm order, which are scheduled for delivery in 2017 through 2021.

Interest commitments related to the secured debt financing of 40 delivered aircraft as of September 30, 2017 are $19.5 million for the remainder of 2017, $52.9 million in 2018, $48.2 million in 2019, $43.6 million in 2020, $39.0 million in 2021, and $141.5 million in 2022 and beyond. For principal commitments related to these financed aircraft, refer to Note 10, Debt and Other Obligations. As of September 30, 2017, principal and interest commitments related to the Company's future secured debt financing of 4 undelivered aircraft under bank debt are zero for the remainder of 2017, $16.5 million in 2018, $16.4 million in 2019, $17.3 million in 2020, $16.2 million in 2021, and $137.2 million in 2022 and beyond.

As of September 30, 2017, the Company had a fleet consisting of 107 A320 family aircraft. During the nine months ended September 30, 2017, the Company took delivery of eleven aircraft financed under secured debt arrangements, two aircraft financed under operating leases, purchased one previously leased aircraft and returned one aircraft to its lessor. In addition, the Company took delivery of two purchased engines and one engine financed under an operating lease, and purchased one previously leased engine. For further discussion on the previously leased aircraft and engine, refer to Note 3, Special Charges. New purchased aircraft are capitalized within flight equipment with depreciable lives of 25 years and estimated residual values of 10%. As of September 30, 2017, the Company had 59 aircraft and 11 spare engines financed under operating leases with lease term expiration dates ranging from 2017 to 2029. The Company entered into sale and leaseback transactions with third-party aircraft lessors for the majority of these aircraft and engine leases. Deferred losses resulting from

Notes to Condensed Financial Statements—(Continued)

these sale and leaseback transactions are included in other long-term assets on the accompanying condensed balance sheets. Deferred losses are recognized as an increase to rent expense on a straight-line basis over the term of the respective operating leases. Deferred gains are included in deferred credits and other long-term liabilities on the accompanying condensed balance sheets. Deferred gains are recognized as a decrease to rent expense on a straight-line basis over the term of the respective operating leases.

Under the terms of the lease agreements, the Company will continue to operate and maintain the aircraft. Payments under the majority of the lease agreements are fixed for the term of the lease. The lease agreements contain standard termination events, including termination upon a breach of the Company's obligations to make rental payments and upon any other material breach of the Company's obligations under the leases, and standard maintenance and return condition provisions. These return provisions are evaluated at inception of the lease and throughout the lease terms and are accounted for as supplemental rent expense when it is probable that such amounts will be incurred. Upon a termination of the lease due to a breach by the Company, the Company would be liable for standard contractual damages, possibly including damages suffered by the lessor in connection with remarketing the aircraft or while the aircraft is not leased to another party.

In July 2015, the Company executed an upgrade service agreement with Airbus Americas Customer Services Inc. (Airbus) to reconfigure the seating and increase capacity in 40 of the Company’s A320ceos from 178 to 182 seats (reconfiguration). The reconfiguration of the aircraft commenced in the first quarter of 2016 and is expected to be completed in the fourth quarter of 2017 for a remaining committed cost of $0.6 million, as of September 30, 2017. These amounts will be capitalized within flight equipment on the condensed balance sheets.

In September 2015, the Company executed a lease agreement with Wayne County Airport Authority (the Authority), which owns and operates Detroit Metropolitan Wayne County Airport (DTW). Under the lease agreement, the Company leases a 10-acre site, adjacent to the airfield at DTW, in order to construct, operate and maintain an approximately 126,000-square-foot hangar facility (the project). The project allows for the development of a maintenance hangar in order to fulfill the requirements of the Company's growing fleet and will reduce dependence on third-party facilities and contract maintenance. The lease agreement has a 30-year term with two 10-year extension options. Upon termination of the lease, title of the project, which will be fully depreciated, will automatically pass to the Authority. The Company completed the project during the first quarter of 2017 and has no remaining commitments related to this project as of September 30, 2017.

Future minimum lease payments under capital leases and noncancellable operating leases with initial or remaining terms in excess of one year at September 30, 2017 were as follows:

	Capital Leases	Aircraft and Spare Engine Leases	Property Facility Leases	Total Operating and Capital Lease Obligations
	(in thousands)			
remainder of 2017	$134	$53,017	$12,409	$65,560
2018	537	204,292	43,726	248,555
2019	504	189,106	36,512	226,122
2020	188	180,842	25,604	206,634
2021	28	170,643	12,740	183,411
2022 and thereafter	—	570,120	73,142	643,262
Total minimum lease payments	**$1,391**	**$1,368,020**	**$204,133**	**$1,573,544**
Less amount representing interest	114			
Present value of minimum lease payments	**$1,277**			
Less current portion	468			
Long-term portion	**$809**			

The majority of the Company's capital lease obligations relate to the lease of computer equipment used by the Company's flight crew. Payments under this lease agreement are fixed for the 3-year term of the lease which began in the second quarter of 2017.

Aircraft rent expense consists of monthly lease rents for aircraft and spare engines under the terms of the Company's aircraft and spare engine lease agreements recognized on a straight-line basis. Aircraft rent expense also includes supplemental rent. Supplemental rent is made up of maintenance reserves paid or expected to be paid to aircraft lessors in advance of the

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Notes to Condensed Financial Statements—(Continued)

performance of major maintenance activities that are not probable of being reimbursed, and probable return condition obligations. The Company expects supplemental rent to increase as individual aircraft lease agreements approach their respective termination dates and the Company begins to accrue the estimated cost of return conditions for the corresponding aircraft.

Some of the Company’s master lease agreements provide that the Company pay maintenance reserves to aircraft lessors to be held as collateral in advance of the Company’s required performance of major maintenance activities. Substantially all of these maintenance reserve payments are calculated based on a utilization measure, such as flight hours or cycles, while some maintenance reserve payments are fixed contractual amounts. Fixed maintenance reserve payments for these aircraft and related flight equipment, including estimated amounts for contractual price escalations, are expected to be $1.9 million for the remainder of 2017, $6.9 million in 2018, $5.7 million in 2019, $5.4 million in 2020, $5.5 million in 2021, and $17.7 million in 2022 and beyond. These lease agreements provide that maintenance reserves are reimbursable to the Company upon completion of the maintenance event in an amount equal to either (1) the amount of the maintenance reserves held by the lessor associated with the specific maintenance event or (2) the qualifying costs related to the specific maintenance event. Some of the master lease agreements do not require that the Company pay maintenance reserves as long as the Company's cash balance does not fall below a certain level. As of September 30, 2017, the Company was in full compliance with those requirements and does not anticipate having to pay reserves related to these master leases in the future.

The Company is contractually obligated to pay the following minimum guaranteed payments for its reservation system, new airport kiosks and other miscellaneous subscriptions and services as of September 30, 2017: $1.8 million for the remainder of 2017, $5.7 million in 2018, $1.6 million in 2019, $1.0 million in 2020, $0.5 million in 2021, and $0.2 million thereafter. The Company's current agreement with its reservation system provider expires in 2018.

Litigation

The Company is subject to commercial litigation claims and to administrative and regulatory proceedings and reviews that may be asserted or maintained from time to time. The Company believes the ultimate outcome of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on its financial position, liquidity or results of operations.

Credit Card Processing Arrangements

The Company has agreements with organizations that process credit card transactions arising from the purchase of air travel, baggage charges, and other ancillary services by customers. As is standard in the airline industry, the Company's contractual arrangements with credit card processors permit them, under certain circumstances, to retain a holdback or other collateral, which the Company records as restricted cash, when future air travel and other future services are purchased via credit card transactions. The required holdback is the percentage of the Company's overall credit card sales its credit card processors hold to cover refunds to customers if the Company fails to fulfill its flight obligations.

The Company's credit card processors do not require the Company to maintain cash collateral if the Company satisfies certain liquidity and other financial covenants. Failure to meet these covenants would provide the processors the right to place a holdback resulting in a commensurate reduction of unrestricted cash. As of September 30, 2017 and December 31, 2016, the Company was in compliance with such liquidity and other financial covenants in its credit card processing agreements and the processors were holding back no remittances.

The maximum potential exposure to cash holdbacks by the Company's credit card processors, based upon advance ticket sales and $9 Fare Club memberships as of September 30, 2017 and December 31, 2016, was $322.3 million and $234.6 million, respectively.

Notes to Condensed Financial Statements—(Continued)

Employees

The Company has four union-represented employee groups that together represented approximately 75% of all employees at September 30, 2017. The table below sets forth the Company's employee groups and status of the collective bargaining agreements as of September 30, 2017.

Employee Groups	Representative	Amendable Date	Percentage of Workforce
Pilots	Air Line Pilots Association, International (ALPA)	August 2015	26%
Flight Attendants	Association of Flight Attendants (AFA-CWA)	May 2021	44%
Dispatchers	Transport Workers Union (TWU)	August 2018	1%
Ramp Service Agents	International Association of Machinists and Aerospace Workers (IAMAW)	June 2020	4%

In August 2015, the Company's collective bargaining agreement with its pilots, represented by ALPA, became amendable. In June 2016, ALPA requested the services of the National Mediation Board (NMB) to facilitate negotiations for an amended agreement and the Company joined ALPA in the request. The NMB has assigned mediators and the parties continue to work toward an amended agreement with the guidance of the mediator. Under the Railway Labor Act (RLA), the parties' current agreement remains in effect until an amended agreement is reached.

In March 2016, under the supervision of the NMB, the Company and AFA-CWA reached a tentative agreement for a five-year contract with the Company's flight attendants. In May 2016, the flight attendants voted to approve the new five-year contract with the Company. In connection with this agreement, the Company paid a $9.6 million ratification incentive of which $8.4 million was recorded within salaries, wages and benefits in the condensed statement of operations for the nine months ended September 30, 2016.

The Company is self-insured for health care claims, up to a stop loss amount for eligible participating employees and qualified dependent medical claims, subject to deductibles and limitations. The Company's liabilities for claims incurred but not reported are determined based on an estimate of the ultimate aggregate liability for claims incurred. The estimate is calculated from actual claim rates and adjusted periodically as necessary. The Company has accrued $5.5 million and $5.7 million in health care claims as of September 30, 2017 and December 31, 2016, respectively.

9. Fair Value Measurements

Under ASC 820, *Fair Value Measurements and Disclosures*, disclosures relating to how fair value is determined for assets and liabilities are required, and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs, as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes several valuation techniques in order to assess the fair value of the Company's financial assets and liabilities.

Fuel Derivative Instruments

From time to time, the Company may enter into fuel derivative contracts in order to mitigate the risk of future volatility in fuel prices. The Company's fuel derivative contracts generally consist of jet fuel swaps and jet fuel options. These instruments are valued using energy and commodity market data, which is derived by combining raw inputs with quantitative models and processes to generate forward curves and volatilities.

The Company utilizes the market approach to measure fair value for its fuel derivative instruments, if any. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

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Notes to Condensed Financial Statements—(Continued)

The Company does not elect hedge accounting on its fuel derivative instruments. As a result, the Company records the fair value adjustment of its fuel derivatives in the accompanying statement of operations within aircraft fuel and on the condensed balance sheets within prepaid expenses and other current assets or other current liabilities, depending on whether the net fair value of the derivatives is in an asset or liability position as of the respective date. Fair values of the fuel derivative instruments are determined using standard option valuation models. The Company also considers counterparty risk and its own credit risk in its determination of all estimated fair values. The Company offsets fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement. The Company determines fair value of jet fuel options utilizing an option pricing model based on inputs that are either readily available in public markets or can be derived from information available in publicly quoted markets. The Company has consistently applied these valuation techniques in all periods presented and believes it has obtained the most accurate information available for the types of derivative contracts it holds.

The fair value of the Company's jet fuel swaps is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets; therefore, the Company categorizes these instruments as Level 2. Due to the fact that certain inputs utilized to determine the fair value of jet fuel options are unobservable (principally implied volatility), the Company categorizes these derivatives as Level 3. Implied volatility of a jet fuel option is the volatility of the price of the underlying commodity that is implied by the market price of the option based on an option pricing model. Thus, it is the volatility that when used in a particular pricing model yields a theoretical value for the option equal to the current market price of that option. Implied volatility, a forward-looking measure, differs from historical volatility because the latter is calculated from known past returns. At each balance sheet date, the Company substantiates and adjusts unobservable inputs. The Company routinely assesses the valuation model's sensitivity to changes in implied volatility. Based on the Company's assessment of the valuation model's sensitivity to changes in implied volatility, it concluded that holding other inputs constant, a significant increase (decrease) in implied volatility would result in a significantly higher (lower) fair value measurement for the Company's aircraft fuel derivatives. As of September 30, 2017 and December 31, 2016, the Company had no outstanding jet fuel derivatives.

Long-Term Debt

The estimated fair value of the Company's non-publicly held debt agreements has been determined to be Level 3, as certain inputs used to determine the fair value of these agreements are unobservable. The Company utilizes a discounted cash flow method to estimate the fair value of the Level 3 long-term debt. The estimated fair value of the Company's publicly held debt agreements has been determined to be Level 2, as the Company utilizes quoted market prices to estimate the fair value of its public long-term debt.

The carrying amounts and estimated fair values of the Company's long-term debt at September 30, 2017 and December 31, 2016 were as follows:

	September 30, 2017		December 31, 2016		
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Fair Value Level Hierarchy
	(in millions)				
Senior term loans	$426.4	$446.2	$451.9	$463.9	Level 3
Junior term loans	41.3	42.7	47.1	48.1	Level 3
Fixed-rate loans	363.4	370.1	—	—	Level 3
Class A enhanced equipment trust certificates	423.6	440.6	409.8	416.0	Level 2
Class B enhanced equipment trust certificates	100.0	103.3	103.6	105.7	Level 2
Total long-term debt	**$1,354.7**	**$1,402.9**	**$1,012.4**	**$1,033.7**	

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2017 and December 31, 2016 are comprised of liquid money market funds and cash, and are categorized as Level 1 instruments. The Company maintains cash with various high-quality financial institutions.

Short-term Investment Securities

Notes to Condensed Financial Statements—(Continued)

Short-term investment securities at September 30, 2017 and December 31, 2016 are comprised of available-for-sale asset-backed securities with contractual maturities of twelve months or less and are categorized as Level 1 instruments, as the Company uses quoted market prices in active markets when determining the fair value of these securities.

Assets and liabilities measured at gross fair value on a recurring basis are summarized below:

	Fair Value Measurements as of September 30, 2017			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Cash and cash equivalents	$ 863.7	$ 863.7	$ —	$ —
Short-term investment securities	100.7	100.7	—	—
Total assets	$ 964.4	$ 964.4	$ —	$ —
Total liabilities	$ —	$ —	$ —	$ —

	Fair Value Measurements as of December 31, 2016			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Cash and cash equivalents	$ 700.9	$ 700.9	$ —	$ —
Short-term investment securities	100.2	100.2	—	—
Total assets	$ 801.1	$ 801.1	$ —	$ —
Total liabilities	$ —	$ —	$ —	$ —

The Company had no transfers of assets or liabilities between any of the above levels during the nine months ended September 30, 2017.

The Company's Valuation Group, which reports to the Chief Financial Officer, is made up of individuals from the Company's Treasury and Corporate Accounting departments. The Valuation Group is responsible for the execution of the Company's valuation policies and procedures. The Valuation Group compares the results of the Company's internally developed valuation methods with counterparty reports at each balance sheet date, assesses the Company's valuation methods for accurateness and identifies any needs for modification.

10. Debt and Other Obligations

As of September 30, 2017, the Company held non-public and public debt instruments. Long-term debt is comprised of the following:

Notes to Condensed Financial Statements—(Continued)

	As of		Three Months Ended September 30,		Nine Months Ended September 30,	
	September 30, 2017	December 31, 2016	2017	2016	2017	2016
	(in millions)		(weighted-average interest rates)			
Fixed-rate senior term loans due through 2027	$426.4	$ 451.9	4.10%	4.10%	4.10%	4.10%
Fixed-rate junior term loans due through 2022	41.3	47.1	6.90%	6.90%	6.90%	6.90%
Fixed-rate loans due through 2029	363.4	—	3.76%	N/A	3.76%	N/A
Fixed-rate class A enhanced equipment trust certificates due through 2028	423.6	409.8	4.10%	4.03%	4.10%	4.03%
Fixed-rate class B enhanced equipment trust certificates due through 2024	100.0	103.6	4.45%	4.38%	4.45%	4.38%
Long-term debt	**$1,354.7**	**$ 1,012.4**				
Less current maturities	106.0	84.4				
Less unamortized discounts	34.6	30.6				
Total	**$1,214.1**	**$ 897.4**				

During the three and nine months ended September 30, 2017, the Company made scheduled principal payments of $13.4 million and $63.4 million on its outstanding debt obligations, respectively. During the three and nine months ended September 30, 2016, the Company made scheduled principal payments of $10.0 million and $29.6 million, on its outstanding debt obligations, respectively.

At September 30, 2017, long-term debt principal payments for the next five years and thereafter are as follows:

	September 30, 2017
	(in millions)
Remainder of 2017	$ 39.0
2018	108.0
2019	107.5
2020	107.1
2021	106.9
2022 and beyond	886.2
Total debt principal payments	**$ 1,354.7**

Interest Expense

Interest expense related to long-term debt consisted of the following:

Notes to Condensed Financial Statements—(Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)			
Senior term loans	$4,564	$4,917	$13,854	$14,929
Junior term loans	746	879	2,323	2,721
Fixed-rate loans	2,811	—	4,555	—
Class A enhanced equipment trust certificates	4,366	3,538	12,995	7,419
Class B enhanced equipment trust certificates	1,118	1,015	3,410	2,124
Commitment fees	29	32	87	97
Amortization of debt discounts	1,362	979	3,883	2,289
Total	**$14,996**	**$11,360**	**$41,107**	**$29,579**

11. Subsequent Events

On October 25, 2017, the Company's Board of Directors authorized a new repurchase program of up to $100 million in aggregate value of shares of our Common Stock, par value $0.0001 per share, from time to time in open market or privately negotiated transactions. The authorization will expire on October 25, 2018. The timing and amount of any stock repurchases are subject to prevailing market conditions and other considerations.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical factors are "forward-looking statements" for purposes of these provisions. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar exp to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" in this report and in Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 and subsequent Quarterly Reports on Form 10-Q. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Spirit Airlines is an ultra low-cost, low-fare airline headquartered in Miramar, Florida that offers affordable travel to price-conscious customers. Our all-Airbus Fit Fleet™, the youngest fleet of any major U.S. airline, currently operates more than 480 daily flights to 60 destinations in the United States, Caribbean and Latin America. Our stock trades under the symbol "SAVE" on the NASDAQ Global Select Stock Market.

Our ultra low-cost carrier, or ULCC, business model allows us to compete principally by offering customers our Bare Fares™, which are unbundled base fares that remove components traditionally included in the price of an airline ticket. We then give customers Frill Control™, which provides customers the freedom to save by paying only for the options they choose, such as bags, advance seat assignments and refreshments. We record revenue related to these options in our financial statements as non-ticket revenue.

We are focused on price-sensitive travelers who pay for their own travel, and our business model is designed to deliver what we believe our customers want: low fares. We aggressively use low fares to address an underserved market, which helps us to increase passenger volume, load factors and non-ticket revenue on the flights we operate. We also have high-density seating configurations on our aircraft and a simplified onboard product designed to lower costs, which is part of our Plane Simple™ strategy. High passenger volumes and load factors help us sell more ancillary products and services, which in turn allows us to reduce the base fare we offer even further. We strive to be recognized by our customers and potential customers as the low-fare leader in the markets we serve.

We compete based on total price. We believe other airlines have used an all-inclusive pricing concept to effectively maintain higher total prices to consumers, rather than lowering fares by unbundling each product or service. For example, carriers that tout "free bags" have included the cost of checking bags in the total ticket price, which does not allow passengers to see how much they would save if they did not check luggage. We believe that we and our customers benefit when we allow our customers to know the total price of their travel by breaking out the cost of optional products or services.

We allow our customers to see all available options and their respective prices prior to purchasing a ticket, and this full transparency illustrates that our total price, including options selected, is lower than other airlines on average.

Through branded campaigns, we educate the public on how our unbundled pricing model works, showing them how it gives them choice on how they spend their money and saves them money compared to other airlines.

Comparative Operating Statistics:

The following tables set forth our operating statistics for the three and nine-month periods ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Percent Change
	2017	**2016**	
Operating Statistics (unaudited) (A):			
Average aircraft	105.5	87.4	20.7 %
Aircraft at end of period	107	89	20.2 %
Average daily aircraft utilization (hours)	11.6	12.3	(5.7)%
Average stage length (miles)	1,006	968	3.9 %
Block hours	112,701	98,586	14.3 %
Departures	42,599	38,310	11.2 %
Passenger flight segments (PFSs) (thousands)	6,307	5,674	11.2 %
Revenue passenger miles (RPMs) (thousands)	6,452,529	5,599,370	15.2 %
Available seat miles (ASMs) (thousands)	7,681,312	6,507,204	18.0 %
Load factor (%)	84.0 %	86.0 %	(2.0) pts
Average ticket revenue per passenger flight segment ($)	56.48	58.34	(3.2)%
Average non-ticket revenue per passenger flight segment ($)	52.48	51.17	2.6 %
Total revenue per passenger flight segment ($)	108.96	109.51	(0.5)%
Average yield (cents)	10.65	11.10	(4.1)%
TRASM (cents)	8.95	9.55	(6.3)%
CASM (cents)	7.59	7.47	1.6 %
Adjusted CASM (cents)	7.48	7.35	1.8 %
Adjusted CASM ex-fuel (cents)	5.42	5.48	(1.1)%
Fuel gallons consumed (thousands)	90,274	78,288	15.3 %
Average economic fuel cost per gallon ($)	1.75	1.56	12.2 %

(A) See "Glossary of Airline Terms" elsewhere in this quarterly report for definitions used in this table.

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	Nine Months Ended September 30, 2017	2016	Percent Change
Operating Statistics (unaudited) (A):			
Average aircraft	101.9	84.1	21.2 %
Aircraft at end of period	107	89	20.2 %
Average daily aircraft utilization (hours)	11.7	12.6	(7.1)%
Average stage length (miles)	991	978	1.3 %
Block hours	326,033	290,529	12.2 %
Departures	123,492	111,495	10.8 %
Passenger flight segments (PFSs) (thousands)	18,083	16,268	11.2 %
Revenue passenger miles (RPMs) (thousands)	18,285,588	16,219,093	12.7 %
Available seat miles (ASMs) (thousands)	21,851,789	18,909,627	15.6 %
Load factor (%)	83.7 %	85.8 %	(2.1) pts
Average ticket revenue per passenger flight segment ($)	56.84	55.32	2.7 %
Average non-ticket revenue per passenger flight segment ($)	52.69	51.85	1.6 %
Total revenue per passenger flight segment ($)	109.53	107.17	2.2 %
Average yield (cents)	10.83	10.75	0.7 %
TRASM (cents)	9.06	9.22	(1.7)%
CASM (cents)	7.71	7.33	5.2 %
Adjusted CASM (cents)	7.64	7.15	6.9 %
Adjusted CASM ex-fuel (cents)	5.62	5.45	3.1 %
Fuel gallons consumed (thousands)	254,871	225,851	12.8 %
Average economic fuel cost per gallon ($)	1.73	1.42	21.8 %

(A) See "Glossary of Airline Terms" elsewhere in this quarterly report for definitions used in this table.

Executive Summary

For the third quarter of 2017, we achieved a 15.1% operating margin, a decrease of 6.7 points compared to the prior year period. We generated pre-tax income of $94.8 million and net income of $60.2 million on operating revenues of $687.2 million. For the third quarter of 2016, we generated pre-tax income of $128.0 million and net income of $81.4 million on operating revenues of $621.3 million.

Our adjusted CASM ex-fuel for the third quarter of 2017 was 5.42 cents, a 1.1% decrease year over year. The decrease on a per-ASM basis was primarily due to decreases in maintenance, materials and repairs, salaries, wages and benefits and aircraft rent expense, partially offset by increases in other operating and depreciation and amortization expense.

During the third quarter 2017, we had over 1,650 flight cancellations related to Hurricanes Harvey, Irma and Maria. We estimate that this unusually intense hurricane season, together with the overhang of the pilot-related work action earlier in the year, negatively impacted our third quarter operating income by approximately $39 million.

As of September 30, 2017, we had 107 Airbus A320-family aircraft in our fleet comprised of 31 A319s, 54 A320s, and 22 A321s. With the scheduled delivery of 6 aircraft and the retirement of 1 aircraft during the remainder of 2017, we expect to end 2017 with 112 aircraft in our fleet.

Since the delivery of our initial five A320neo aircraft in the fourth quarter of 2016, we have experienced introductory issues with the new-generation PW1100G-JM engines, which has resulted in diminished service availability of such aircraft. As a result of the reliability problems associated with the introduction of the new engine, during the second quarter of 2017, we executed a support agreement with manufacturer Pratt & Whitney in order to obtain support and relief related to these operational disruptions. During the fourth quarter of 2017, the support agreement was extended through the end of 2017. The

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support agreement provides for compensation to the Company for grounded aircraft and for back-up spare engines. We are currently negotiating certain milestone dates for remediation of the introductory into-service issues with Pratt & Whitney.

Comparison of three months ended September 30, 2017 to three months ended September 30, 2016

Operating Revenues

Operating revenues increased $65.9 million, or 10.6%, to $687.2 million for the third quarter of 2017, as compared to the third quarter of 2016, due primarily to an increase in traffic of 15.2%, offset by a decrease in passenger yields of 4.1% .

Total revenue per available seat mile (TRASM) for the third quarter of 2017 was 8.95 cents, a decrease of 6.3%, as compared to the third quarter of 2016. This decrease was primarily driven by lower passenger yields, year over year, resulting from aggressive competitive pricing in many of our markets. In addition, load factor decreased by 2.0 points, year over year.

Total revenue per passenger flight segment decreased 0.5%, year over year, driven by a decrease of 3.2% in ticket revenue per passenger flight segment offset by an increase of 2.6% in non-ticket revenue per passenger flight segment. The decrease in ticket revenue per passenger flight segment was primarily driven by a 4.1% decrease in average yield, period over period, due to a more aggressive pricing environment as compared to the prior year. The increase in non-ticket revenue per passenger flight segment was primarily attributable to higher passenger usage fee and seat revenue per flight segment, as compared to the prior year.

Operating Expenses

Operating expenses increased $97.0 million, or 20.0%, to $583.1 million for the third quarter of 2017 compared to $486.1 million for the third quarter of 2016, primarily due to an increase in operations as reflected by an 18.0% capacity growth and a 15.2% increase in traffic. Operating expenses also increased as a result of a 15.3% increase in fuel gallons consumed and a 12.2% increase in average economic fuel cost per gallon which drove higher aircraft fuel expense year over year.

Aircraft fuel expense includes into-plane fuel expense (defined below) and realized and unrealized gains and losses associated with our fuel derivative contracts, if any. Into-plane fuel expense is defined as the price that we generally pay at the airport, including taxes and fees. Into-plane fuel prices are affected by the global oil market, refining costs, taxes and fees, which can vary by region in the United States and other countries where we operate. Into-plane fuel expense approximates cash paid to the supplier and does not reflect the effect of any fuel derivatives. From time to time, we may enter into fuel derivative contracts to protect the refining price risk between the price of crude oil and the price of refined jet fuel. We had no activity related to fuel derivative instruments during the nine months ended September 30, 2017 and 2016. Historically, management has chosen not to elect hedge accounting on any fuel derivative instruments and, as a result, changes in the fair value of fuel derivative contracts have been recorded each period in aircraft fuel expense.

Aircraft fuel expense increased in the third quarter of 2017 by $36.5 million, or 29.9%, compared to $121.8 million in the third quarter of 2016, due to a 15.3% increase in fuel gallons consumed and a 12.2% increase in average economic fuel cost per gallon.

The elements of the changes in aircraft fuel expense are illustrated in the following table:

	Three Months Ended September 30,		
	2017	2016	
	(in thousands, except per gallon amounts)		Percent Change
Fuel gallons consumed	90,274	78,288	15.3 %
Into-plane fuel cost per gallon	1.75	1.56	12.2 %
Into-plane fuel expense	$ 158,300	$ 121,844	29.9 %
Realized losses (gains) related to fuel derivative contracts, net	—	—	NM
Unrealized losses (gains) related to fuel derivative contracts, net	—	—	NM
Aircraft fuel expense (per statement of operations)	**$ 158,300**	**$ 121,844**	**29.9 %**

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Gulf Coast Jet indexed fuel is the basis for a substantial majority of our fuel consumption and is impacted by both the price of crude oil as well as increases or decreases in refining margins associated with the conversion of crude oil to jet fuel. The into-plane fuel cost per gallon increase of 12.2% was primarily a result of an increase in jet fuel prices.

We track economic fuel expense, which we believe is the best measure of the effect fuel prices are currently having on our business, because it most closely approximates the net cash outflow associated with purchasing fuel used for our operations during the period. We define economic fuel expense as into-plane fuel expense and realized gains or losses on fuel derivative contracts. The key difference between aircraft fuel expense as recorded in our statement of operations and economic fuel expense is unrealized mark-to-market changes in the value of aircraft fuel derivatives outstanding. Many industry analysts evaluate airline results using economic fuel expense and it is used in our internal management reporting.

The elements of the changes in economic fuel expense are illustrated in the following table:

	Three Months Ended September 30, 2017	2016	Percent Change
	(in thousands, except per gallon amounts)		
Into-plane fuel expense	$158,300	$121,844	29.9%
Realized losses (gains) related to fuel derivative contracts, net	—	—	NM
Economic fuel expense	$158,300	$121,844	29.9%
Fuel gallons consumed	90,274	78,288	15.3%
Economic fuel cost per gallon	**$1.75**	**$1.56**	**12.2%**

During the three months ended September 30, 2017 and 2016, we had no activity related to fuel derivatives and thus had no realized or unrealized losses (gains) related to fuel derivative contracts.

We measure our operating cost performance on a per-ASM basis, since one ASM is the unit of production of an airline’s capacity. The following table presents our cost per-ASM, or unit cost, for the three months ended September 30, 2017 and 2016, followed by explanations of the material changes on a dollar basis and/or unit cost basis:

	Three Months Ended September 30, 2017	2016	Dollar Change	Percent Change	Cost per ASM 2017	2016	Per-ASM Change	Percent Change
	(in thousands)				(in cents)			
Salaries, wages, and benefits	$134,114	$120,190	$13,924	11.6 %	1.75	1.85	(0.10)	(5.4)%
Aircraft fuel	158,300	121,844	36,456	29.9 %	2.06	1.87	0.19	10.2 %
Aircraft rent	53,396	49,367	4,029	8.2 %	0.70	0.76	(0.06)	(7.9)%
Landing fees and other rents	48,498	39,345	9,153	23.3 %	0.63	0.60	0.03	5.0 %
Depreciation and amortization	36,840	25,304	11,536	45.6 %	0.48	0.39	0.09	23.1 %
Maintenance, materials and repairs	26,176	30,443	(4,267)	(14.0)%	0.34	0.47	(0.13)	(27.7)%
Distribution	29,469	25,565	3,904	15.3 %	0.38	0.39	(0.01)	(2.6)%
Special charges	7,853	7,355	498	NM	0.10	0.11	(0.01)	NM
Loss on disposal of assets	516	423	93	NM	0.01	0.01	—	NM
Other operating	87,965	66,277	21,688	32.7 %	1.15	1.02	0.13	12.7 %
Total operating expenses	**$583,127**	**$486,113**	**$97,014**	**20.0 %**	**7.59**	**7.47**	**0.12**	**1.6 %**
Adjusted CASM (1)					7.48	7.35	0.13	1.8 %
Adjusted CASM ex-fuel (2)					5.42	5.48	(0.06)	(1.1)%

(1) Reconciliation of CASM to Adjusted CASM:

	Three Months Ended September 30,			
	2017		2016	
	(in millions)	Per ASM	(in millions)	Per ASM
CASM (cents)		7.59		7.47
Unrealized losses (gains) related to fuel derivative contracts, net	$—	—	$ —	—
Loss on disposal of assets	0.5	0.01	0.4	0.01
Special charges	7.9	0.10	7.4	0.11
Adjusted CASM (cents)		7.48		7.35

(2) Excludes aircraft fuel expense, loss on disposal of assets and special charges.

Our adjusted CASM ex-fuel for the third quarter of 2017 was down 1.1% as compared to the third quarter of 2016. The decrease on a per-ASM basis was primarily due to decreases in maintenance, materials and repairs, salaries, wages and benefits and aircraft rent expense, partially offset by increases in other operating and depreciation and amortization expense.

Labor costs for the third quarter of 2017 increased $13.9 million, or 11.6%, as compared to the third quarter of 2016, primarily driven by a 22.2% increase in our pilot and flight attendant workforce resulting from an increase to our aircraft fleet of 18 additional aircraft since the third quarter of 2016, offset by a decrease in incentive compensation and sick-time expense. On a per-ASM basis, labor costs decreased due to lower incentive compensation expense resulting from lower metric performance, year over year, as well as a decrease in our sick-time expense.

Aircraft rent expense for the third quarter of 2017 increased by $4.0 million, or 8.2%, as compared to the third quarter of 2016. This increase in aircraft rent expense was primarily driven by the delivery of seven new aircraft, financed under operating leases, subsequent to the end of the third quarter of 2016. This increase was partially offset by the purchase of two aircraft since the end of the third quarter of 2016, which were formerly financed under operating lease agreements. On a per-ASM basis, aircraft rent expense decreased primarily due to a change in the composition of our aircraft fleet between leased aircraft (for which rent expense is recorded under aircraft rent) and purchased aircraft (for which depreciation expense is recorded under depreciation and amortization). Since the prior year period, we have purchased 14 aircraft, of which 2 were previously financed under operating lease agreements.

Landing fees and other rents for the third quarter of 2017 increased $9.2 million, or 23.3%, as compared to the third quarter of 2016, primarily due to an 11.2% increase in departures. In addition, on both a dollar and per-ASM basis, landing fees and other rents increased due to increased volume at higher cost airports, year over year, as well as an increase in facility rent resulting from the addition of new stations and rate increases at some of our existing stations.

Depreciation and amortization increased by $11.5 million, or 45.6%, as compared to the prior year period. The increase on both a dollar and per-ASM basis was primarily due to increased depreciation expense resulting from the purchase of 14 aircraft made since the third quarter of 2016.

We account for heavy maintenance under the deferral method. Under the deferral method, the cost of heavy maintenance is capitalized and amortized as a component of depreciation and amortization expense in the statement of operations until the earlier of the next heavy maintenance event or end of the lease term. The amortization of heavy maintenance costs was $14.2 million and $10.1 million for the third quarters of 2017 and 2016, respectively. As our fleet continues to grow and age, we expect that the amount of deferred heavy maintenance events will increase and will result in an increase in the amortization of those costs. If heavy maintenance events were amortized within maintenance, materials and repairs expense in the statement of operations, our maintenance, materials and repairs expense would have been $40.4 million and $40.5 million for the third quarters of 2017 and 2016, respectively.

Maintenance, materials and repairs expense for the third quarter of 2017 decreased by $4.3 million, or 14.0%, as compared to the third quarter of 2016. The decrease in maintenance costs on a dollar and per-unit basis was primarily due to a decreased number of scheduled maintenance events in the current period as compared to the prior year period as well as lower aircraft repair expense year over year. We expect maintenance expense to increase as our fleet continues to grow and age, resulting in the need for additional or more frequent repairs over time.

Distribution costs increased by $3.9 million, or 15.3%, in the third quarter of 2017 as compared to the third quarter of 2016. The increase on a dollar basis was primarily due to increased sales volume. On a per-ASM basis, distribution costs remained relatively stable.

Other operating expense for the third quarter of 2017 increased by $21.7 million, or 32.7%, as compared to the third quarter of 2016 primarily due to an increase in overall operations and higher passenger re-accommodation expense year over year. As compared to the prior year period, we increased departures by 11.2% and had 11.2% more passenger flight segments, which drove increases in variable operating expenses. Other operating expense per ASM increased primarily due to higher passenger re-accommodation expense, as compared to the prior year period.
Special charges for the third quarter of 2017 consisted of $7.9 million in lease termination charges recognized in connection with the purchase of 1 aircraft, which was formerly financed under an operating lease agreement. For the third quarter of 2016, special charges consisted of $7.4 million in lease termination charges recognized in connection with the purchase of 3 aircraft formerly financed under operating lease agreements. The amount recorded as lease termination charges represents the excess of the purchase price paid over the appraised fair value of the asset(s), less previously expensed supplemental rent and other non-cash items. For further discussion on this purchase, please see "Notes to Condensed Financial Statements - 3. Special Charges."

Other Income (Expenses)

Our interest expense and corresponding capitalized interest for the three months ended September 30, 2017 and 2016 primarily represents interest related to the financing of purchased aircraft. As of September 30, 2017 and 2016, the Company had 40 and 28 aircraft financed through secured long-term debt arrangements, respectively. Please see "Notes to Condensed Financial Statements—10. Debt and Other Obligations" for further discussion.

Our interest income for the three months ended September 30, 2017 primarily represents interest income earned on cash, cash equivalents and short-term investments. Interest income for the three months ended September 30, 2016 primarily represents interest income earned on cash, cash equivalents and on funds required to be held in escrow in accordance with the terms of our EETC.

Income Taxes

Our effective tax rate for the third quarter of 2017 was 36.5% compared to 36.4% for the third quarter of 2016. In arriving at these rates, we considered a variety of factors, including our forecasted full-year pre-tax results, the U.S. federal rate of 35%, expected nondeductible expenses, and estimated state income taxes. We evaluate our tax rate each quarter and make adjustments when necessary. Our final effective tax rate for the full year is dependent on the level of pre-tax income and the magnitude of any nondeductible expenses in relation to the respective pre-tax income.

Comparison of nine months ended September 30, 2017 to nine months ended September 30, 2016

Operating Revenues

Operating revenues increased $237.1 million, or 13.6%, to $1,980.7 million for the nine months ended September 30, 2017, compared to the prior year period, due primarily to an increase in traffic of 12.7% and an increase in passenger yields of 0.7%.
TRASM for the nine months ended September 30, 2017 was 9.06 cents, a decrease of 1.7% compared to the same period of 2016. This decrease was driven by a more aggressive competitive pricing environment noted in the third quarter of 2017 which put pressure on our passenger yields for the nine months ended September 30, 2017. In addition, load factor decreased by 2.1 points, as compared to the prior year.
Total revenue per passenger flight segment increased 2.2% from $107.17 for the nine months ended September 30, 2016 to $109.53 for the nine months ended September 30, 2017. Our average ticket fare per passenger flight segment increased from $55.32 to $56.84, or 2.7%, as compared to the prior year period, and non-ticket revenue per passenger flight segment increased from $51.85 to $52.69, or 1.6%, as compared to the prior year period. The increase in non-ticket revenue per passenger flight segment was primarily attributable to higher passenger usage fee and seat revenue per flight segment, as compared to the prior year.

Operating Expenses

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Operating expenses increased for the nine months ended September 30, 2017 by $299.2 million, or 21.6%, as compared to the same period for 2016 primarily due to our 15.6% capacity growth and a 12.7% increase in traffic. Operating expenses also increased as a result of an increase in aircraft fuel expense year over year.

Aircraft fuel expense for the nine months ended September 30, 2017 increased $119.4 million, or 37.2%, compared to the prior year period as a result of a 21.8% increase in average economic fuel price per gallon and a 12.8% increase in fuel gallons consumed.

The elements of the changes in aircraft fuel expense are illustrated in the following table:

	Nine Months Ended September 30, 2017	2016	Percent Change
	(in thousands, except per gallon amounts)		
Fuel gallons consumed	254,871	225,851	12.8%
Into-plane fuel cost per gallon	$1.73	$1.42	21.8%
Into-plane fuel expense	$440,376	$321,018	37.2%
Realized losses (gains) related to fuel derivative contracts, net	—	—	NM
Unrealized losses (gains) related to fuel derivative contracts, net	—	—	NM
Aircraft fuel expense (per Statement of Operations)	**$440,376**	**$321,018**	**37.2%**

The elements of the changes in economic fuel expense are illustrated in the following table:

	Nine Months Ended September 30, 2017	2016	Percent Change
	(in thousands, except per gallon amounts)		
Into-plane fuel expense	$440,376	$321,018	37.2%
Realized losses (gains) related to fuel derivative contracts, net	—	—	NM
Economic fuel expense	**$440,376**	**$321,018**	**37.2%**
Fuel gallons consumed	254,871	225,851	12.8%
Economic fuel cost per gallon	$1.73	$1.42	21.8%

During the nine months ended September 30, 2017 and 2016, we had no activity related to fuel derivatives and thus had no realized or unrealized losses (gains) related to fuel derivative contracts.

We measure our operating cost performance on a per-ASM basis, since one ASM is the unit of production of an airline's capacity. The following table presents our cost per-ASM, or unit cost, for the nine months ended September 30, 2017 and 2016, followed by explanations of the material changes on a unit cost basis and/or dollar basis:

	Nine Months Ended September 30,		**Dollar Change**	**Percent Change**	**Cost per ASM**		**Per-ASM Change**	**Percent Change**
	2017	**2016**			**2017**	**2016**		
	(in thousands)				**(in cents)**			
Salaries, wages, and benefits	$391,144	$349,530	$41,614	11.9%	1.79	1.85	(0.06)	(3.2)%
Aircraft fuel	440,376	321,018	119,358	37.2%	2.02	1.70	0.32	18.8 %
Aircraft rent	163,032	151,433	11,599	7.7 %	0.75	0.80	(0.05)	(6.3)%
Landing fees and other rents	134,538	114,096	20,442	17.9%	0.62	0.60	0.02	3.3 %
Depreciation and amortization	103,680	73,370	30,310	41.3%	0.47	0.39	0.08	20.5 %
Maintenance, materials and repairs	81,473	72,010	9,463	13.1%	0.37	0.38	(0.01)	(2.6)%
Distribution	85,875	73,190	12,685	17.3%	0.39	0.39	—	— %
Special charges (credits)	12,629	31,609	(18,980)	NM	0.06	0.17	(0.11)	NM
Loss on disposal of assets	3,114	1,166	1,948	NM	0.01	0.01	—	NM
Other operating	268,553	197,833	70,720	35.7%	1.23	1.05	0.18	17.1 %
Total operating expenses	**$1,684,414**	**$1,385,255**	**$299,159**	**21.6%**	**7.71**	**7.33**	**0.38**	**5.2 %**
Adjusted CASM (1)					7.64	7.15	0.49	6.9 %
Adjusted CASM ex-fuel (2)					5.62	5.45	0.17	3.1 %

(1) Reconciliation of CASM to Adjusted CASM:

	Nine Months Ended September 30,			
	2017		**2016**	
	(in millions)	**Per ASM**	**(in millions)**	**Per ASM**
CASM (cents)		7.71		7.33
Unrealized losses (gains) related to fuel derivative contracts, net	$—		$—	
Loss on disposal of assets	3.1	0.01	1.2	0.01
Special charges	12.6	0.06	31.6	0.17
Adjusted CASM (cents)		7.64		7.15

(2) Excludes aircraft fuel expense, loss on disposal of assets and special charges and credits.

Our adjusted CASM ex-fuel for the nine months ended September 30, 2017 increased by 3.1% as compared to the same period in 2016. The increase on a per-ASM basis was primarily due to increases in other operating and depreciation and amortization expense, partially offset by decreases in special charges and salaries, wages and benefits expense.

Labor costs for the nine months ended September 30, 2017 increased $41.6 million, or 11.9%, as compared to the same period in 2016. The increase was primarily driven by an 18.5% increase in our pilot and flight attendant workforce resulting from an increase to our aircraft fleet of 18 additional aircraft since the end of the third quarter of 2016, partially offset by a decrease in incentive compensation expense year over year. On a per-ASM basis, labor costs decreased primarily due to lower incentive compensation expense, year over year, resulting from lower metric performance and the ratification incentive in the new flight attendant contract of $8.4 million recorded during the first quarter of 2016.

Aircraft rent expense for the nine months ended September 30, 2017 increased by $11.6 million, or 7.7%, as compared to the same period in 2016. This increase in aircraft rent expense was primarily driven by the delivery of seven new aircraft, financed under operating leases, subsequent to the end of the third quarter of 2016. This increase was partially offset by the purchase of two aircraft since the end of the third quarter of 2016, which were formerly financed under operating lease agreements. On a per-ASM basis, aircraft rent expense decreased primarily due to a change in the composition of our aircraft fleet between leased aircraft (for which rent expense is recorded under aircraft rent) and purchased aircraft (for which depreciation expense is recorded under depreciation and amortization). Since the prior year period, we have purchased 14

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aircraft, of which 2 were previously financed under operating lease agreements. This decrease was partially offset by an increase in return costs for two leased aircraft. Costs associated with return conditions of leased aircraft are recorded as supplemental rent within aircraft rent expense on our statement of operations.
Landing fees and other rents for the nine months ended September 30, 2017 increased $20.4 million, or 17.9%, as compared to the same period in 2016 primarily due to a 10.8% increase in departures. In addition, on both a dollar and per-ASM basis, landing fees and other rents increased due to increased volume at higher cost airports, year over year, as well as an increase in facility rent resulting from the addition of new stations and rate increases at some of our existing stations.
Depreciation and amortization increased by $30.3 million, or 41.3%, as compared to the prior year period. The increase on both a dollar and per-ASM basis was primarily due to increased depreciation expense resulting from the purchase of 14 aircraft made since the third quarter of 2016.
We account for heavy maintenance under the deferral method. Under the deferral method, the cost of heavy maintenance is capitalized and amortized as a component of depreciation and amortization expense in the statement of operations until the earlier of the next heavy maintenance event or end of the lease term. The amortization of heavy maintenance costs was $42.1 million and $33.0 million for the nine months ended September 30, 2017 and 2016, respectively. As our fleet continues to age, we expect that the amount of deferred heavy maintenance events will increase and will result in an increase in the amortization of those costs. If heavy maintenance events were amortized within maintenance, materials and repairs expense in the statement of operations, our maintenance, materials and repairs expense would have been $123.5 million and $105.1 million for the nine months ended September 30, 2017 and 2016, respectively.
Maintenance, materials and repairs expense for the nine months ended September 30, 2017 increased by $9.5 million, or 13.1%, as compared to the prior year period. The increase in maintenance costs on a dollar basis was due to routine and ongoing maintenance on a growing fleet. On a per-unit basis, maintenance costs remained relatively stable as compared to the prior year period. We expect maintenance expense to increase as our fleet continues to grow and age, resulting in the need for additional or more frequent repairs over time.
Distribution costs increased by $12.7 million, or 17.3%, for the nine months ended September 30, 2017 as compared to the same period in 2016. The increase on a dollar basis was primarily due to increased sales volume. On a per-ASM basis, distribution costs remained stable, as compared to the prior period.
Other operating expense for the nine months ended September 30, 2017 increased by $70.7 million, or 35.7%, as compared to the prior year period, primarily due to an increase in overall operations and higher passenger re-accommodation expense year over year. As compared to the prior year period, we increased departures by 10.8% and had 11.2% more passenger flight segments, which drove increases in variable operating expenses. Other operating expense per ASM increased primarily due to higher passenger re-accommodation expense, as compared to the prior year period.
Special charges for the nine months ended September 30, 2017 consisted of $12.6 million in lease termination charges recognized in connection with the purchase of 1 aircraft and 1 engine, which were formerly financed under operating lease agreements. For the nine months ended September 30, 2016, special charges consisted of $31.6 million in lease termination charges recognized in connection with the purchase of 6 aircraft formerly financed under operating lease agreements. The amount recorded as lease termination charges represents the excess of the purchase price paid over the appraised fair value of the asset(s), less previously expensed supplemental rent and other non-cash items. For further discussion on this purchase, please see "Notes to Condensed Financial Statements - 3. Special Charges."

Other income (expenses)

Our interest expense and corresponding capitalized interest for the nine months ended September 30, 2017 and 2016 primarily represents interest related to the financing of purchased aircraft. As of September 30, 2017 and 2016, the Company had 40 and 28 aircraft financed through secured long-term debt arrangements, respectively. Please see "Notes to Condensed Financial Statements—10. Debt and Other Obligations" for further discussion.

Our interest income for the nine months ended September 30, 2017 primarily represents interest income earned on cash, cash equivalents and short-term investments. Interest income for the nine months ended September 30, 2016 primarily represents interest income earned on cash, cash equivalents and on funds required to be held in escrow in accordance with the terms of our EETC.

Income Taxes

Our effective tax rate for the nine months ended September 30, 2017 was 37.1% compared to 36.7% for the nine months ended September 30, 2016. In arriving at these rates, we considered a variety of factors, including our forecasted full-year pre-tax results, the U.S. federal rate of 35%, expected nondeductible expenses, and estimated state income taxes. We evaluate our tax rate each quarter and make adjustments when necessary. Our final effective tax rate for the full year is dependent on the level of pre-tax income and the magnitude of any nondeductible expenses in relation to the respective pre-tax income.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash provided by operations and capital from debt financing. Primary uses of liquidity are for working capital needs, capital expenditures, aircraft and engine pre-delivery deposit payments (PDPs), debt obligations and maintenance reserves. Our total cash at September 30, 2017 was $863.7 million, an increase of $162.8 million from December 31, 2016. As of September 30, 2017, we had $100.7 million in short-term available-for-sale investment securities.

Currently, one of our largest capital needs is funding the acquisition costs of our aircraft. Aircraft are acquired through debt financing, sale leaseback transactions, direct leases or cash purchases. In debt financing transactions, capital is needed to make equity investments in capital assets and payments on debt obligations (principal and interest) after the acquisition of the aircraft. During the nine months ended September 30, 2017, we purchased 11 aircraft through debt financing transactions and 2 engines through cash purchases. During the nine months ended September 30, 2017, we made $93.8 million in debt payments (principal, interest and fees) on our outstanding debt obligations. Capital resources required under debt financing transactions will generally be higher than those involving sale leaseback transactions. In sale leaseback transactions, capital is needed to fund the initial purchase of the aircraft prior to the sale to the lessor. During the nine months ended September 30, 2017, we entered into no sale leaseback transactions.

During the nine months ended September 30, 2017, we purchased one engine and one aircraft, which were previously financed under operating lease agreements, for $8.1 million and $20.0 million, respectively, comprised of a cash payment of $3.8 million and $12.6 million, respectively, and the non-cash application of maintenance and security deposits held by the previous lessor of $4.3 million and $7.4 million, respectively.

Under our agreement with Airbus for aircraft, and International Aero Engines AG (IAE) and Pratt & Whitney for engines, we are required to pay PDPs relating to future deliveries at various times prior to each delivery date. During the nine months ended September 30, 2017, we paid $121.7 million of PDPs, net of refunds, and $8.1 million of capitalized interest for future deliveries of aircraft and spare engines. As of September 30, 2017, we had $304.7 million of PDPs, including capitalized interest, on our condensed balance sheet.

As of September 30, 2017, we had secured bank debt financing for 4 aircraft, scheduled for delivery in the remainder of 2017, and did not have financing commitments in place for the remaining 61 Airbus aircraft orders, scheduled for delivery between 2017 through 2021. Future aircraft deliveries may be paid in cash, leased or otherwise financed based on market conditions, our prevailing level of liquidity, and capital market availability.

In addition to funding the acquisition of our fleet, we are required to make maintenance reserve payments for a portion of our current fleet. Maintenance reserves are paid to aircraft lessors and are held as collateral in advance of our performance of major maintenance activities. In the nine months ended September 30, 2017, we recorded an increase of $28.4 million in maintenance reserves, net of reimbursements, and as of September 30, 2017, we had $305.1 million ($166.4 million in aircraft maintenance deposits and $138.7 million in long-term aircraft maintenance deposits) on our condensed balance sheet.

On October 25, 2017, our Board of Directors authorized a new repurchase program of up to $100 million in aggregate value of shares of our Common Stock, par value $0.0001 per share, from time to time in open market or privately negotiated transactions. The authorization will expire on October 25, 2018. The timing and amount of any stock repurchases are subject to prevailing market conditions and other considerations.

Net Cash Flows Provided By Operating Activities. Operating activities in the nine months ended September 30, 2017 provided $386.5 million in cash compared to $440.0 million provided in the nine months ended September 30, 2016.

The decrease is primarily driven by higher operating costs specifically aircraft fuel, other operating and salaries, wages, and benefits, which were slightly offset by higher revenues, as compared to the prior period. The decrease is also attributed to an income tax refund of $65.0 million received in the prior period while no refund was received in 2017.

Net Cash Flows Used In Investing Activities. In the nine months ended September 30, 2017, investing activities used $558.8 million, compared to $663.8 million used in the prior year period. The decrease was mainly driven by the initial investment in our available-for-sale investment security portfolio made in the prior period. During the nine months ended September 30, 2016, we purchased $100.0 million of available-for-sale investment securities while in the current period all investment purchases were made from reinvestment of proceeds generated from the maturity of our investment securities. In

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addition, we had a decrease in the purchase of property and equipment, year over year, resulting from decreased purchases of aircraft and engines.

Net Cash Flows Provided By Financing Activities. During the nine months ended September 30, 2017, financing activities provided $335.1 million in cash compared to $246.0 million provided in the nine months ended September 30, 2016. We received $405.8 million in connection with the debt financing of eleven aircraft delivered during the nine months ended September 30, 2017 and paid $63.6 million in debt and capital lease obligations.

Commitments and Contractual Obligations

We have contractual obligations and commitments primarily with regard to future purchases of aircraft and engines, payment of debt, and lease arrangements. The following table discloses aggregate information about our contractual obligations as of September 30, 2017 and the periods in which payments are due (in millions):

	remainder of 2017	**2018 - 2019**	**2020 - 2021**	**2022 and beyond**	**Total**
Long-term debt (1)	$ 39	$216	$214	$886	$1,355
Interest commitments (2)	20	101	83	142	346
Capital and operating lease obligations	66	475	390	643	1,574
Flight equipment purchase obligations	228	1,302	1,605	25	3,160
Other (3)	2	7	2	—	11
Total future payments on contractual obligations	$ 355	$2,101	$2,294	$1,696	$6,446

(1) Includes principal only associated with senior term loans due through 2027, junior term loans due through 2022, fixed-rate loans due through 2029, and Class A and Class B enhanced equipment trust certificates due through 2028 and 2024, respectively. Refer to "Notes to the Financial Statements - 10. Debt and Other Obligations."

(2) Related to senior and junior term loans, fixed-rate loans, and Class A and Class B enhanced equipment trust certificates only.

(3) Primarily related to our reservation system, new airport kiosks and our A320ceo seating reconfiguration project. Refer to "Notes to the Financial Statements - 8. Commitments and Contingencies."

Some of our master lease agreements provide that we pay maintenance reserves to aircraft lessors to be held as collateral in advance of our required performance of major maintenance activities. Some maintenance reserve payments are fixed contractual amounts, while others are based on utilization. In addition to the contractual obligations disclosed in the table above, we have fixed maintenance reserve payments for these aircraft and related flight equipment, including estimated amounts for contractual price escalations, which are $1.9 million for the remainder of 2017, $6.9 million in 2018, $5.7 million in 2019, $5.4 million in 2020, $5.5 million in 2021, and $17.7 million in 2022 and beyond.

As of September 30, 2017, principal and interest commitments related to our future secured debt financing for 4 undelivered aircraft are zero for the remainder of 2017, $16.5 million in 2018, $16.4 million in 2019, $17.3 million in 2020, $16.2 million in 2021, and $137.2 million in 2022 and beyond.

In September 2015, we executed a lease agreement with Wayne County Airport Authority (the Authority), which owns and operates Detroit Metropolitan Wayne County Airport (DTW). Under the lease agreement, we lease a 10-acre site, adjacent to the airfield at DTW, in order to construct, operate and maintain an approximately 126,000-square-foot hangar facility. The lease agreement has a 30-year term with two 10-year extension options. Upon termination of the lease, title of the project, which will be fully depreciated, will automatically pass to the Authority. We completed the project during the first quarter of 2017 and have no remaining commitments related to this project as of September 30, 2017.

Off-Balance Sheet Arrangements

We have significant lease obligations for our aircraft and spare engines as 59 of our 107 aircraft and 11 of our 15 spare engines are financed under operating leases and are therefore not reflected on our condensed balance sheets. These leases expire between 2017 and 2029. Aircraft rent payments were $55.0 million and $53.5 million for the three months ended September 30, 2017 and 2016, respectively, and $168.6 million and $160.3 million for the nine months ended September 30, 2017 and 2016, respectively. Our aircraft lease payments for 58 of our aircraft are fixed-rate obligations. One of our aircraft leases provide for variable rent payments, which fluctuate based on changes in the London Interbank Offered Rate (LIBOR).

Our contractual purchase commitments consist primarily of aircraft and engine acquisitions through manufacturers. As of September 30, 2017, our aircraft orders consisted of the following:

	Airbus			
	A320ceo	**A320neo**	**A321ceo**	**Total**
remainder of 2017	2		4	6
2018	5		5	10
2019	1	14		15
2020		16		16
2021		18		18
	8	48	9	65

We also have four spare engine orders for V2500 SelectTwo engines with IAE and nine spare engine orders for PurePower PW1100G-JM engines with Pratt & Whitney. Spare engines are scheduled for delivery from 2018 through 2023. Committed expenditures for these aircraft and spare engines, including estimated amounts for contractual price escalations and aircraft PDPs, are expected to be $227.8 million for the remainder of 2017, $528.4 million in 2018, $773.7 million in 2019, $820.5 million in 2020, $784.8 million in 2021 and $24.6 million in 2022 and beyond.

As of September 30, 2017, we had lines of credit related to corporate credit cards of $33.6 million from which we had drawn $10.8 million.

As of September 30, 2017, we had lines of credit with counterparties for both physical fuel delivery and derivatives in the amount of $51.5 million. As of September 30, 2017, we had drawn $13.7 million on these lines of credit for physical fuel delivery. We are required to post collateral for any excess above the lines of credit if the derivatives are in a net liability position and make periodic payments in order to maintain an adequate undrawn portion for physical fuel delivery. As of September 30, 2017, we did not hold any derivatives.

As of September 30, 2017, we had $8.2 million in uncollateralized surety bonds and a $35.0 million unsecured standby letter of credit facility, representing an off balance-sheet commitment, of which $17.8 million had been drawn upon for issued letters of credit.

GLOSSARY OF AIRLINE TERMS

Set forth below is a glossary of industry terms:

“Adjusted CASM” means operating expenses, excluding unrealized gains or losses related to fuel derivative contracts, out of period fuel federal excise tax, loss on disposal of assets, and special charges (credits), divided by ASMs.

“Adjusted CASM ex-fuel” means operating expenses excluding aircraft fuel expense, loss on disposal of assets, and special charges (credits), divided by ASMs.

“AFA-CWA” means the Association of Flight Attendants-CWA.

“Air traffic liability” or “ATL” means the value of tickets sold in advance of travel.

“ALPA” means the Air Line Pilots Association, International.

“ASIF” means an Aviation Security Infrastructure Fee assessed by the TSA on each airline.

“Available seat miles” or “ASMs” means the number of seats available for passengers multiplied by the number of miles the seats are flown, also referred to as "capacity."

“Average aircraft” means the average number of aircraft in our fleet as calculated on a daily basis.

“Average daily aircraft utilization” means block hours divided by number of days in the period divided by average aircraft.

“Average economic fuel cost per gallon” means total aircraft fuel expense, excluding unrealized gains or losses related to fuel derivative contracts and out of period fuel federal excise tax, divided by the total number of fuel gallons consumed.

“Average non-ticket revenue per passenger flight segment” means the total non-ticket revenue divided by passenger flight segments.

“Average ticket revenue per passenger flight segment” means total passenger revenue divided by passenger flight segments.

“Average stage length” represents the average number of miles flown per flight.

“Average yield” means average operating revenue earned per RPM, calculated as total revenue divided by RPMs.

“Block hours” means the number of hours during which the aircraft is in revenue service, measured from the time of gate departure before take-off until the time of gate arrival at the destination.

“CASM” or “unit costs” means operating expenses divided by ASMs.

“CBA” means a collective bargaining agreement.

“CBP” means United States Customs and Border Protection.

“DOT” means the United States Department of Transportation.

“EPA” means the United States Environmental Protection Agency.

"EETC" means enhanced equipment trust certificate.

“FAA” means the United States Federal Aviation Administration.

“FCC” means the United States Federal Communications Commission.

“GDS” means Global Distribution System (e.g., Amadeus, Galileo, Sabre and Worldspan).

"IAMAW" means the International Association of Machinists and Aerospace Workers.

“Into-plane fuel cost per gallon” means into-plane fuel expense divided by number of fuel gallons consumed.

“Into-plane fuel expense” represents the cost of jet fuel and certain other charges such as fuel taxes and oil.

“Load factor” means the percentage of aircraft seats actually occupied on a flight (RPMs divided by ASMs).
“NMB” means the National Mediation Board.
“OTA” means Online Travel Agent (e.g., Orbitz and Travelocity).
“Passenger flight segments” or “PFS” means the total number of passengers flown on all flight segments.
“PDP” means pre-delivery deposit payment.
“Revenue passenger mile” or “RPM” means one revenue passenger transported one mile. RPMs equals revenue passengers multiplied by miles flown, also referred to as “traffic.”
“RLA” means the United States Railway Labor Act.
"Total operating revenue per-ASM," "TRASM" or "unit revenue" means operating revenue divided by ASMs.
“TWU” means the Transport Workers Union of America.
“TSA” means the United States Transportation Security Administration.
“ULCC” means “ultra low-cost carrier.”

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Market Risk-Sensitive Instruments and Positions
We are subject to certain market risks, including commodity prices (specifically aircraft fuel) and interest rates. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided below does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Aircraft Fuel. Our results of operations can vary materially due to changes in the price and availability of aircraft fuel. Aircraft fuel expense for the nine months ended September 30, 2017 and 2016 represented 26.1% and 23.2% of our operating expenses, respectively. Increases in aircraft fuel prices or a shortage of supply could have a material adverse effect on our operations and operating results. We source a significant portion of our fuel from refining resources located in the southeast United States, particularly facilities adjacent to the Gulf of Mexico. Gulf Coast fuel is subject to volatility and supply disruptions, particularly during hurricane season when refinery shutdowns have occurred, or when the threat of weather related disruptions has caused Gulf Coast fuel prices to spike above other regional sources. Both jet fuel swaps and jet fuel options are used at times to protect the refining price risk between the price of crude oil and the price of refined jet fuel, and to manage the risk of increasing fuel prices. Gulf Coast Jet indexed fuel is the basis for a substantial majority of our fuel consumption. Based on our fuel consumption over the last twelve months, a 10% increase in the average price per gallon of aircraft fuel would have increased into-plane aircraft fuel expense by approximately $57 million.
As of September 30, 2017 and December 31, 2016, we had no outstanding jet fuel derivatives. We measure our financial derivative instruments at fair value. Fair value of the instruments is determined using standard option valuation models. Changes in the related commodity derivative instrument cash flows may change by more or less than this amount based upon further fluctuations in futures prices. Outstanding financial derivative instruments could expose us to credit loss in the event of nonperformance by the counterparties to the agreements.
Interest Rates. We have market risk associated with our short-term investment securities, which had a fair market value of $100.7 million and $100.2 million, as of September 30, 2017 and December 31, 2016, respectively. We also have market risk associated with changing interest rates due to LIBOR-based lease rates on one of our aircraft. A hypothetical 10% change in interest rates would affect total aircraft rent expense by less than $0.1 million per annum.
Fixed-Rate Debt. As of September 30, 2017, we had $1,354.7 million outstanding in fixed-rate debt related to the purchase of 19 Airbus A320 aircraft and 21 Airbus A321 aircraft which had a fair value of $1,402.9 million. As of December 31, 2016, we had $1,012.4 million outstanding in fixed-rate debt related to the purchase of 15 Airbus A320 aircraft and 14 Airbus A321 aircraft, which had a fair value of $1,033.7 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2017, 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

We are subject to commercial litigation claims and to administrative and regulatory proceedings and reviews that may be asserted or maintained from time to time. We believe the ultimate outcome of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our financial position, liquidity or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission on February 13, 2017, other than modifications to the following risk factor. Investors are urged to review these risk factors carefully.

We depend on a limited number of suppliers for our aircraft and engines.

One of the elements of our business strategy is to save costs by operating a single-family aircraft fleet - currently Airbus A320-family, single-aisle aircraft, powered by engines manufactured by IAE and Pratt & Whitney. If any of Airbus, IAE, or Pratt & Whitney become unable to perform its contractual obligations, or if we are unable to acquire or lease aircraft or engines from these or other owners, operators or lessors on acceptable terms, we would have to find other suppliers for a similar type of aircraft or engine. If we have to lease or purchase aircraft from another supplier, we would lose the significant benefits we derive from our current single fleet composition. We may also incur substantial transition costs, including costs associated with retraining our employees, replacing our manuals and adapting our facilities and maintenance programs. Our operations could also be harmed by the failure or inability of aircraft, engine and parts suppliers to provide sufficient spare parts or related support services on a timely basis, particularly in connection with new-generation introductory technology. Our business would be significantly harmed if a design defect or mechanical problem with any of the types of aircraft, engines or components currently on order or that we operate were discovered that would halt or delay our aircraft delivery stream or that would ground any of our aircraft while the defect or problem was corrected, assuming it could be corrected at all. For example, introductory issues with the new-generation PW1100G-JM engines, designed and manufactured by Pratt & Whitney, have resulted in the intermittent grounding of certain of our A320neo aircraft. During the fourth quarter of 2016, and continuing through the third quarter of 2017, we have experienced and continue to experience various reliability problems associated with the new engine resulting in the grounding of two of our five A320neo aircraft which we expect to continue until the defect or problem is corrected. In part, due to issues involving the new engine, we renegotiated our aircraft delivery schedule. We originally had four A320neos scheduled for delivery in 2018 of which two were converted to A320ceo aircraft, to be delivered in 2017, and the remaining two are deferred until 2019. We cannot be certain that this defect will be corrected or if the defect will require the grounding of the remaining A320neos. These types of events, if appropriate design or mechanical modifications cannot be adequately implemented, could materially adversely affect our business, results of operations and financial condition. Moreover, the use of our aircraft could be suspended or restricted by regulatory authorities in the event of actual or perceived mechanical or design problems. Our business would also be significantly harmed if the public began to avoid flying with us due to an adverse perception of the types of aircraft, engines or components that we operate stemming from safety concerns or other problems, whether real or perceived, or in the event of an accident involving those types of aircraft, engines or components. Carriers that operate a more diversified fleet are better positioned than we are to manage such events.

Airlines are often affected by factors beyond their control, including: air traffic congestion at airports; air traffic control inefficiencies; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel related taxes or the outbreak of disease, any of which could harm our business, operating results and financial condition.

Like other airlines, our business is affected by factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, adverse weather conditions, increased security measures, new travel related taxes, the outbreak of disease, new regulations or policies from the presidential administration and Congress. Factors that cause flight delays frustrate passengers and increase costs, which in turn could adversely affect profitability. The federal government currently controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel. U.S. and foreign air-traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes resulting in delays. A significant portion of our operations is concentrated in markets such as South Florida, the Caribbean, Latin America and the Northeast and Northern Midwest regions of the United States, which are particularly vulnerable to weather, airport traffic constraints and other delays. Adverse weather conditions and natural disasters, such as hurricanes affecting southern Florida and the Caribbean (such as Hurricanes Irma and Maria in September 2017) as well as southern Texas (such as Hurricane Harvey in August 2017), winter snowstorms or the September 2017 earthquakes in Mexico City, Mexico, can cause flight cancellations, significant delays and certain facility disruptions. For example, during 2017 the timing and location of Hurricanes Irma and Maria produced a domino effect on our operations resulting in approximately 1,400 flight cancellations and numerous flight delays, which resulted in an adverse effect on our results of operations. Cancellations or delays due to adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security or other factors may affect us to a greater degree than other, larger airlines that may be able to recover more quickly from these events, and therefore could harm our business, results of operations and financial condition to a greater degree than other air carriers. Because of our high utilization, point-to-point network, operational disrupt

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ions can have a disproportionate impact on our ability to recover. In addition, many airlines reaccommodate their disrupted passengers on other airlines at prearranged rates under flight interruption manifest agreements. We have been unsuccessful in procuring any of these agreements with our peers, which makes our recovery from disruption more challenging than for larger airlines that have these agreements in place. Similarly, outbreaks of pandemic or contagious diseases, such as ebola, measles, avian flu, severe acute respiratory syndrome (SARS), H1N1 (swine) flu and Zika virus, could result in significant decreases in passenger traffic and the imposition of government restrictions in service and could have a material adverse impact on the airline industry. Increased travel taxes, such as those provided in the Travel Promotion Act, enacted March 10, 2010, which charges visitors from certain countries a $10 fee every two years to travel into the United States to subsidize certain travel promotion efforts, could also result in decreases in passenger traffic. Any general reduction in airline passenger traffic could have a material adverse effect on our business, results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchases of Equity Securities
The following table reflects our repurchases of our common stock during the third quarter of 2017. All stock repurchases during this period were made from employees who received restricted stock awards. All employee stock repurchases were made at the election of each employee pursuant to an offer to repurchase by us. In each case, the shares repurchased constituted the portion of vested shares necessary to satisfy tax withholding requirements.
ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs
July 1-31, 2017	—	$ —	—	$ —
August 1-31, 2017	552	$ 37.74	—	$ —
September 1-30, 2017	—	$ —	—	$ —
Total	**552**	**$ 37.74**	**—**	

On October 25, 2017, our Board of Directors authorized a new repurchase program of up to $100 million in aggregate value of shares of our Common Stock, par value $0.0001 per share, from time to time in open market or privately negotiated transactions. The authorization will expire on October 25, 2018. The timing and amount of any stock repurchases are subject to prevailing market conditions and other considerations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibits
10.1+	Spirit Airlines, Inc. 2017 Executive Severance Plan, filed as Exhibit 10.1 to the Company's Form 8-K dated August 22, 2017, is hereby incorporated by reference.
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

+ Indicates a management contract or compensatory plan or arrangement.

* Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise specifically stated in such filing.

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SIGNATURE

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.

SPIRIT AIRLINES, INC.

Date: October 26, 2017	By:	/s/ Edward M. Christie
		Edward M. Christie
		Executive Vice President and
		Chief Financial Officer

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