NEWMARK HOMES CORP
Form 10-K405
March 29, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NUMBER 000-23677

NEWMARK HOMES CORP.
(Exact name of registrant as specified in its charter)

Delaware*	76-0460831
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1200 Soldiers Field Drive	Sugar Land, TX 77479
(Address of principal executive offices)	(Zip Code)

281-243-0100
(Registrant's telephone number, including area code)

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

None

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

Title of Each Class

Common Stock, par value $.01

NASDAQ National Market

(name of each exchange on which registered)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X]

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

As of March 19, 2001, Registrant had outstanding 11,500,000 shares of common stock. Of the total shares outstanding, 2,204,700 shares of common stock were held by non-affiliates of the Registrant, having an aggregate market value on that date of $23,700,525 (based on the closing sales price on the NASDAQ

National Market).

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Documents incorporated by reference:

Related Section	Documents
III	Definitive Proxy Statement to be filed pursuant to Regulation 14A on or before April 30, 2001.

*Subsequent to the fiscal year end, the Registrant completed a reincorporation merger to change its domicile from Nevada to Delaware, such reincorporation being completed March 22, 2001. The reincorporation was accomplished through a merger of Newmark Homes Corp., a Nevada corporation, into a newly formed Delaware subsidiary.

PART I

ITEM 1. BUSINESS

GENERAL

Newmark Homes Corp. (the "Company"), a Delaware corporation, is the holding company whose subsidiaries operate in the home building industry under the names Newmark Home Corporation ("Newmark"), Westbrooke Communities, Inc. and affiliated entities (collectively, "Westbrooke") and The Adler Companies, Inc. ("Adler"). The Company also owns a lot development company, Pacific United Development Corp. Through its operating subsidiaries, the Company designs, builds and sells single-family detached homes in ten major markets within the Southwest and Southeast United States, including Houston, Austin, Dallas/Fort Worth and San Antonio, Texas; Ft. Lauderdale, Palm Beach and Miami, Florida ("South Florida"); Nashville, Tennessee; and Charlotte and Greensboro/ Winston-Salem, North Carolina. Each of these markets has experienced population and job growth above the national average over the last several years. The Company operated in 89 subdivisions in these metropolitan areas and had 824 homes under construction at December 31, 2000. In addition, the Company is actively engaged in residential land acquisition and lot development and as of December 31, 2000, owned or had under option contracts 4,280 lots available for future growth.

In Texas, Tennessee and North Carolina, Newmark offers high-quality homes, designed principally for the "move-up" and relocation market segments, under the Newmark(R) trademark. Typically, Newmark(R) homes range in size from 1700 square feet to over 4500 square feet and range in price from $140,000 to $400,000, with an average sales price of $254,000 for homes closed during 2000. Newmark also offers custom homes under the Fedrick, Harris Estate Homes name that range in size from 3500 square feet to over 7000 square feet and range in price from $300,000 to over $1,000,000, with an average sales price of $475,000 for homes closed during 2000. Revenues generated from sales of Fedrick, Harris Estate Homes were 16%, 16% and 14% of total homebuilding revenues of the Company for 2000, 1999 and 1998, respectively. During 2000, Newmark established a new division - Marksman Homes ("Marksman") to further penetrate home sales in its more mature markets. Marksman's first models were constructed in Houston and are designed to appeal to first-time buyers and married couples without children living at home ("empty nesters"). The units are priced from $130,000 to

$160,000, and range in size from 1550 square feet to 2458 square feet with an average sales price of $150,000 for homes closed during 2000.

In the South Florida market, Westbrooke (which includes Adler operations) offers high-quality homes ranging from first-time buyers to homebuyers desiring to buy more expensive residences ("move-up" homebuyers). These homes range in size from approximately 1350 square feet to over 3500 square feet and are priced from $125,000 to $351,000, with an average sales price of $205,000 for homes closed in 2000. The Company closed the last home marketed under the Adler name in October 2000.

The Company's homebuilding operation is positioned to compete with other high-volume builders by offering a broader selection of homes with more amenities and greater design flexibility than typically offered by volume builders. Homebuyers are given the ability to select various design features in accordance with their personal preferences. Through a volume building approach, the Company's custom homes generally offer more value than those offered by local, lower-volume custom builders, primarily due to the Company's effective purchasing, construction and marketing programs. While most design modifications are significant to the homebuyer, they typically involve relatively minor adjustments that allow the Company to maintain construction efficiencies and result in greater

profitability due to increased sales prices and margins. The Company believes that its ability to meet the design tastes of prospective homebuyers at competitive prices distinguishes the Company from many of its competitors.

The Company's predecessor was founded in Houston, Texas in 1983, and was acquired by Pacific Realty Group, Inc. ("Pacific) in October 1993. Pacific's interest in the predecessor was transferred to the Company in December 1994 when the Company was formed. Westbrooke was acquired by the Company in January 1998 and has operated in the Miami, Florida area since 1976. Westbrooke's operations were consolidated in 1998 with Adler, a company founded in Miami, Florida in 1990 and acquired by the Company in March 1995.

The Company's initial public offering of its common stock was completed in March 1998. On December 15, 1999, Technical Olympic USA, Inc. ("TOUSA") purchased 9,200,000 shares of the Company's common stock from Pacific, such stock representing 80% of the outstanding common stock of the Company. TOUSA, a Delaware corporation, is a wholly-owned subsidiary of Technical Olympic (UK) PLC, an English company, which is a wholly-owned subsidiary of Technical Olympic S.A., a Greek company.

On March 6, 2001, the Company announced it is considering the possible merger of the Company with Engle Holdings Corp. The Special Committee of the Company's independent directors is reviewing and will make a recommendation on the transaction to the Company's full board. The Special Committee has engaged legal advisors and investment banks to assist in the analysis and evaluation of the terms and fairness of the proposed merger. There are no assurances that the Special Committee will recommend the merger or that such a merger will be consummated. Any merger would also be subject to execution of a definitive agreement and certain regulatory and other approvals as well as the approval of various lenders of Engle Holdings Corp., the Company and TOUSA. If the merger is consummated, it is contemplated that shares of Engle Holdings Corp. would be exchanged for shares of the Company.

Newmark and Westbrooke have achieved annual profitability due to both innovative and disciplined approaches to home construction, land acquisition and development as well as lot purchases. The Company believes that the tenure and experience of its officers and key employees and its disciplined approach to business have been key factors to the Company's success. There has been virtually no turnover among officers and key employees since the inception of both Newmark and Westbrooke.

The Company's corporate offices are located in Houston. The Company's divisions in Houston, Austin, Dallas/Ft. Worth, San Antonio, Nashville, Charlotte and Greensboro/Winston-Salem are managed from the Houston location. The Company's South Florida operations are primarily the responsibility of Westbrooke management with support from, and oversight of, the Company's corporate office.

STRATEGY

The Company's objective is to provide its customers with homes that offer both quality and value, while seeking to maximize its return on invested capital. Management believes that a balanced and disciplined approach to home construction, land purchases and marketing is essential to the Company's anticipated growth. To achieve this objective, the Company has developed a strategy that focuses on the following elements:

GROWTH MARKETS. The Company's primary markets have each experienced population and job growth in excess of the national average over the past several years. The Company believes that growth opportunities remain in most of these markets. The Company also continues to evaluate new markets that have significant "move-up" and relocation segments that would satisfy the Company's profitability, investment return and other criteria. While the Company anticipates entering new markets primarily through start-up operations, it will also consider the acquisition of homebuilding companies that have complementary management styles as exemplified by the Company's acquisition of Westbrooke. Entry into new markets is preceded by extensive due diligence and research conducted by both management and third-party resources.

SOPHISTICATED MARKETING. The Company employs sophisticated and comprehensive marketing programs to attract potential homebuyers. This marketing program includes extensive telemarketing, an Internet web site, and an

interactive software program. The Company retains a national marketing consultant to develop its overall advertising strategy. The Company executes its overall marketing strategy through advertising campaigns tailored to local markets. Local marketing campaigns include coordination of realtor promotions, subdivision grand openings, showcase presentations for custom homes, the Company's newsletters, realtors' newsletters, product bulletins, billboards, local newspaper advertisements and other direct sales activities. The Company's web site, featuring a database of available inventory, allows a prospective homebuyer to locate a home and view different floor plans, locate the various subdivisions available in each market, and learn about neighborhood schools, subdivision amenities and shopping as well as the Company's construction process. The South Florida operation also utilizes an interactive software program known as "Design Wizard" which enables a homebuyer to customize a home that meets their needs and lifestyles. While sitting at a computer monitor located in a sales center, the buyer responds to a series of general lifestyle questions. Based on the buyer's responses, the interactive software program then shows the buyer variations of a basic floor plan as well as the cost of the proposed changes.

MARKET FOCUS. In markets with a significant number of relocation buyers, such as Texas, Tennessee and North Carolina, the Company aggressively competes with resales of existing homes, primarily by making available to potential buyers completed or nearly completed homes. In these relocation markets, the Company believes that maintaining an inventory of completed or nearly completed homes provides distinct competitive advantages by (i) allowing home buyers to physically inspect their future home, in many instances easing their decision to buy, (ii) providing homes which can be moved into in or close to the same time frame as purchases of previously owned homes and (iii) allowing homebuyers to avoid the significant time and monetary costs typically associated with updating previously owned homes. In the South Florida market, the Company primarily focuses on "move-up" homebuyers, and to a lesser extent, first-time homebuyers. In this market, substantially all homes are sold prior to commencing construction.

MANAGEMENT TRAINING. The Company recruits and hires new management trainees, typically with some construction experience, following graduation from college and trains these new hires for increasing levels of responsibility within the Company. Through continuous "on the job" experience and classroom training, these associates become knowledgeable, experienced candidates for middle management positions. The Company believes that one of its strengths is its depth of middle management. This depth facilitates the Company's growth strategy as more experienced management relocates to new markets to conduct start-up operations while top performing middle managers are promoted to increasing levels of responsibility for continuing expansion of existing markets. The Company also actively seeks and employs qualified candidates for sales and marketing positions and provides extensive training designed to improve marketing skills and educate sales associates with respect to the uniqueness of the Company's homes that allows them to emphasize product differentiation in the sales process.

DECENTRALIZED OPERATIONS WITH EXPERIENCED MANAGEMENT. The Company believes that the in-depth knowledge of its experienced management in local markets enables the Company to better serve its customers. The Company is organized into operating divisions, each relating to a local market area. Local management of each operating division is responsible for preliminary site selection and negotiation of option contracts in accordance with Company policies. Additionally, each operating division plans its homebuilding schedule, selects the building plans and architectural scheme for its subdivisions, obtains all building approvals, and develops a marketing plan for its homes. With the exception of the South Florida operation, the Company's corporate office retains responsibility for purchasing, accounting/consolidation, and certain other management and administrative matters, including ultimate approval of all lot contracts, final product selection, securing all financing and marketing plan approval. With respect to the South Florida operation, management of Westbrooke makes the majority of the decisions related to the responsibilities described above with support from, and oversight of, the Company's corporate office.

CENTRALIZED PURCHASING. The Company utilizes centralized purchasing to leverage its purchasing power into volume discounts, a practice that reduces costs, ensures timely deliveries and reduces the risk of supply shortages due to allocations of materials. The Company has negotiated favorable price arrangements with high quality national and regional suppliers such as General Electric, Rheem Manufacturing, Dupont Corian, Moen, Inc., Owens Corning, Mohawk Industries, Dow Chemical, Royal Baths, Kwikset and Sherwin-Williams for appliances, heating and air conditioning, counter tops, bathroom fixtures, roofing and insulation products, floor coverings, and other housing components. Major materials, such as lumber, sheetrock, concrete and brick, are also centrally purchased to obtain volume discounts. There are no minimum purchase requirements for these arrangements.

COST MANAGEMENT. The Company controls construction costs through the efficient design of its homes and by obtaining favorable pricing, where possible, from subcontractors based on the high volume of work performed for the Company. The Company controls its warranty costs through quality control that ensures that the home has been totally finished prior to the buyer moving in, thus enhancing customer satisfaction. The Company controls its advertising expenses through sophisticated budgeting of expenses with extensive review of all expenditures. Some of the Company's major suppliers and contractors also contribute advertising dollars for special promotions of houses and products. These campaigns feature the key suppliers' products and enhance the image of the Company's homes through brand recognition. In addition, the Company seeks to control its corporate overhead costs through efficiencies achieved through its highly automated and integrated systems.

STRATEGY TO LIMIT REAL ESTATE EXPOSURE. The Company seeks to maximize its return on invested capital and limit its exposure to changes in land valuation by obtaining options to purchase lots whenever feasible. The Company will also directly acquire, where appropriate, quality residential properties that are in high demand for use in its homebuilding operations and for sale to third-party builders. The Company's executive management establishes targeted levels of lot options and land for development based on its strategic plan for the overall growth of the Company. The Company targets properties for acquisition that are both suitable for its homebuilding product and in locations that are anticipated to maintain the homebuyers' property values. The Company believes this strategy improves inventory turnover and enables the Company to develop and sell or utilize the developed lots typically within two to three years. The Company does not acquire land that is not suitable for lot development and residential construction and does not speculate on land values by acquiring and holding land for resale or for future development.

The Company seeks to limit its exposure to real estate inventory risks by closely monitoring (i) its unsold inventory of new homes and the stage of completion of homes under construction on an ongoing basis, (ii) the volume of starts of new homes and (iii) local job market and demographic trends, housing preferences and related economic developments, such as new job opportunities, local growth initiatives and trends in work force median income levels.

MARKETS

The Company conducts homebuilding activities in ten markets within four states, including Houston, Austin, Dallas/Fort Worth and San Antonio, Texas; Ft. Lauderdale, Palm Beach and Miami, Florida; Nashville, Tennessee; and Charlotte and Greensboro/Winston-Salem, North Carolina. The Company's operations in each of its markets differ based on a number of market specific factors.

The following table presents selected lot inventory and homebuilding data for the Company's current markets:

		LOT INVENTORY			HOMEBU H
		DECEMBER 31,			YEAR E
MARKET	COMMENCED	2000	1999	1998	2000
					(Dollars
Houston	1983	1,328	800	632	$163,706 616
Austin	1984	518	571	697	$170,176 611
Dallas/ Fort Worth	1995	384	208	292	$ 43,762 142
San Antonio	1998	168	145	141	$ 9,544 40
Fort Lauderdale, Palm Beach, Miami	1976	1,475	1,864	2,401	$193,918 946
Nashville	1997	193	264	276	$ 38,499 93
Charlotte	1998	32	42	16	$ 5,396 20
Greensboro/Winston Salem	1998	182	35	34	$ 9,486 31
Total Lots/Revenue		4,280	3,929(1)	4,489(1)	$634,487(2)
Total Units Closed					2,499

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(1) Includes 2,343, 2,559 and 3,521 lots under option contracts as of December 31, 2000, 1999 and 1998, respectively.

(2) Does not include revenues from land sales of $6.0 million, $14.6 million and $2.3 million in 2000, 1999 and 1998, respectively.

Based on the results of market research and analysis performed by and for the Company, the Company plans to focus its development activity based primarily on the following factors: regional economic conditions, projected job growth, land availability, the local land development process, consumer tastes, competition from other builders of new homes and secondary home sales activity.

BACKLOG

The following table sets forth the Company's sales backlog by market for the periods indicated below:

	DECEMBER 31,					
	2000		1999		1998	
	HOMES	SALES VALUE	HOMES	SALES VALUE	HOMES	S
	(Dollars in thousands)					
Houston	109	$ 31,098	121	$ 33,532	175	$
Austin	194	56,497	295	72,396	184	
Dallas/Fort Worth	51	15,773	32	9,865	57	
San Antonio	13	3,349	1	250	--	
Ft.Lauderdale, Palm Beach, Miami	453	95,411	531	106,636	315	
Nashville	20	7,773	12	5,770	22	
Charlotte	--	--	1	295	--	
Greensboro/ Winston-Salem	5	1,958	5	1,650	--	
Total	845	$ 211,859	998	$ 230,394	753	$

Backlog represents home purchase contracts which have been executed and for which earnest money deposits have been received, but for which the sale has not yet closed. Home sales are not recorded as revenues until the closings occur. Sales value is calculated as the number of homes for which earnest money contracts have been received multiplied by the average home sales price for the specific city for the period indicated.

Consistent with historical experience, 96% and 100% of the homes in backlog at December 31, 1999 and 1998, respectively, were closed in the subsequent fiscal year. Based upon unit volume, contract cancellations were approximately 15.4%, 15.0% and 12.5% of the home sales contracts signed during the years ended December 31, 2000, 1999 and 1998, respectively. Although cancellations can disrupt anticipated home closings, the Company believes that cancellations have not had a material negative impact on operations or liquidity of the Company during the last several years. The Company attempts to reduce cancellations by reviewing each homebuyer's ability to obtain mortgage financing early in the sales process and by closely monitoring the mortgage approval process.

IDENTIFICATION OF NEW MARKETS

The Company has developed a market expansion process designed to identify and track growing homebuilding markets in the United States. The Company's program is designed as an ongoing process and consists of three stages which track economic and demographic activity in primary and secondary metropolitan markets (Stage I), narrowing the focus on specific markets and criteria (Stage II and Stage III) as they meet expansion objectives and timing. As part of its screening process, the Company evaluates geographically diverse markets because it believes that potential adverse economic conditions associated with certain markets are often offset by more favorable economic conditions in other operating areas. Consideration is also given to those markets located near current operating markets, which could function as satellite operations.

LAND POLICIES AND POSITION

The Company provides lot positions for its homebuilding operations by both acquiring lot options and by purchasing land for the development of lots. When appropriate, developed lots are sold to third-party builders to increase inventory turnover and to enhance earnings for the Company. Historically, the Company has been able to option a major portion of its lot positions in the Houston market due to the brand awareness of the Newmark(R) and Fedrick, Harris Estate Homes names among both consumers and developers, in addition to the willingness of developers in those markets to option available lots. The Company also acquires lot options in the Austin, Dallas/Fort Worth, San Antonio, Nashville, Charlotte and Greensboro/Winston-Salem markets. With the continuing strength in the housing sector, the Company has been required to acquire some of its developed lots under specific performance purchase contracts. The Company has developed residential lots in the South Florida, Houston, Dallas/Fort Worth, Austin and Nashville markets and intends to continue to do so in the future. Additionally, residential land developments may be purchased when the Company enters new markets. Prior to any land acquisitions, the Company conducts extensive due diligence utilizing regional expertise, including on-site inspection and soil testing.

DESIGN

The Company's home designs and floor plans are prepared by outside architects in each of the Company's markets to appeal to the local tastes and preferences of the community. Using its design department and Design Wizard, the Company has the capability to change its standard floor plans to accommodate the individual homebuyer. While most design modifications are significant to the homebuyer, they typically involve relatively minor adjustments that allow the Company to maintain construction efficiencies and result in greater profitability due to increased margins.

CONSTRUCTION

Substantially all of the Company's construction work is performed by subcontractors. The Company's construction superintendents monitor the construction of each home, coordinate the activities of subcontractors and suppliers, subject the work of subcontractors to quality and cost controls and monitor compliance with zoning and building codes. Subcontractors typically are retained pursuant to a contract that obligates the subcontractor to complete construction in a workmanlike manner and that provides standard indemnifications and warranties. Typically, the Company works with the same subcontractors in each city. The Company's subcontractors are not subject to any collective bargaining agreements. While the Company competes with other homebuilders for qualified subcontractors, it has established long-standing relationships with many of its subcontractors. To date, by providing both timely payments and steady work assignments, the Company has not experienced any inability to obtain qualified subcontractors.

The Company's purchasing and cost accounting practices are designed to facilitate construction flexibility. This process permits homebuyers to modify their designs, while allowing the Company to monitor and maintain its profitability. Construction time for the Company's homes depends on weather, availability of labor, materials, supplies and other factors. The Company typically completes the construction of a home within four to five months.

The Company does not maintain significant inventories of construction materials, except for work in process materials for homes under construction. Typically, the construction materials used in the Company's operations are readily available from numerous sources. The Company has favorable price arrangements or contracts with suppliers of certain of its building materials, but it is not under any specific purchasing requirements. In recent years, the Company has not experienced any significant delays in construction due to shortages of materials or labor.

MARKETING AND SALES

The Company markets and sells its homes through commissioned employees and cooperates with independent real estate brokers. Depending on the specific market, the Company targets the "move-up" and relocation market segments and employs sophisticated marketing techniques to attract potential homebuyers through numerous avenues including its Internet web site, extensive telemarketing, interactive software programs and other marketing programs. Home sales are typically conducted from sales offices located in furnished model homes used in each subdivision. At December 31, 2000, the Company owned 73 model homes. The Company's sales personnel assist prospective buyers by providing them with floor plans, price information, tours of model homes and the selection of options and other custom features. Such personnel are trained by both the Company and external independent experts in sales expertise. These sales and marketing personnel are kept informed as to the availability of financing, construction schedules and marketing and advertising plans. The Company has also formed sales teams comprised of a sales person and other employees from throughout the Company to provide sales support and motivation.

In addition to using model homes, the speculative homes built in most subdivisions enhance the Company's marketing and sales activities. Construction of these speculative homes is also necessary to satisfy the requirements of relocated personnel, "move-up" buyers, and independent brokers, who often represent homebuyers requiring a completed home within sixty days. The number of speculative homes the Company builds in any given subdivision is influenced by local market factors, such as new employment opportunities, significant job relocations, growing housing demand and the length of time the Company has built in the market.

The Company advertises through television, in newspapers and in real estate and mortgage broker company publications, brochures, newsletters and billboards. Because real estate brokers are important to sales, the Company sponsors realtor breakfasts, contests and other events to increase awareness of the Company's subdivisions and products. Certain of the Company's suppliers participate with the Company in its advertising and promotional materials, either through co-branding and cost-sharing or through rebates.

Sales of the Company's homes generally are made pursuant to a standard sales contract that requires a down payment of $1,000 to $5,000, or 5% to 10% of the sales price, on custom homes. The contract includes a financing contingency which permits the customer to cancel in the event mortgage financing at prevailing interest rates is unobtainable within a specified period, typically four to six weeks, and may include other contingencies, such as the sale of an existing home. The Company includes a home sale in its backlog upon execution of the sales contract and receipt of the initial down payment. The Company does not recognize revenue until the home is closed and title passes to the homebuyer. The Company estimates that the average period between the execution of a sales contract for a home and closing is approximately four to eight months for presold homes.

TITLE SERVICES

In 1997, the Company acquired a 49% interest in Pacific Title, L.C., which serves as a title insurance agent and provides title insurance policies and closing services to purchasers of homes built and sold by the Company in Texas. The Company assumes no title insurance risk associated with these title policies, which are issued by Stewart Title Guaranty Company, one of the oldest title companies in Texas. Stewart Title Company owns the balance of the interests of Pacific Title.

CUSTOMER FINANCING

In 1997, the Company acquired a 49.99% limited partnership interest in NHC Mortgage Group, L.P., a mortgage origination company owned jointly with CTX Mortgage Ventures Corporation, one of the nation's largest mortgage companies. NHC Mortgage has underwritten, originated and sold mortgages for the homes the Company builds and for other homebuilders. The Company's capital is not at risk in connection with these mortgages beyond its limited partner interest.

Subsequent to the fiscal year end, the Company acquired a 49.99% limited partnership interest in Technical Mortgage, L.P., a mortgage origination company owned jointly with Preferred Home Mortgage, an affiliate of TOUSA. Preferred Home Mortgage Company underwrites, originates and sells mortgages for homes the Company builds and for other homebuilders. The Company's capital is not at risk in connection with these mortgages beyond its limited partner interest.

CUSTOMER SERVICE AND QUALITY CONTROL

The Company's operating divisions are responsible for both pre-closing quality control inspections and responding to customer's post-closing needs. The Company believes that the prompt, courteous response to homebuyers' needs during and after construction reduces post-closing repair costs, enhances the Company's reputation for quality and service, and ultimately leads to significant repeat and referral business. The Company conducts pre-closing inspections with homebuyers immediately prior to closing. In conjunction with the inspections, a list of items for home completion is created.

After a sale, all warranty requests are processed through customer service departments located in each of the markets. In most instances, a customer service manager inspects the warranty request within 48 hours of receipt. If appropriate, the repair work is scheduled to be approved by the homeowner upon satisfactory completion. An integral part of the Company's customer service program includes post-closing interviews. In most markets, a customer service representative is sent into each home within 45 days of closing to evaluate the homeowner's satisfaction with both their home and their home-buying experience. The post-closing interview involves an analysis of the homebuyer's experiences with the sales counselor, the title company, the mortgage company and the construction department as well as their satisfaction with the product. Typically, after a year, another interview is conducted with the homeowner to determine their continued satisfaction. The subsequent interview provides management a direct link to the customer's perception of the entire buying experience as well as valuable feedback on the quality of the product.

WARRANTY PROGRAM

The Company provides up to a two-year limited warranty (one-year in the case of its South Florida operations) of workmanship and materials with each of its homes. The Company subcontracts its homebuilding work to subcontractors who provide the Company with an indemnity and a certificate of insurance prior to receiving payments for their work and, therefore, claims relating to workmanship and materials are generally the primary responsibility of the Company's subcontractors. In all markets except South Florida, the Company provides an additional eight-year limited homeowners' warranty covering major structural defects through a single national agreement with the Residential Warranty Corporation. An appropriate warranty reserve is established to cover anticipated warranty expenses not borne by the Company's subcontractors. The Company's historical experience is such that warranty expenses generally fall within the amount established for such reserve. The Company does not currently have any material litigation or claims regarding warranties or latent defects with respect to construction of homes. Current claims and litigation are expected to be substantially covered by the Company's reserve or insurance. Generally, warranty claims are handled by the construction superintendent who built the particular home to ensure that the appropriate subcontractor takes prompt and appropriate corrective action.

COMPETITION

The development and sale of residential properties is highly competitive and fragmented. The Company competes for residential sales on the basis of a number of interrelated factors including location, reputation, amenities, design, quality and price, with numerous large and small homebuilders, including some homebuilders with nationwide operations and greater financial resources and/or lower costs than the Company. The Company also competes for residential sales with individual resales of existing homes, available rental housing and, to a lesser extent, resales of condominiums. The Company believes that it compares favorably to other builders in the markets in which it operates, due primarily to: (i) its experience within its geographic markets, which allows it to vary its product offerings to reflect changing market conditions; (ii) its responsiveness to market conditions, enabling it to capitalize on the opportunities for advantageous land acquisitions in desirable locations; and (iii) its reputation for service and quality.

GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS

Homes and residential communities built by the Company must comply with federal, state and local regulations relating to, among other things, zoning, treatment of waste, construction materials that must be used, density requirements, certain aspects of building design and minimum elevation of properties and other local ordinances. These include laws requiring use of construction materials that reduce the need for energy-consuming heating and cooling systems. These laws and regulations are subject to frequent change and often increase construction costs. In some cases, there are laws that require that commitments to provide roads and other offsite infrastructure be in place prior to the commencement of new construction. The provisions of these laws are usually administered by individual counties and municipalities and may result in additional fees and assessments or building moratoriums. In addition, certain new development projects, particularly in Southern Florida, are subject to assessments for schools, parks, streets and highways and other public improvements, the costs of which can be substantial.

The residential homebuilding industry also is subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. Environmental laws and conditions may result in delays, may cause the Company to incur substantial compliance and other costs, and can prohibit or severely restrict homebuilding activity in certain environmentally sensitive regions or areas. Additionally, the climate and geology of some parts of Florida and Texas present risks of natural disasters that could adversely affect the homebuilding industry in those areas in general, and the Company's business in particular.

The Company's title insurance affiliates must comply with applicable insurance laws and regulations. The Company's mortgage origination affiliates must comply with applicable real estate lending laws and regulations.

EMPLOYEES

At December 31, 2000, the Company employed 543 persons, of whom 133 were sales and marketing personnel, 177 were executive, administrative and clerical personnel, and 239 were involved with construction. None of the Company's employees are covered by collective bargaining agreements. The Company believes its relations with its employees are good.

ITEM 2. PROPERTIES

The Company owns a 16,000 square foot facility in Sugar Land, Texas, which serves as the Company's headquarters and primary residential homebuilding office. The Company leases an aggregate of approximately 27,415 square feet in Dallas, Austin, San Antonio, Nashville, Charlotte/Greensboro and Miami for its division operations. The Company has a 19,000 square foot facility under construction in Sugar Land, Texas and construction is estimated to be completed in August 2001. This facility will accommodate the Houston division operations, architecture and design, mortgage company operations and title company operations. The Company believes its existing facilities, including the facility under construction, are adequate for the Company's current and planned levels of operations.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the Company's management, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial condition or results of operations of the Company.

Subsequent to the press release of the Company on March 5, 2001 of a possible merger of Engle Holdings Corp. with the Company, the Company was notified of the filing of two lawsuits, Case No. A431555; Barry Feldman v. Michael J. Poulos, Yannis Delikanakis, Michael S. Stevens, Constantinos Stengos, Georgios Stengos, Andreas Stengos, James M. Carr, William A. Hasler, Larry D. Horner, Lonnie M. Fedrick, Engle Holdings Corp. and Newmark Homes Corp.; In the District Court, Clark County, Nevada; and Cause No. 2001-14194; Michael Gormley v. Michael J. Poulos, Yannis Delikanakis, Michael S. Stevens, Constantinos Stengos, Georgios Stengos, Andreas Stengos, James M. Carr, William A. Hasler, Larry D. Horner, Lonnie M. Fedrick, Engle Holdings Corp. and Newmark Homes Corp; In the 80th Judicial District Court of Harris County, Texas, challenging any transaction between the Company and Engle Holdings as a violation of fiduciary duty. Given the fact that there is no transaction agreed to between the Company and Engle, the Company believes the lawsuits are without merit, and the Company intends to vigorously defend itself and its directors.

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

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Position
Lonnie M. Fedrick	56	President, Chief Executive Officer and Director
James M. Carr	50	Executive Vice President and Director
J. Eric Rome	41	Executive Vice President -- Homebuilding
Terry C. White	51	Senior Vice President, Chief Financial Officer, Treasurer and Secretary
J. Michael Beckett	41	Executive Vice President- Purchasing/Product Development (Newmark Home Corporation)

Lonnie M. Fedrick has served as President and Chief Executive Officer of the Company since 1997. Mr. Fedrick has also been President and Chief Executive Officer of Newmark since 1994 and was Executive Vice President of Newmark from 1984 to 1994. Mr. Fedrick co-founded Newmark in 1983 and has more than 33 years experience in the homebuilding industry. Mr. Fedrick began his career with Norwood Homes in 1967, most recently serving as the Vice President of Construction. From 1974 to 1983, he served as Vice President of Operations of Monarch Homes. He is a member of the board of directors of the Greater Houston Builders Association.

James M. Carr became an Executive Vice President and a Director of the Company upon the closing of the acquisition of Westbrooke by the Company in January 1998. Mr. Carr founded Westbrooke in 1976, and has served as Chairman, Chief Executive Officer and President of Westbrooke since its inception. Mr. Carr is a graduate of the University of Miami. He is the former Chairman of the Baptist Hospital Foundation and a director of Baptist Health Systems.

J. Eric Rome has served as Executive Vice President - Homebuilding of the Company since 1997. Mr. Rome has served as President of the Texas Division of Newmark since 1996 and was appointed the Chief Operating Officer of Newmark in early 2000. He was Executive Vice President of Newmark's Central Texas Division from 1995 to 1996, a Vice President from 1984 to 1994, and Construction Manager of Newmark's Houston division from 1983 to 1984. From 1981 to 1983, Mr. Rome was employed by Monarch Homes as a construction superintendent. He has also served as an officer in various capacities with the Texas Capitol Area Builders Association.

Terry C. White has served as Chief Financial Officer and Treasurer of the Company since 1997. Mr. White is also Senior Vice President, Chief Financial Officer and Treasurer of Newmark, which he joined in 1984 as Controller. Prior thereto, Mr. White was employed by Wood Bros. Homes as a division controller and prior to that he served in various accounting and finance positions with Safeway Stores, Inc. Mr. White is a certified public accountant and a graduate of the University of North Texas.

J. Mike Beckett became Executive Vice President-Purchasing/Product Development for Newmark on January 1, 2000. Mr. Beckett was Senior Vice President- Purchasing for Newmark from January 1, 1998 to December 31, 1999 and was the Vice President of Purchasing from 1995 to 1998. Mr. Beckett graduated from Bowling Green State University in 1982.

PART II

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

The Company's Common Stock commenced trading on the NASDAQ National Market System on March 12, 1998 under the trading symbol "NHCH". The range of high and low closing sales prices per share by quarter for calendar year 1998, 1999 and 2000, as reported by the NASDAQ National Market, appear in the following table. These prices may not be the prices that you would pay to purchase a share of our common stock during the periods shown. These prices are what a securities dealer would pay for a share of our common stock and do not include any commissions you might have to pay or any retail mark-ups or mark-downs.

1999

QUARTER	HIGH	LOW
First	$ 8.50	$ 6.25
Second	6.75	5.00
Third	8.13	5.25
Fourth	7.50	5.00

2000

First	$6.50	$5.50
Second	6.50	5.06
Third	8.75	6.38
Fourth	11.50	8.31

As of March 19, 2001, there were 41 shareholders of record. The Company believes there are approximately 800 beneficial owners of its common stock.

The Company did not declare any cash dividends on its common stock in fiscal year 2000. The Company's credit agreements generally contain covenants that limit the amount of dividends or distributions it can pay on its common stock and the amount of stock the Company can repurchase.

Subsequent to the fiscal year end, the Company declared a dividend on March 6, 2001 of $0.54 per share of common stock to record holders of March 31, 2001, such dividend to be paid May 15, 2001.

ITEM 6. SELECTED FINANCIAL DATA

The statement of operations data and statement of financial condition data presented below have been derived from the historical financial statements of the Company. The Company's consolidated financial statements for the years ended December 31, 1997 and 1996, have been audited by KPMG LLP, independent certified public accountants. The Company's consolidated financial statements for the years ended December 31, 2000, 1999 and 1998 have been audited by BDO Siedman, LLP, independent certified public accountants, except for Westbrooke Acquisition Corp. (a consolidated subsidiary) for the year ended December 31, 1998, which statements were audited by other auditors. The selected financial data set forth below should be read in conjunction with and are qualified by reference to the Company's consolidated financial statements and notes thereto included elsewhere in this Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	SELECTED FINANCIAL		
	2000	1999(1)	1998(2)
	(Dollars in thousands except per		
STATEMENT OF OPERATIONS DATA			
Revenues	$ 640,506	$ 491,714	$ 406,353

Cost of Sales	529,800	411,011	339,094
Gross Profit	110,706	80,703	67,259
Equity in earnings from unconsolidated subsidiaries	769	725	812
Selling, general and administrative expenses	(64,720)	(49,565)	(43,614
Depreciation and amortization	(4,016)	(3,996)	(3,287
Operating income	42,739	27,867	21,170
Interest Expense	(3,282)	(1,845)	(1,939
Other income, net	1,086	1,064	1,201
Income before taxes	40,543	27,086	20,432
Income taxes	14,852	9,701	7,637
Net income	$ 25,691	$ 17,385	$ 12,795
Net income per common share	$ 2.23	$ 1.51	$ 1.16
Weighted averages shares outstanding	11,500,000	11,500,000	11,035,000
Operating Data:			
Units:			
New sales contracts, net of cancellations	2,356	2,234	2,036
Closings	2,499	1,989	1,874
Backlog at end of period	845	998	753
Average sales price per closing	$ 254	$ 240	$ 216
Sales value of backlog at end of period	$ 211,859	$ 230,394	$ 170,402
Gross profit as a percentage of revenues	17.3%	16.4%	16.6
Selling, general and administrative expenses as a percentage of revenues	10.1%	10.1%	10.7

	DECEMBER 31,				
	2000	1999(1)	1998(2)	1997	1996
	(Dollars in thousands)				
STATEMENT OF FINANCIAL CONDITION DATA					
Inventories	$246,865	$255,576	$185,247	$102,547	$ 83,659
Total assets	324,144	328,892	245,338	139,213	121,177
Total construction debt	127,546	149,380	106,839	66,100	60,768
Stockholders' equity	135,309	109,618	90,112	55,691	43,929

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(1) Reflects the operations of the Company on a full-year basis.

(2) Reflects the operating data of Westbrooke subsequent to the Company's acquisition of the homebuilding assets of Westbrooke Communities, Inc. on January 1, 1998.

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

SPECIAL STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

As a cautionary note, except for the historical information contained herein, certain matters discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A "Quantitative and Qualitative Disclosures About Market Risk", are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such matters involve risks and uncertainties, including the Company's exposure to certain market risks, changes in economic conditions, tax and interest rates, increases in raw material and labor costs, weather conditions, and general competitive factors, that may cause actual results to differ materially.

GENERAL

Since inception, the Company has sought to achieve profitability and revenue growth by providing quality homes in markets that have experienced population and job growth in excess of the national average during the past several years. Newmark has served as the foundation to support the Company's growth strategy, including expansion within existing markets, entry into three new markets through start-up operations and the acquisition of a regional homebuilder.

During 2000, the Company experienced significant growth and positioned itself to continue to expand its residential land and lot acquisitions in its existing markets. However, the general slow down in the national and some regional economies and the significant decline in consumer confidence may have a negative influence on new home sales.

The Company entered the Fort Lauderdale/Miami market through its acquisition of Adler on March 1, 1995, and then significantly expanded its market share in the South Florida market, including Palm Beach, by acquiring Westbrooke on January 1, 1998. The Company also achieved synergies in its South Florida operation by managing the remaining assets of Adler with Westbrooke's operations in 1998.

The Company recognizes revenue at the time of closing when title to, and possession of, the property transfers to the buyer. The Company capitalizes in inventory all homebuilding costs during the construction period, including

interest and maintenance, and charges those capitalized costs to cost of sales as the related inventories are sold. Interest on completed inventory is expensed as incurred. Accordingly, as the Company's completed inventory level rises and falls, interest expense can vary significantly. Included in the Company's depreciation and amortization expenses is amortization of goodwill of $1.5 million, $1.4 million and $1.4 million for the years ended December 31, 2000, 1999 and 1998, related to the Company's acquisitions of Newmark, Adler and Westbrooke.

Equity in earnings from unconsolidated subsidiaries includes earnings from Pacific Title, L.C. ("Pacific Title"), a title service business in which the Company owns a 49% interest, and NHC Mortgage Group, L.P. ("NHC Mortgage"), a mortgage origination company, in which the Company owns a 49.99% interest, each of which was formed in 1997. Additionally, equity in earnings from unconsolidated subsidiaries includes earnings from a Florida homebuilding partnership, owned 50% by the Company, which wound-up its home-building operations in October 1997. Currently, all of the Company's South Florida operations are conducted through wholly-owned subsidiaries and are included in the Company's revenues rather than in equity in earnings of unconsolidated subsidiaries.

RESULTS OF OPERATIONS

The following table sets forth the homebuilding revenue and number of home closings by market for the periods indicated:

	YEAR ENDED DECEMBER 31		
	2000	1999(2)	1998
	(Dollars in thousands)		
Houston:			
Revenues	$ 163,706	$ 171,066	$ 126,138
Home Closings	616	631	482
Austin:			
Revenues	$ 170,176	$ 115,724	$ 82,970
Home Closings	611	511	386
Dallas/Fort Worth:			
Revenues	$ 43,762	$ 45,794	$ 38,078
Home Closings	142	171	159
San Antonio:			
Revenues	$ 9,544	--	--
Home Closings	40	--	--
Ft. Lauderdale/Palm Beach/Miami:			

Revenues	$ 193,918	$ 108,100	$ 144,780
Home Closings	946	581	814
Nashville:			
Revenues	$ 38,499	$ 33,444	$ 12,116
Home Closings	93	86	33
Charlotte:			
Revenues	$ 5,396	$ 940	--
Home Closings	20	3	--
Greensboro/Winston-Salem:			
Revenues	$ 9,486	$ 2,038	--
Home Closings	31	6	--
Total homebuilding revenues(1)	$ 634,487	$ 477,106	$ 404,082
Total home closings	2,499	1,989	1,874
Average sales price per home closed	$ 254	$ 240	$ 216

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(1) Does not include revenues from land sales of $6.0 million, $14.6 million and $2.3 million in 2000, 1999 and 1998, respectively.

(2) Reflects the revenue and units closed on a full-year basis.

The following table sets forth, as a percentage of revenue, certain information in the Company's Statement of Operations for the periods indicated:

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Cost of sales	82.7%	83.6%	83.4%
Gross profit	17.3%	16.4%	16.6%
Selling, general and administrative expenses	10.1%	10.1%	10.7%
Income before income taxes	6.3%	5.5%	5.0%
Income taxes (1)	36.6%	35.8%	37.4%
Net income	4.0%	3.5%	3.1%

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(1) As a percentage of income before income taxes.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999.

Revenues increased by 30.3% to $640.5 million in 2000 from $491.7 million in 1999 primarily due to an increase in the number of homes closed by the Company which rose by 25.6% to 2,499 homes in 2000 from 1,989 homes in 1999. The Company's average selling price of homes closed in 2000 was $254,000, an increase of 5.9% from the $240,000 average selling price in 1999. The average selling price of a Newmark(R) home closed in 2000 was $252,000, an increase of 5.6% from the $239,000 average selling price in 1999. The Fedrick Harris Estate Homes average selling price of homes closed in 2000 was $475,000, an increase of 13.4% from the $419,000 average selling price in 1999. In the South Florida market, Westbrooke's selling price of homes closed in 2000 was $205,000, an increase of 10.2% from the $186,000 average selling price in 1999. Also, revenues generated from sales of custom homes under Fedrick Harris Estate Homes increased from $76.6 million in 1999 to $104.0 million in 2000, due primarily to increased unit sales in Houston, Austin and Nashville. In addition, revenue from land sales in 2000 decreased to $6.0 million from $14.6 million in 1999.

Cost of sales increased by 28.9% to $529.8 million in 2000 from $411.0 million in 1999 primarily due to increased revenues from home closings as described above. Cost of land sales for 2000 decreased to $5.7 million from $12.1 million in 1999. As a percentage of revenues, cost of sales for 2000 decreased slightly to 82.7% from 83.6% in 1999.

Equity in earnings from unconsolidated subsidiaries increased slightly to $769,000 in 2000 from $725,000 in 1999. The earnings are attributed to Pacific Title, NHC Mortgage and Scofield SF, Ltd., a land development joint venture.

Selling, general and administrative (SG&A) expense increased by 30.6% to $64.7 million in 2000 from $49.6 million in 1999. This increase was caused by increased revenues and by the expansion into the new markets of Nashville, Tennessee and Charlotte and Greensboro, North Carolina as well as the expansion in the Company's Texas and Florida markets as indicated by the 30.3% increase in the Company's revenues. As a percentage of revenues, SG&A expense remained consistent at 10.1% in 2000 and 1999.

Interest expense, net of interest capitalized, totaled $3.2 million in 2000 compared to $1.8 million in the previous year. The Company follows a policy of capitalizing interest only on inventory under construction or development. During the years ended December 31, 1999 and 1998, the Company expensed a portion of interest incurred and other financing costs on those completed homes held in inventory. This expense increased due to the increase in the average number of completed homes held in inventory for the year ending December 31, 2000 compared to 1999. Capitalized interest and other financing costs are included in cost of sales at the time of home closings.

The Company's provision for income taxes increased as a percentage of earnings before taxes to 36.6% for the year ended December 31, 2000 compared to 35.8% for fiscal year 1999. The increase was primarily a result of increased state taxes resulting from increased earnings in the State of Florida. However, federal income taxes have decreased as a percentage of earnings before taxes to 34.3% for the year ending December 31, 2000 compared to 35.6% for the year ending December 31, 1999 primarily as a result of the increase in deductible amortization of goodwill resulting from the election of the Internal Revenue Code Section 338(h)(10). The Company recognized federal income tax expense of $13.9 million for the year ended December 31, 2000 compared to $9.6 million for the fiscal year 1999.

Net income increased by 47.8% to $25.7 million for the year ended December 31, 2000 from $17.4 million in the comparable period of 1999. The increase was attributable to the increase in revenues in the Company's most profitable markets.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

As further explained in the information regarding the "Change in Control of Ownership", certain adjustments have been made to the Company's goodwill, acquisition notes payable and stockholders' equity accounts to reflect the change of control transaction. As a result, the consolidated amounts of the Company after December 15, 1999 are presented on a new basis of accounting different from the financial statements of the Company prior to December 15, 1999 and, therefore, are not comparable in the aforementioned regards. However, the full year is discussed for these comparative purposes.

Revenues increased by 21.0% to $491.7 million in 1999 from $406.4 million in 1998 primarily due to an increase in the average selling prices from an increased level of closings in the Company's higher priced markets. The number of homes closed by the Company increased by 6.1% to 1,989 homes in 1999 from 1,874 homes in 1998. The Company's average selling price of homes closed in 1999 was $240,000, an increase of 11.1% from the $216,000 average selling price in 1998. The average selling price of a Newmark(R) home closed in 1999 was $239,000, an increase of 8.1% from the $221,000 average selling price in 1998. The Fedrick, Harris Estate Homes average selling price of homes closed in 1999 was $419,000, an increase of 3.5% from the $405,000 average selling price in 1998. In the South Florida market, Westbrooke and Adler's selling price of homes closed in 1999 was $186,000, an increase of 4.5% from the $178,000 average selling price in 1998. Also, revenues generated from sales of custom homes under Fedrick, Harris Estate Homes increased from $56 million in 1998 to $76 million in 1999, due primarily to increased unit sales in Houston, Austin and Nashville. In addition, revenue from land sales in 1999 increased to $14.6 million from $2.3 million in 1998.

Cost of sales increased by 21.2% to $411.0 million in 1999 from $339.1 million in 1998 primarily due to increased revenues from home closings as described above. Cost of land sales for 1999 increased to $12.1 million from $1.5 million in 1998. As a percentage of revenues, cost of sales for 1999 increased slightly to 83.6% from 83.5% in 1998

Equity in earnings from unconsolidated subsidiaries decreased slightly to $725,000 in 1999 from $812,000 in 1998. The earnings are attributed totally to Pacific Title and NHC Mortgage.

Selling, general and administrative (SG&A) expense increased by 13.8% to $49.6 million in 1999 from $43.6 million in 1998. This increase was caused by the expansion into the new markets of Nashville, Tennessee and Charlotte and Greensboro, North Carolina as well as the expansion in the Company's Texas and Florida markets as indicated by the 21% increase in the Company's revenues and the 32.5% increase in the Company's backlog in 1999 from 1998. As a percentage of revenues, SG&A expense decreased slightly to 10.1% in 1999 from 10.7% in 1998.

Interest expense, net of interest capitalized, totaled $1.8 million in 1999 compared to $1.9 million in the previous year. The Company follows a policy of capitalizing interest only on inventory under construction or development. During the years ended December 31, 1999 and 1998, the Company expensed a portion of interest incurred and other financing costs on those completed homes held in inventory. This expense decreased due to the decrease in the average number of completed homes held in inventory for the year ending December 31, 1999 compared to 1998. Capitalized interest and other financing costs are included in cost of sales at the time of home closings.

The Company's provision for income taxes decreased as a percentage of earnings before taxes to 35.8% for the year ended December 31, 1999, compared to 37.4% for fiscal 1998. The decrease was attributable to a state income tax benefit for Adler. The Company was included in the consolidated federal income tax return of Pacific USA Holdings Corp. ("PUSA"), the parent company of Pacific, through December 15, 1999. Under the former tax allocation agreement with PUSA, (the "PUSA Tax Allocation Agreement") the Company was required to both calculate its federal corporate income tax liability as if it filed a separate federal income tax return for each period and to pay PUSA the sum of which would result from such calculation if the Company were subject to federal corporate income tax and filed a separate tax return. The Company recognized federal income tax expense amounting to $9.7 million for the year ended December 31, 1999 compared to $7.6 million for fiscal 1998.

Effective December 16, 1999, the Company is included in the consolidated federal income tax return of TOUSA pursuant to a tax allocation agreement with TOUSA.

Net income increased by 35.9% to $17.4 million for the year ended December 31, 1999 from $12.8 million for the corresponding period in 1998. The increase was primarily attributable to the strong gains in revenues in the Company's most profitable markets.

SEASONALITY AND UNAUDITED QUARTERLY RESULTS

The homebuilding industry is seasonal, as generally there are more sales in the spring and summer months, resulting in more home closings in the fall. The Company operates in the Southwestern and Southeastern markets of the United States, where weather conditions are more suitable to a year-round construction process than other areas. The Company also believes its geographic dispersion to be somewhat counter-cyclical, with adverse economic conditions associated with certain of its markets often being offset by more favorable economic conditions in other areas. The seasonality of school terms has an impact on the Company's operations, but it is somewhat mitigated by the fact that many of the Company's buyers at the higher end of the Company's price range, including Fedrick, Harris Estate Homes, no longer have children in school. As a result of these factors, among others, the Company generally experiences more sales in the spring and summer months, and more closings in the summer and fall months. Likewise, Westbrooke has experienced seasonality in its revenues, generally completing more sales in the spring and summer months and more closings in the fourth quarter.

The following table presents selected unaudited quarterly operating data of the Company for each of the eight quarters through the period ended December 31, 2000. In the opinion of management, all necessary adjustments (consisting of normal recurring adjustments) have been included to present fairly the unaudited selected quarterly operating data. This data is not necessarily indicative of the results of the operations of the Company for any future period.

	QUARTER ENDED						
	DEC. 31, 2000	SEPT. 30, 2000	JUNE 30, 2000	MARCH 31, 2000	DEC. 31, 1999	SEPT. 30, 1999	JUNE 199
	(DOLLARS IN THOUSANDS)						
STATEMENT OF OPERATIONS DATA:							
Revenues	$192,836	$146,207	$164,491	$136,972	$141,757	$126,745	$130
Gross profit	32,184	26,580	28,644	23,298	23,264	22,794	20
Selling, general and administrative	18,033	16,358	16,764	13,565	12,804	13,566	12
Operating income	13,345	9,486	11,100	8,808	9,453	8,405	6
MARGIN ANALYSIS:							
Gross margin	16.7%	18.2%	17.4%	17.0%	16.4%	18.0%	
Selling, general and administrative	9.4%	11.2%	10.2%	9.9%	9.0%	10.7%	
Operating income	6.9%	6.5%	6.7%	6.4%	6.7%	6.6%	
OPERATING DATA:							
Homes closed (units)	764	539	633	563	583	501	
Average sales price of homes closed	$ 250	$ 268	$ 258	$ 240	$ 239	$ 247	$

The Company historically has experienced, and in the future expects to continue to experience, variability in revenues on a quarterly basis. Factors expected to contribute to the variability include, among others: (i) the timing of home closings; (ii) the Company's ability to continue to acquire land and options on acceptable terms; (iii) the timing of receipt of regulatory approvals for the construction of homes; (iv) the condition of the real estate market and general economic conditions; (v) the cyclical nature of the homebuilding industry; (vi) prevailing interest rates and the availability of mortgage financing; (vii) pricing policies of the Company's competitors; (viii) the timing of the opening of new residential projects; (ix) weather; and (x) the cost and availability of materials and labor. The Company's historical financial performance is not necessarily a meaningful indicator of future results and the Company expects its financial results to vary from project to project from quarter to quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financing needs depend primarily upon its sales volume, inventory levels, inventory turnover and land acquisitions. During the year ended December 31, 2000, cash provided by operations was $25.8 million resulting from the 25.6% increase in home closings from the previous year. For the years ended December 31, 1999 and 1998, the Company used cash in operations of $34.9 million and $19.3 million, respectively. The significant use of cash in operations of the Company has primarily been due to the increasing inventory levels maintained by the Company as the Company continues to expand its business. Historically, the Company has financed its operations primarily through its earnings, borrowings from financial institutions, and, prior to the Company's initial public offering on March 12, 1998, capital contributions and borrowings from Pacific, primarily for residential land development acquisitions.

On June 27, 2000, Newmark entered into a syndicated $150 million secured revolving credit facility with six banks which matures on June 27, 2003 with annual options for one-year extensions. This credit facility is being and will be used to finance the acquisition and development of residential subdivisions, the purchase of developed lots and the construction of homes in the Texas, Tennessee and North Carolina markets. On December 31, 2000, the Company had borrowings of $74.6 million outstanding under this facility.

The Company has financed in the past, and intends to continue to finance, its operations with cash from operations and borrowings under construction and lot development credit facilities. Generally, these credit agreements are with regional and national lenders. Each of the credit agreements relates to specific markets and provides for financing residential land and lot acquisition and construction. The agreements have restrictive covenants which, among other things, limit speculative home building, debt to tangible net worth ratios, dividends and set a minimum requirement for tangible net worth. The agreements have various maturity dates and bear interest at rates based on Libor and prime. At December 31, 2000, the Company had $28 million of available credit under its existing credit facilities. The Company plans to renew these facilities as they mature.

With the exception of the South Florida operation and to the extent possible, the Company utilizes lot options as a method of controlling its investments in land. At December 31, 2000, the Company had 2,343 lots under option. At December 31, 2000, the Company had no material capital commitments with respect to specific performance lot purchase contracts. In the Ft. Lauderdale, Palm Beach and Miami markets, the Company is limited in its ability to acquire finished lots under option contracts, a factor which requires the Company to make significant capital expenditures in order to maintain adequate lot inventory in this market.

At December 31, 2000 the Company had approximately $11.1 million outstanding under promissory notes incurred in connection with the acquisition of Westbrooke. The promissory notes are to be repaid in equal annual installments from 2001 through 2003.

The Company believes it will have adequate financial resources, including availability under its credit facilities, to meet its working capital and residential land acquisition and development plans under current market conditions. However, there can be no assurance that the amounts available from such sources will be sufficient. The Company's combined consolidated outstanding debt was approximately $139 million at December 31, 2000. Accordingly, the Company expects to incur interest charges on a consolidated basis at higher levels than it has in the past. In addition, if the Company identifies significant new acquisition opportunities outside of the Company's existing markets, or if the Company's operations do not generate sufficient cash from operations at levels currently anticipated, the Company may be required to seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financings or the issuance of debt or equity securities. There can be no assurance that the amounts available from such sources will be sufficient. The amount and types of indebtedness that the Company may incur are limited by the terms of its existing financing agreements. In addition, the incurrence of additional debt by the Company would increase its debt service and interest obligations, which could have an adverse effect on the Company's results of operations or financial condition. If the Company is not successful in obtaining sufficient capital to fund its planned expansion and other expenditures, new projects may be constrained. Any such delay or abandonment could result in a reduction in sales and may adversely affect the Company's future business and results of operations.

INFLATION

The Company, as well as the homebuilding industry in general, may be adversely affected during periods of high inflation, primarily because of higher land and construction costs. In addition, higher mortgage interest rates may significantly affect the affordability of permanent mortgage financing to prospective purchasers. The Company attempts to pass through to its customers any of its costs through increased sales prices. However, there is no assurance that inflation will not have a material adverse impact on the Company's future results of operations.

IMPACT OF NEW ACCOUNTING STANDARDS

Derivative and Hedging Activities - In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedge risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Historically, the Company has not entered into derivative contracts either to hedge existing risks or for speculative purposes. Accordingly, the Company does not expect adoption of the new standard on January 1, 2001 to affect its financial statements.

FASB Amendments and Clarifications - In February 1999, the FASB issued SFAS No. 135, Rescission of Financial Accounting Standards Board No. 75 ("SFAS 75") and Technical Corrections. SFAS 135 rescinds SFAS 75 and amends SFAS No. 35. SFAS 135 also amends other existing authoritative literature to make various technical statements issued for fiscal years ending after February 15, 1999. The Company believes that the adoption of SFAS 135 will not have a significant effect on its financial statements.

In December 1999, the SEC staff released Staff Account Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 provides interpretive guidance on the recognition, presentation and disclosure of revenue in the financial statements. SAB 101 must be applied to the financial statements no later than the fourth quarter of fiscal years ending after December 15, 2000. The Company adopted SAB 101 during the year ended December 31, 2000, and it had no impact on the Company's financial position or results of operations and cash flows.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44 ("FIN 44"), Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25. FIN 44 clarifies the application of APB No. 25 for (a) the definition of employee for purposes of applying

CHANGE IN CONTROL OF OWNERSHIP

The acquisition by TOUSA of the common stock of the Company held by Pacific represented 80% of the outstanding stock of the Company. This acquisition was accounted for as a purchase, and the purchase price was recorded on the Company's books. The excess of purchase price over the fair value of the assets acquired and the liabilities assumed approximated $46 million of which approximately $2.1 million was directly attributed to the change in control transaction.

In connection with the acquisition by TOUSA of the common stock previously owned by Pacific, the Company entered into a Services Agreement with PUSA to continue to provide certain centralized support services to the Company, including general advisory services, market expansion research services and administrative support services. This Service Agreement was terminated December 31, 2000. In addition, the 1998 Tandem Stock Option/Stock Appreciation Rights Plan and the options granted therein were terminated. There were no other incentive awards outstanding or exercisable in fiscal year 1999 or thereafter.

Pursuant to the stock purchase agreement entered into in connection with the acquisition of Westbrooke in January 1998, certain additional consideration, based on Westbrooke achieving specified income targets over a five-year period, became due and payable to the prior majority owner and certain key employees of Westbrooke upon a change of control. Westbrooke entered into an Amendment to Stock Purchase Agreement ("Amendment") with the prior owner and certain key employees of Westbrooke regarding the amount and timing of the additional consideration as well as the acquisition of certain partnership interests from the key employees. The amount of additional consideration recorded in the transaction as a result of the change in control to the prior majority owner was $4.6 million in the form of a promissory note. Additionally, the Amendment adjusted the level of additional consideration payable to the key employees from 6% to 7.5% of the net income before income taxes, all as defined and

described in the Amendment. The Company will record such payments as compensation expense in the periods in which they are earned. Subsequent to the fiscal year end, the Company, prior owner and certain key employees entered into the Second Amendment to Stock Purchase Agreement ("Second Amendment") regarding the amount and timing of certain of the payments to the prior owner and certain key employees of Westbrooke.

The PUSA Tax Allocation Agreement between PUSA and the Company was partially terminated whereby the Company would pay PUSA an amount equal to the federal income taxes that the Company would owe (or refund that it would receive) had it prepared its federal income tax return on a stand-alone basis. Certain terms remain in effect with respect to tax periods ending prior to the change in control.

For tax purposes, the Company elected to treat the change in control as a deemed taxable sale of assets resulting in a step-up in the tax basis of assets in accordance with Internal Revenue Code Section 338(h)(10). By electing Section 338(h)(10), the Company recognized taxable income of approximately $20 million, and $8 million of tax per the original tax sharing agreement, due to the difference in the financial statement basis and the tax basis of the assets immediately prior to the change in control. In terms of the purchase and sale agreement between PUSA and TOUSA, the tax sharing agreement was modified to exclude the gain and corresponding tax from this transaction from the calculation of the tax payments by the Company to PUSA. Accordingly, the Company recognized its income tax expense based on the taxable income generated from its operations.

As a result of the change of control transaction described above, certain adjustments were made to the Company's goodwill, acquisition notes payable and stockholders' equity accounts. As a result, the consolidated amounts of the Company after December 15, 1999 are presented on a new basis of accounting different from the financial statements of the Company prior to December 15, 1999.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk, which is the potential loss arising from adverse changes in market prices and rates. The Company does not enter into, or intend to enter into, derivative financial instruments for trading or speculative purposes. The Company's exposure to market risks is changes to interest rates related to the Company's construction loans. The interest rates relative to the Company's construction loans fluctuate with the prime and Libor lending rates, both upwards and downwards. (See Note 7 - "Construction Loans Payable" of the Notes to Consolidated Financial Statements.)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements are set forth in Item 14(a)(1) and (2), and are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information about the Company's directors is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than April 30, 2001 (120 days after the end of the Company's fiscal year). Information regarding the executive officers of the Company is included in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than April 30, 2001 (120 days after the end of the Company's fiscal year).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than April 30, 2001 (120 days after the end of the Company's fiscal year).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this item is incorporated by reference to the Company's definitive proxy statement, which will be filed with the

Securities and Exchange Commission not later than April 30, 2001 (120 days after the end of the Company's fiscal year).

PART IV

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

(a) Financial Statements and Financial Statement Schedules

1. Financial Statements:

Reports of independent certified public accountants.
Consolidated Statements of Financial Position as of December 31, 2000 and 1999.
Consolidated Statements of Operations for the year ended December 31, 2000 for the Period from December 16, 1999 to December 31, 1999; for the Period from January 1, 1999 to December 15, 1999; and for the Year Ended December 31,1998.
Consolidated Statements of Stockholders' for the year ended December 31, 2000 Equity for the Period from December 16, 1999 to December 31, 1999; for the Period from January 1, 1999 to December 15, 1999; and for the Year ended December 31, 1998.
Consolidated Statements of Cash Flows for the year ended December 31, 2000 for the Period from December 16, 1999 to December 31, 1999; for the Period from January 1, 1999 to December 15, 1999; and for the Year Ended December 31, 1998.
Notes to Consolidated Financial Statements.

2. Financial Statement Schedules:

Schedule I - Condensed Financial Information of Registrant Parent Company Only - Statements of Financial Position as of December 31, 2000 and 1999.
Condensed Financial Information of Registrant Parent Company Only - Statements of Operations for the year ended December 31, 2000 for the Period from December 16, 1999 to December 31, 1999; for the Period from January 1, 1999 to December 15, 1999; and for the Year Ended December 31, 1998.
Condensed Financial Information of Registrant Parent Company Only - Statements of Cash Flows for the year ended December 31, 2000 for the Period from December 16, 1999 to December 31, 1999; for the Period from January 1, 1999 to December 15, 1999; and for the Year Ended December 31,1998.
Schedule II - Valuation and Qualifying Accounts for the Years Ended December 31, 2000, 1999, and 1998.

3. Exhibits required to be filed by Item 601 of Regulation S-K:

EXHIBIT NUMBER	REF	EXHIBIT
2.1	(1)	Stock Purchase Agreement dated January 15, 1998 among

		James Carr, Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembroke Pines, Inc., Westbrooke at Oak Ridge Inc., Harold L. Eisenacher, Leonard R. Chernys, Diana Ibarria, The Westbrooke Partnership, Pacific USA Holdings Corp., Newmark Homes Corp., and Westbrooke Acquisition Corp.
2.1(b)	(4)	Amendment to Stock Purchase Agreement dated December 15, 1999 among James Carr, Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembroke Pines, Inc., Westbrooke at Oak Ridge, Inc., Harold L. Eisenacher, Leonard R. Chernys and Diana Ibarria, The Westbrooke Partnership, Pacific USA Holdings Corp., Newmark Homes Corp. and Westbrooke Acquisition Corp.
2.1(c)	(5)	Second Amendment to Stock Purchase Agreement dated January 15, 2001 among James Carr, Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembroke Pines, Inc., Westbrooke at Oak Ridge, Inc., Harold L. Eisenacher, Leonard R. Chernys and Dianna Ibarria, The Westbrooke Partnership, Newmark Homes Corp. and Westbrooke Acquisition Corp.
2.3	(2)	Stock Purchase Agreement dated November 24, 1999 between Pacific Realty Group, Inc., Pacific USA Holdings Corp., and Technical Olympic USA, Inc.
2.4	(6)	Agreement and Plan of Merger dated February 12, 2001 among Newmark Homes Corp., a Delaware corporation, and Newmark Homes Corp., a Nevada corporation.
3.1	(6)	Articles of Incorporation.
3.2	(6)	Bylaws.
10.1	(1)	Form of Tax Allocation Agreement between Pacific USA and various affiliates and subsidiaries, of Pacific USA, including the Registrant, dated April 28. 1992.
10.2	(1)	Form of Amendment to Tax Agreement.
10.3	(4)	Tax Indemnity and Allocation Agreement dated December 15, 1999 among Pacific USA Holdings Corp., Pacific Realty Group, Inc., Newmark Homes Corp. and Technical Olympic USA, Inc.
10.4	(1)	Employment Agreement between Newmark Homes Corp. and Terry White dated January 1, 1998.
10.5	(1)	Employment Agreement Between Newmark Homes Corp. and J. Eric Rome dated January 1, 1998.
10.6(a)	(4)	Second Amended and Restated Employment Agreement Between Westbrooke Communities, Inc. and James Carr dated December 15, 1999.
10.6(b)	(4)	Amended and Restated Non-Competition Agreement dated December 15, 1999 among Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston

		Trails, Inc., Westbrooke at Pembrook Pines, Inc., Westbrooke at Oak Ridge, Inc., The Westbrooke Partnership, Westbrooke Acquisition Corp. and James Carr.
10.7	(4)	Amended and Restated Employment Agreement between Newmark Home Corporation and J. Michael Beckett dated March 1, 2000.
10.8	(4)	Form of Tax Allocation Agreement between Technical Olympic USA, Inc. and various affiliates and subsidiaries, including Newmark Homes Corp. and its subsidiaries.
10.9	(3)	Credit Agreement among Newmark Homes, L.P. and Bank of America, N.A. as Administrative Agent, Swing Line Lender and Letter of Credit Issuing Lender and Other Financial Institutions Party Hereto dated June 27, 2000.
10.10	(3)	Guaranty Agreement among Newmark Homes Corp. and Newmark Homes Corporation in favor of Bank of America, N.A. and the Lenders under the Credit Agreement dated June 27, 2000.
10.11	(3)	Management Services Agreement between Newmark Homes Corp. and Techolym, L.P. dated June 1, 2000.
10.12	(3)	Amended and Restated Employment Agreement between Newmark Homes Corporation and Lonnie M. Fedrick dated May 12, 2000 effective January 1, 2000.

EXHIBIT NUMBER	REF	EXHIBIT
11.1	(5)	Statement relating to computation of per share earnings.
12.1	(5)	Statement relating to computation of ratios.
21.1	(5)	List of subsidiaries.

(1) Filed as part of the Registrant's Registration Statement on Form S-1, Amendment Number 3, filed with the Securities and Exchange Commission on March 5, 1998, File No. 333-42213 and incorporated herein by reference.

(2) Filed as Exhibit 2.1 of Registrant's Current Report on Form 8K dated December 22, 1999 and incorporated herein by reference.

(3) Filed as part of the Registrant's Current Report on Form 10-Q, filed with the Securities and Exchange Commission on August 10, 2000 and incorporated herein by reference.

(4) Filed as part of the Registrant's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 27, 2000, File No. 000-23677 and incorporated herein by reference.

(5) Filed herewith.

(6) Filed as part of the Registrant's Current Report on Form 8-K dated March 23, 2001 and incorporated herein by reference.

(b) Reports on Form 8-K

The Registrant filed a Current Report on Form 8-K dated November 22, 2000 reporting the Registrant being advised that TOUSA, the holder of shares representing 80% of the Registrant's outstanding common stock, has pledged those shares in support of a commercial loan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NEWMARK HOMES CORP.

March 27, 2001 Date	By: /s/ Lonnie M. Fedrick Name: Lonnie M. Fedrick Title: Chief Executive Officer (Principal Executive Officer)
March 27, 2001 Date	By: /s/ Terry C. White Name: Terry C. White Title: Senior Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

March 27, 2001 Date	By: /s/ Constantine Stengos Name: Constantine Stengos Title: Chairman of the Board of Directors and Director
March 27, 2001 Date	By: /s/ Andreas Stengos Name: Andreas Stengos Title: Director
March 27, 2001 Date	By: /s/ George Stengos Name: George Stengos

Title: Director

March 27, 2001	By: /s/ Yannis Delikanakis
Date	Name: Yannis Delikanakis
	Title: Director
March 27, 2001	By: /s/ William A. Hasler
Date	Name: William A. Hasler
	Title: Director
March 27, 2001	By: /s/ Larry D. Horner
Date	Name: Larry D. Horner
	Title: Director
March 27, 2001	By: /s/ Lonnie M. Fedrick
Date	Name: Lonnie M. Fedrick
	Title: Director
March 27, 2001	By: /s/ James M. Carr
Date	Name: James M. Carr
	Title: Director

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March 27, 2001	By: /s/ Michael Stevens
Date	Name: Michael Stevens
	Title: Director
March 27, 2001	By: /s/ Michael J. Poulos
Date	Name: Michael J. Poulos
	Title: Director

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NEWMARK HOMES CORP.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

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NEWMARK HOMES CORP.
AND SUBSIDIARIES

CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Newmark Homes Corp.:

We have audited the accompanying consolidated statement of financial position of Newmark Homes Corp. and subsidiaries (the "Successor Company"), a subsidiary of Technical Olympic USA, Inc., as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2000 and for the period from commencement of its operations on December 16, 1999 through December 31, 1999. We have also audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of Newmark Homes Corp. and subsidiaries (the "Predecessor Company" as described in Note 2 of the financial statements), a subsidiary of Pacific USA Holdings Corp., for the year ended December 31, 1998 and for the period from January 1, 1999 to December 15, 1999. We have also audited the schedules listed in the accompanying index. These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits. We did not audit the financial statements of Westbrooke Acquisition Corp. (a consolidated subsidiary) for the year ended December 31, 1998, which statements reflect total revenues constituting 29% of the related consolidated totals for that year. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Westbrooke Acquisition Corp., for the year ended December 31, 1998 is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

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In our opinion, the Successor Company's consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999 and the results of its operations and cash flows for the year ended December 31, 2000 and the period from commencement of its operations on December 16, 1999 through December 31, 1999, in conformity with generally accepted accounting principles. Further in our opinion, based on our audit and the report of the other auditors, the Predecessor Company's consolidated financial statements, referred to above, present fairly, in all material respects, the results of operations and cash flows of the Predecessor Company for the year ended December 31, 1998, and for the period from January 1, 1999 to December 15, 1999, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the financial statements, Technical Olympic USA, Inc. acquired an 80% interest in the Predecessor Company on December 15, 1999, in a business combination accounted for as a purchase. As a result, the consolidated financial statements of the Successor Company are presented on a new basis of accounting different from the financial statements of the Predecessor Company and, therefore, are not comparable.

Also, in our opinion, the schedules present fairly, in all material respects, the information set forth herein.

/s/ BDO SEIDMAN, LLP

Los Angeles, California
January 31, 2001

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

December 31,	2000	1999
ASSETS		

CASH	$ 4,774	$ 8,080
RECEIVABLES		
Title companies	10,487	3,909
Other	4,291	5,297
Total receivables	14,778	9,206
INVENTORIES (Note 5 and 7)		
Single family residences	169,298	191,883
Lots and land held for development	77,567	63,693
Total inventories	246,865	255,576
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES (Note 6)	2,205	640
PROPERTY, PREMISES AND EQUIPMENT, net of accumulated depreciation of $4,728 and $3,503 in 2000 and 1999, respectively	5,884	5,946
DEFERRED TAX ASSET, net (Note 9)	515	155
OTHER ASSETS (Note 5)	3,769	3,637
GOODWILL, net of accumulated amortization of $1,594 and $67 in 2000 and 1999, respectively (Note 2, 4 and 9)	45,354	45,652
Total assets	$ 324,144	$ 328,892

See accompanying notes to consolidated financial statements.

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	2000	1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
CONSTRUCTION LOANS PAYABLE (Note 7)	$ 127,546	$ 149,380
ACQUISITION NOTES PAYABLE (Note 2 and 4)	11,055	14,473
PAYABLES TO AFFILIATES (Note 9)	13	--

INCOME TAX PAYABLE	687	1,745
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (Note 3)	33,837	36,639
CUSTOMER DEPOSITS (Note 10)	11,607	13,586
OTHER LIABILITIES	4,090	3,451
Total liabilities	188,835	219,274
COMMITMENTS AND CONTINGENCIES (Note 4, 7 and 10)		
STOCKHOLDERS' EQUITY (Note 7)		
Common stock - $.01 par value; 30,000,000 shares authorized and 11,500,000 shares issued and outstanding	115	115
Additional paid-in capital	106,855	106,855
Retained earnings	28,339	2,648
Total stockholders' equity	135,309	109,618
Total liabilities and stockholders' equity	$ 324,144	$ 328,892

See accompanying notes to consolidated financial statements.

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM DECEMBER 16, 1999 TO DECEMBER 31, 1999 (SUCCESSOR)	Pe J De (P
REVENUES	$ 640,506	$ 44,252	$
COST OF SALES (Note 5)	529,800	37,047	
GROSS PROFIT	110,706	7,205	

Equity in earnings from unconsolidated subsidiaries (Note 6)	769	39	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(64,720)	(2,721)	
DEPRECIATION AND AMORTIZATION	(4,016)	(277)	
OPERATING INCOME	42,739	4,246	
OTHER INCOME (EXPENSE):			
Interest expense (Note 5)	(3,282)	(124)	
Other income, net	1,086	25	
INCOME BEFORE INCOME TAXES	40,543	4,147	
INCOME TAXES (Note 9)	14,852	1,499	
NET INCOME	$ 25,691	$ 2,648	$
EARNINGS PER COMMON SHARE:			
Basic	$ 2.23	$ .23	$
Diluted	2.23	.23	
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK EQUIVALENTS OUTSTANDING:			
Basic	11,500,000	11,500,000	
Diluted	11,500,000	11,500,000	

See accompanying notes to consolidated financial statements.

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
PREDECESSOR COMPANY				
BALANCE, January 1, 1997	$ 92	$ 42,415	$ 1,422	$ 43,

Capital contribution	--	9,917	--	9,
Dividends paid	--	(167)	(4,643)	(4,
Net income	--	--	6,655	6,
BALANCE, December 31, 1997	92	52,165	3,434	55,
Initial public offering of common stock, net of issuance costs of $2,554	20	18,426	--	18,
Issuance of common stock due to the exercise of underwriters over-allotment option, net of issuance costs of $271	3	2,876	--	2,
Capital contribution	--	301	--	
Net income	--	--	12,795	12,
BALANCE, December 31, 1998	115	73,768	16,229	90,
Net income for period January 1 to December 15, 1999	--	--	14,737	14,
BALANCE, December 15, 1999	115	73,768	30,966	104,
SUCCESSOR COMPANY				
BALANCE, December 15, 1999	115	73,768	30,966	104,
Convert retained earnings to additional paid-in capital (Note 2)	--	30,966	(30,966)	
New goodwill directly resulting from change in control (Note 2)	--	2,121	--	2,
Net income for period December 16 to December 31, 1999	--	--	2,648	2,
BALANCE, December 31, 1999	115	106,855	2,648	109,
Net income	--	--	25,691	25,
BALANCE, December 31, 2000	$ 115	$ 106,855	$ 28,339	$ 135,

See accompanying notes to consolidated financial statements.

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

PERIOD FROM

	YEAR ENDED DECEMBER 31, 2000	DECEMBER 16, 1999 TO DECEMBER 31, 1999
		(SUCCESSOR)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 25,691	$ 2,648
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,016	277
Net (gain) loss on sale of property, premises and equipment	(24)	--
Equity in earnings from unconsolidated subsidiaries	(769)	(39)
Deferred tax (benefit) expense	(360)	22
Changes in operating assets and liabilities net of effects from purchase of Westbrooke Communities, Inc.:		
Inventory and land held for development, net	8,711	(2,908)
Receivables - title companies	(6,578)	50
Receivables - affiliates and other	1,005	(143)
Other assets	(715)	(84)
Payable to affiliates	(349)	--
Accounts payable and accrued liabilities	(2,802)	571
Other liabilities	(1,340)	265
Income tax payable	(696)	1,383
Net cash provided by (used in) operating activities	25,790	2,042
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, premises and equipment	(2,070)	--
Proceeds from sales of property, premises and equipment	252	--
Purchase of Westbrooke, net of cash acquired	--	--
Increase in goodwill	(1,230)	--
Investment in unconsolidated subsidiaries	(1,249)	--
Distributions from unconsolidated subsidiaries	453	--
Net cash provided by (used in) investing activities	(3,844)	--

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

PERIOD FROM P
DECEMBER 16,

	YEAR ENDED DECEMBER 31, 2000	1999 TO DECEMBER 31, 1999	D
		(SUCCESSOR)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from initial public offering of common stock	--	--	
Net proceeds from underwriters over-allotment option	--	--	
Capital contributions received	--	--	
Proceeds from advances on construction loans payable	307,718	12,860	
Principal payments on construction loans payable	(329,552)	(12,902)	
Principal payments on acquisition notes payable	(3,418)	--	
Net cash provided by (used in) financing activities	(25,252)	(42)	
INCREASE (DECREASE) IN CASH	(3,306)	2,000	
CASH, beginning of period	8,080	6,080	
CASH, end of period	$ 4,774	$ 8,080	$
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for:			
Interest	$ 15,592	$ 541	$
Income taxes	$ 15,802	$ --	$

See accompanying Notes 2, 3, and 4 for supplemental disclosure of noncash investing and financing activities.

See accompanying notes to consolidated financial statements.

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1. ORGANIZATION

Newmark Homes Corp. (NHC or the Company) is an 80% owned subsidiary of Technical Olympic USA, Inc. (TOUSA) as of December 15, 1999. NHC was formed in December 1994 to serve as a real estate holding company.

NHC's primary subsidiaries are as follows:

SUBSIDIARY	N
Newmark Home Corporation (Newmark)	Single-family residen Tennessee and Nor
Westbrooke Communities, Inc. (Westbrooke)	Single-family residen lot developer in

The Adler Companies, Inc. (Adler)	Single-family residen in 1990.
Pacific United Development Corporation	Residential lot devel Tennessee-formed (PU

2. CHANGE IN CONTROL

On December 15, 1999, TOUSA purchased 9,200,000 shares of the Company's Common Stock for $86 million in cash. The shares sold in this transaction represent 80% of the Company's outstanding Common Stock. TOUSA purchased the shares from Pacific Realty Group, Inc. (PRG), a Nevada corporation, which is a wholly-owned subsidiary of Pacific USA Holdings Corp. (PUSA), a Texas corporation and an indirect subsidiary of Pacific Electric Wire & Cable, Ltd.

TOUSA, a Delaware corporation, is a wholly-owned subsidiary of Technical Olympic (UK) PLC, an English company, which is a wholly-owned subsidiary of Technical Olympic S.A., a Greek company.

2. CHANGE IN CONTROL (CONTINUED)

This acquisition by TOUSA is accounted for as a purchase, and the purchase price is recorded on the Company's books. The excess of purchase price over the fair value of the assets acquired and the liabilities assumed approximates $46 million, of which approximately $2.1 million is directly attributed to the cost of the transaction of change in control.

In connection with the acquisition by TOUSA of the Common Stock, the Company entered into a Services Agreement with PUSA to provide certain centralized support services to the Company, including general advisory services, market expansion research services and administrative support services. This Services Agreement was terminated December 31, 2000.

The 1998 Tandem Stock Option/Stock Appreciation Rights Plan was terminated, as follows: The Company exercised its right to terminate the options upon a change of control and to pay the spread between the exercise price and the closing price of the Common Stock on the date of the change of control, December 15, 1999. There was no spread, and the options expired and terminated on December 15, 1999. There were no other incentive awards outstanding or exercisable in fiscal year 1999 (see Note 12).

Pursuant to the stock purchase agreement entered into in connection with the acquisition of Westbrooke in 1998 (see Note 4), certain additional consideration dependent upon Westbrooke achieving specified income targets over a five year period became due and payable to the prior majority owner and key employees of Westbrooke upon a change of control. Westbrooke entered into an Amendment to Stock Purchase Agreement (Amendment) with the prior owner and key employees of Westbrooke regarding the amount and timing of the additional consideration as well as the acquisition of certain partnership interests from the key employees. The amount of additional consideration recorded in the transaction as a result of the change in control to the prior majority owner was $4.6 million in the form

2. CHANGE IN CONTROL (CONTINUED)

of a promissory note. Additionally, the Amendment adjusted the level of additional consideration payable to the key employees from 6% to 7.5% of the net income before income taxes, all as defined in the Amendment.

A former Tax Allocation Agreement (the Former Tax Sharing Agreement) between PUSA and the Company was partially terminated whereby the Company would pay PUSA an amount equal to the federal income taxes that the Company would owe (or refund that it would receive) had it prepared its federal income tax return on a stand-alone basis (see Note 10).

For tax purposes, the Company elected to treat the change in control as a deemed taxable sale of assets resulting in a step-up in the tax basis of assets in accordance with Internal Revenue Code Section 338(h)(10). By electing Section 338(h)(10), the Company recognized taxable income of approximately $20 million, and $8 million of tax per the original tax sharing agreement, due to the difference in the financial statement basis and the tax basis of the assets immediately prior to the change in control. In terms of the purchase and sale agreement between PUSA and TOUSA, the Former Tax Sharing Agreement was modified to exclude the gain and corresponding tax from this transaction from the calculation of the tax payments by the Company to PUSA. Accordingly, the Company recognized its income tax expense based on the taxable income generated from its operations.

As a result, the consolidated amounts of the Successor Company are presented on a new basis of accounting different from the financial statements of the Predecessor Company and, therefore, are not comparable.

2. CHANGE IN CONTROL (CONTINUED)

The following table represents the operating results of the Company on a full year basis for the year ended December 31, 1999 (in thousands, except per share data).

	Amount
Revenues	$ 49
Cost of sales	41
Gross profit	8
Equity in earnings from unconsolidated subsidiaries	
Selling, general and administrative expenses	(4
Depreciation and amortization	(
Operating income	2
Other income (expense):	
Interest expense	(
Other income, net	
Income before income taxes	2
Income taxes	
Net income	$ 1
Net income per common share	$

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to generally accepted accounting principles and general practices within the homebuilding industry. The following summarizes the more significant of these policies.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of NHC and its subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS

Statement of Financial Accounting Standards (SFAS) No. 121 addresses the accounting for the impairment of long-lived assets, certain identifiable intangibles and goodwill when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on undiscounted future cash flows.

CONCENTRATION OF CREDIT RISK

The Company conducts business primarily in Texas, Florida, Tennessee, and North Carolina. Accordingly, the market value of the Company's inventory is susceptible to changes in market conditions that may occur in Texas, Florida, Tennessee, and North Carolina.

The Company has accounts with various financial institutions, which are insured by the FDIC. Amounts exceeding the FDIC insured amounts are $2.8 million at December 31, 2000.

RECEIVABLES FROM TITLE COMPANIES

Receivables from title companies consist of sales proceeds due for homes sold and closed, less amounts withheld by the title companies for disbursements to third parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY

Single family residences and lots and land held for development are recorded at the lower of cost or estimated net realizable value. Net realizable value is defined as the estimated proceeds upon disposition, less applicable future costs to complete and sell. Construction costs are accumulated during the period of construction. The Company utilizes the specific identification method of charging construction costs to cost of sales as units are sold. Common construction project costs are allocated to each individual home in the various subdivisions based upon the total number of homes to be constructed in each subdivision community.

Interest cost and overhead related to construction activities, primarily salaries and benefits of supervisors and supporting staff, are capitalized as construction costs during the construction period and charged to cost of sales as the related inventories are sold. Selling, general and administrative costs are expensed at the time they are incurred.

PROPERTY, PREMISES AND EQUIPMENT

Property, premises and equipment, consisting primarily of office premises, transportation equipment, office furniture and fixtures, and model home furniture, are carried at cost net of accumulated depreciation. Office premises and transportation equipment are depreciated using the straight-line method over thirty years and five years, respectively. Furniture and fixtures and model home furniture are depreciated over estimated useful lives of three to seven years using the declining balance method switching to the straight-line method in the year that depreciation, computed on the straight-line method, equals or exceeds that determined under the declining-balance method.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PURCHASE OPTIONS

The Company enters into lot option contracts and contracts to purchase land for lot development. When the Company does not exercise an option, its liability is limited to the forfeiture of the related deposit (Note 5). Consequently, the Company's policy is to record the lots or land and the related liabilities at the time such are purchased and legal title has passed.

GOODWILL

At December 16, 1999, goodwill of approximately $46 million represents the combination of the goodwill resulting from the change in control transaction and the goodwill attributed to the 20% minority interest immediately prior to the change in control transaction. Starting from December 16, 1999, goodwill is amortized on a straight-line basis over thirty years. For the year ended December 31, 2000, a charge of $1,500,000 related to an earn out provision in the stock purchase agreement was recorded to goodwill as an adjustment to the purchase price. Periodically, the Company evaluates goodwill for impairment by determining whether the amortization of the balance over its remaining life can be recovered through future undiscounted cash flows of the Company.

REVENUE RECOGNITION

Revenue is recognized at the time of the closing of the sale, when title to and possession of the property transfers to the buyer.

ADVERTISING COSTS

As incurred, the Company expenses advertising costs, consisting primarily of newspaper and trade publications, signage and the cost of maintaining an internet web-site. Advertising expense included in selling, general and administrative expenses for the years ended December 31, 2000, 1999 and 1998 was approximately $8.3 million, $7.6 million and $6.7 million, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ON THE COSTS OF START-UP ACTIVITIES

Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5), issued by the American Institute of Certified Accountants, is effective for years after December 15, 1998. Early adoption is permitted. SOP 98-5 requires that costs of start-up activities be expensed as incurred. The Company adopted SOP 98-5 on January 1, 1999 and $259,000 of start-up costs were expensed during the period from January 1 to December 15, 1999.

INCOME TAXES

The Company was included in the consolidated federal income tax return of PUSA through December 15, 1999. Under the Former Tax Sharing Agreement with PUSA, the Company was required to calculate its federal income tax on a separate company basis and pay to PUSA the amount of the liability. When applicable, the Company was entitled to receive payments from PUSA. Such payment was only applicable to the extent the benefits calculated could be utilized to offset prior separate company income through carryback or, if carried forward, at the time such benefits were utilized to offset separate company income.

Effective December 16, 1999, the Company is included in the consolidated federal income tax return with TOUSA pursuant to a revised Tax Allocation Agreement between the Company and TOUSA.

As a result of this revised Tax Allocation Agreement, income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER SHARE

The Company presents earnings per share data in accordance with the Provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS No. 128). Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share is computed based on the weighted average number of shares of common stock and dilutive securities outstanding during the period. Dilutive securities are options that are freely exercisable into common stock at less than market exercise prices. Dilutive securities are not included in the weighted average number of shares when inclusion would increase the earnings per share or decrease the loss per share.

The following tables reconcile the computation of basic and diluted EPS for the years ended December 31, 2000, 1999 and 1998.

	YEAR ENDED DECEMBER 31 2000	Period from December 16, 1999 to December 31, 1999	Period from January 1, 1999 to December 15, 1999
INCOME AVAILABLE TO COMMON SHAREHOLDERS (Numerator)	$ 25,691,000	$ 2,648,000	$ 14,737,000
WEIGHTED AVERAGE OF SHARES OUTSTANDING (Denominator)	11,500,000	11,500,000	11,500,000
BASIC AND DILUTED EPS	$ 2.23	$ .23	$ 1.28

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires companies to disclose the estimated fair value of their financial instrument assets and liabilities. Fair value estimates are made at a specific point in time, based upon relevant market information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. The carrying values of cash, other receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term nature. The carrying value of construction loans and notes payable approximates its fair value as substantially all of the debt has a fluctuating interest rate based upon a current market index. The carrying amount of the acquisition notes payable approximate their fair value.

RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standard No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," issued by the Financial Accounting Standards Board is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company does not expect adoption to have any effect on its financial position, results of operations and cash flows.

RECLASSIFICATION

Certain reclassifications have been made to conform the prior year's amounts to the current year's presentation.

4. ACQUISITIONS

WESTBROOKE ACQUISITION

Effective January 1, 1998, the Company, through its wholly-owned subsidiary Westbrooke Acquisition Corp., acquired all of the outstanding stock of Westbrooke Communities, Inc. and its affiliated entities, a single-family home builder in South

Florida. The initial purchase price for Westbrooke was $18.9 million in the form of three promissory notes. A note of $6.6 million bearing an interest rate of 9%, was paid in full in December 1998. The remaining notes are payable in annual installments of $2.4 million beginning in January 1999. The Company made its first installment of $2.4 million in 1999. The remaining notes totaling $9.9 million bear interest at 6.45% payable annually. As indicated in Note 2, additional consideration paid as a result of the change of control resulted in an additional $4.6 million promissory note. During 2000, the Company made further payments on acquisition loans of $3.4 million. The total acquisition notes payable outstanding to Westbrooke's prior majority owner at December 31, 2000 was $11 million (Note 2).

In January 1998, the Company agreed to continue to pay additional consideration to certain of the prior owners of Westbrooke equal to 6% of net income before income taxes, as defined in the amendment to the Stock Purchase Agreement. (As discussed in Note 2, the Company modified the 6% additional consideration amount to 7.5%.).

The 1998 acquisition was accounted for using the purchase method and, accordingly, the operating results of Westbrooke were included in the Company's consolidated operating results since the effective date of the acquisition.

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4. ACQUISITIONS (CONTINUED)

As of January 1, 1998, the fair values of assets acquired and liabilities assumed, exclusive of cash acquired of $3,618,000 were as follows (in thousands):

	Amount
Inventory	$ 40,759
Receivables	1,540
Property and equipment	1,980
Other assets	2,216
Goodwill	10,159
Construction loans payable	(22,308)
Acquisition notes payable	(28,922)
Other liabilities	(9,042)
	$ (3,618)

Additional acquisition costs of $1.3 million were incurred by the Company and recorded as goodwill.

5. INVENTORY

The inventory of single family residences as of December 31, 2000 and 1999 consists of the following:

	Number of Homes		Carrying value	
	December 31,		December 31,	
	2000	1999	2000	1999
	(In thousands)			
Completed	178	137	$ 42,624	$ 29,
Under construction	824	1,038	107,959	142,
Models	73	80	18,715	19,
	1,075	1,255	$ 169,298	$ 191,

5. INVENTORY (CONTINUED)

A summary of interest capitalized in inventory is as follows (in thousands):

Years ended December 31,	2000	1999	199
Interest capitalized, beginning of period	$ 6,266	$ 5,516	$ 2,
Capitalized interest acquired in purchase of Westbrooke	--	--	2,
Interest incurred	15,730	12,859	11,
Less interest included in:			
Cost of sales	11,797	10,264	8,
Interest expense	3,282	1,845	1,
Interest capitalized, end of period	$ 6,917	$ 6,266	$ 5,

In the ordinary course of business, the Company enters into contracts to purchase lots and land held for lot development. At December 31, 2000 and 1999, the Company had nonrefundable deposits aggregating $1.8 million and $1.5 million, respectively, included in other assets in the accompanying consolidated statements of financial position, for lots and land with a related purchase price of approximately $98.2 million and $56.6 million, respectively. The Company's liability for nonperformance under such contracts is limited to forfeiture of the related deposits.

6. INVESTMENT IN

Included in the investments in unconsolidated

UNCONSOLIDATED SUBSIDIARIES

subsidiaries is an acquired 49% interest in Pacific Title L.L.C., a title agency, for $24,000 and a 50% interest in NHC Mortgage, a mortgage finance company, for $81,000. During 1998, the Company acquired a 25% interest in Spicewood at Bull Creek, a land development company, for $250,000. In 1999, the Company acquired a 37.5% interest in Scofield Farms, a land development company, for $300,000. During 2000, the Company made an investment in Spring Park Village, L.P., also a land development company, for $1.1 million. The Company does not have control of these entities and therefore has accounted for its interests using the equity method. The operations are immaterial to the consolidated financial statements.

7. CONSTRUCTION LOANS PAYABLE

On June 27, 2000, the Company entered into a syndicated $150 million secured revolving credit facility with six banks which matures on June 27, 2003 with annual options for one year extensions. This credit facility has been used to finance the acquisition and development of residential subdivisions, the purchase of developed lots and the construction of homes in the Texas, Tennessee and North Carolina markets.

Construction loans payable consist of the following at December 31, 2000 and 1999 (in thousands):

	2000	1
Construction and lot loans with financial institutions, collateralized by lots and single family residences completed or under construction, bearing interest at LIBOR plus 205 basis points to prime rate (8.69% to 9.5% at December 31, 2000), maturing upon completion and sale of the homes as defined in the loan agreement	$ 97,132	$1
Development and land acquisition loans with financial institutions, collateralized by deeds of trust on property, with maturing dates ranging from July 2000 through November 2003, bearing interest at LIBOR plus 205 basis points to prime plus 1.5% (8.69% to 11.0% at December 31, 2000)	29,784	
Promissory note with a bank, collateralized by property, bearing interest at 7.45%, payable monthly, maturing in March, 2008	630	
	$127,546	$1

7. CONSTRUCTION LOANS PAYABLE (CONTINUED)

Maturities on construction loans payable at December 31, 2000 are as follows (in thousands):

December 31,		Amount
2001	$	126,991
2002		75
2003		81
2004		87
2005		93
Thereafter		219
Total	$	127,546

Construction and lot loans are generally repaid as sales of individual homes are closed and therefore are considered current at December 31, 2000. At December 31, 2000, the Company had lines of credit commitments for construction loans totaling approximately $253.3 million, of which $28.5 million was available to draw down.

Certain of the Company's lenders require, among other things, that the Company maintain minimum tangible net worth levels and debt to tangible net worth ratios. At December 31, 2000, the Company was in compliance with such requirements. Certain debt agreements of NHC's subsidiaries restrict the subsidiaries' ability to pay dividends or advance funds to NHC to the extent that the payment would put the subsidiary in violation of debt covenants.

8. RELATED PARTY TRANSACTIONS

While a subsidiary of PUSA, the Company purchased insurance policies from an affiliated insurance broker. The affiliated entity earned commissions of $155,000 and $152,000 in 1999 and 1998, respectively, with respect to such policies. From January 1, 2000 to December 15, 2000 the Company continued to utilize the services of the PUSA affiliate. As of December 15, 2000 the Company purchased insurance under the TOUSA umbrella policy. As a result, the Company currently makes payments directly to an unaffiliated broker. Also, while a subsidiary of PUSA, the Company purchased demographic and economic research information through an affiliate for $57,000 in 1999 (See Note 2).

During 2000, the Company entered into a purchasing agreement with its parent, Technical Olympic S.A. The agreement provided that Technical Olympic S.A. would purchase certain of the materials and supplies necessary for operations and sell them to the Newmark entities, all in an effort to consolidate the purchasing function. Although Technical Olympic S.A. would incur certain franchise tax expense, Newmark and its subsidiaries would not be required to pay such additional purchasing liability. Technical Olympic S.A. purchased $50,969,000 of materials and supplies on behalf of Newmark or its subsidiaries for the year ended December 31, 2000.

9. INCOME TAXES

Components of income tax expense (benefit) consist of (in thousands):

Years ended December 31,	2000	1999	1998
Current:			
Federal	$ 14,247	$ 9,984	$ 7,183
State	965	57	320
	15,212	10,041	7,503
Deferred:			
Federal	(360)	(340)	134
State	--	--	--
	(360)	(340)	134
	$ 14,852	$ 9,701	$ 7,637

9. INCOME TAXES (CONTINUED)

The difference between total reported income taxes and expected income tax expense computed using the federal statutory income tax rate of 35% for 2000, 1999 and 1998 is reconciled as follows (in thousands):

Years ended December 31,	2000	1999	1
Computed "expected" tax expense	$ 14,190	$ 9,481	$
Non-deductible goodwill amortization	--	208	
State taxes, net of federal benefit	627	38	
Other	35	(26)	
Income taxes	$ 14,852	$ 9,701	$

Significant temporary differences that give rise to the deferred tax assets and liabilities are as follows (in thousands):

December 31,	2000	1999
Deferred tax assets:		
Warranty/advertising reserve	$ 366	$ --
Property, premises and equipment, principally due to differences in depreciation	28	
Capitalized interest	350	--
Amortizable intangibles	--	155
Other	160	--
Total gross deferred tax assets	904	155
Deferred tax liabilities:		
Amortizable intangibles	(381)	--
Partnership investment	(8)	--
Total gross deferred tax liabilities	(389)	--
Net deferred tax asset	$ 515	$ 155

9. INCOME TAXES (CONTINUED)

Management of the Company believes that it is more likely than not that the gross deferred tax assets will be realized or settled due to the Company's ability to generate taxable income exclusive of reversing timing differences. Accordingly, no valuation allowance was established at December 31, 2000 and 1999.

Included in income tax payable is $637,000 payble to TOUSA at December 31, 2000 and $362,000 and $1,383,000 payable to PUSA and TOUSA, respectively at December 31, 1999 under the terms of the tax sharing agreements. Payments of $15.3 million were made to TOUSA for federal income taxes during 2000 and $10.7 million and $7.4 million, respectively, to PUSA for federal income taxes during 1999 and 1998, under the aforementioned agreements.

The Internal Revenue Code Section 338(h)(10) election discussed in Note 2 resulted in the creation of amortizable goodwill for tax purposes in excess of amortizable goodwill for financial statement purposes. Accordingly, the Company recognized a new deferred tax asset of approximately $177,000 at December 16, 1999. From December 16, 1999, the goodwill reflected in the financial statements of approximately $46 million will be amortized on a straight-line basis over a period of thirty years; whereas, the goodwill for tax purposes of approximately $46.5 million will be amortized on a straight-line basis over a period of fifteen years.

10. COMMITMENTS AND CONTINGENCIES

The Company leases office premises and equipment under noncancellable operating leases. Future minimum payments under these noncancellable operating leases for the fiscal years ending on December 31 are as follows (in thousands):

December 31,	Amount
2001	$ 550
2002	511
2003	428
2004	278
2005	165
	$ 1,932

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Rental expense for the year ended December 31, 2000, 1999 and 1998 aggregated, $662,000, $425,000 and $327,000, respectively.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position.

The Company provides homebuyers with a limited warranty of workmanship and materials from the date of sale for up to two years. The Company generally has recourse against its subcontractors for claims relating to workmanship and materials. The Company also provides a ten-year homeowner's warranty through a single national contract with a third party. This warranty generally covers major structural defects. Estimated warranty costs are recorded at the time of sale. Total warranty expense for the year ended December 31, 2000, 1999 and 1998 was $4.2 million, $3.2 million and $2.1 million, respectively. As of December 31, 2000 and

1999, the liability accrued by the Company for warranty costs was $2.5 million and $1.2 million, respectively, and was included in other liabilities.

The Company has secured letter of credit facilities which are used to issue letters of credit which guarantee Westbrooke's performance of certain development and construction obligations. At December 31, 2000, letters of credit aggregating $2.9 million were outstanding under this facility. No additional amounts are available under this facility.

11. EMPLOYEE BENEFIT PLAN

The Company has a 401 (k) Profit Sharing Plan (the Plan). Under the terms of the Plan, the Company matches 50% of employee's voluntary contributions up to a maximum of 6% of each participant's earnings. The Company's matching contributions to the Plan for the year ended December 31, 2000, 1999 and 1998 were $681,000, $299,000 and $446,000, respectively. Effective December 16, 1999, this plan is being sponsored by TOUSA.

12. STOCK OPTIONS

Effective December 15, 1999, as part of the change in control, all Tandem Stock Option/Stock Appreciation Rights were terminated. As of December 31, 2000, the Company has not granted any additional options (See Note 2).

During the year ended December 31, 1998, Tandem Stock Option / Stock Appreciation Rights to acquire 682,000 shares at an exercise price of $10.50 with market prices ranging from $7.00 to $11.13 in the year, were granted to certain officers and employees of the Company under the Company's stock option plan. During this same period, no options were exercised. During the period from January 1, 1999 to December 15, 1999, no options were exercised.

The Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

FASB Statement 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in FASB Statement 123. The Company estimates the fair value of each stock option, using the Black Scholes method, at the weighted-average assumption used for grants in fiscal 1998 dividend yield of zero percent; expected volatility of 21.5%; risk free interest rate of 6%; and expected life of 10 years.

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13. QUARTERLY RESULTS (UNAUDITED)

Quarterly results for the years ended December 31, 2000 and 1999 are reflected below (in thousands, except per share amounts):

	FOURTH		THIRD	
2000				
Revenue	$	192,836	$	146,207	$
Operating income	$	13,345	$	9,486	$
Net income	$	8,133	$	5,655	$
Basic earnings per share	$	.71	$	.49	$
Diluted earnings per share	$	.71	$	.49	$
1999					
Revenue	$	141,757	$	126,745	$
Operating income	$	9,453	$	8,405	$
Net income	$	5,869	$	5,330	$
Basic earnings per share	$	.51	$	.46	$
Diluted earnings per share	$	.51	$	.46	$

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with the per share amounts for the year.

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SCHEDULE I

NEWMARK HOMES CORP. AND SUBSIDIARIES

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2000 AND 1999

(DOLLARS IN THOUSANDS)

	2000
Cash and short-term investments	$ 1
Investments in and equity in net assets of subsidiaries	96,2
Goodwill	45,3
Other assets	6
Total assets	$142,3

LIABILITIES AND STOCKHOLDERS' EQUITY

Acquisition notes payable	$ 6,6
Other liabilities	4
Total liabilities	7,0
Stockholders' Equity:	
Common stock	1
Additional paid in capital	106,8
Retained earnings	28,3
Total Stockholders' Equity	135,3
Total Liabilities and Stockholders' Equity	$142,3

PARENT COMPANY ONLY STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM DECEMBER 16, 1999 TO DECEMBER 31, 1999	PERIOD FROM JANUARY 1, 1999 TO DECEMBER 15, 1999	YEAR ENDED DECEMBER 31, 1998
Equity in earnings of subsidiaries (net of taxes)	$ 28,846	$ 2,730	$ 15,183	$ 13,091
Other expenses	3,155	82	446	296
Net income	$ 25,691	$ 2,648	$ 14,737	$ 12,795

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NEWMARK HOMES CORP. AND SUBSIDIARIES

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2000	PERIOD FROM DECEMBER 16, 1999 TO DECEMBER 31, 1999	P
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 25,691	$ 2,648	
Adjustments to reconcile net income to cash from operating activities:			
Change in other assets	(180)	(6)	
Change in other liabilities	(707)	16	
Equity in undistributed earnings of subsidiaries	(28,846)	(2,730)	
Net cash provided by (used in) operating activities	(4,042)	(72)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Dividends from subsidiaries	8,583	--	
Capital contributions to subsidiaries	(4,567)	--	
Net cash provided by (used in) investing activities	4,016	--	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on acquisition loan	(950)	--	
Net proceeds from initial public offering of common stock	--	--	
Net proceeds from underwriters over-allotment option	--	--	
Capital contributions from parent	--	--	
Dividends paid to parent	--	--	
Net cash provided by (used in) financing activities	(950)	--	
Net change in cash and short-term investments	(976)	72	
Cash at the beginning of the period	1,096	1,024	
Cash at the end of the period	$ 120	$ 1,096	

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SCHEDULE II

NEWMARK HOMES CORP. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS (WARRANTY RESERVES)

YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

(DOLLARS IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS -- PAYMENT	BAL E P
December 31, 2000	$1,222	$4,197	---	$(2,884)	$
December 31, 1999	$1,149	$2,827	---	$(2,754)	$
December 31, 1998	$ 881	$2,138	---	$(1,870)	$

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INDEX TO EXHIBITS

EXHIBIT NUMBER	REF	EXHIBIT
2.1	(1)	Stock Purchase Agreement dated January 15, 1998 among James Carr, Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembroke Pines, Inc., Westbrooke at Oak Ridge Inc., Harold L. Eisenacher, Leonard R. Chernys, Diana Ibarria, The Westbrooke Partnership, Pacific USA Holdings Corp., Newmark Homes Corp., and Westbrooke Acquisition Corp.
2.1(b)	(4)	Amendment to Stock Purchase Agreement dated December 15, 1999 among James Carr, Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembroke Pines, Inc., Westbrooke at Oak Ridge, Inc., Harold L. Eisenacher, Leonard R. Chernys and Diana Ibarria, The Westbrooke Partnership, Pacific USA Holdings Corp., Newmark Homes Corp. and Westbrooke Acquisition Corp.
2.1(c)	(5)	Second Amendment to Stock Purchase Agreement dated January 15, 2001 among James Carr, Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembroke Pines, Inc., Westbrooke at Oak Ridge, Inc., Harold L. Eisenacher, Leonard R. Chernys and Dianna Ibarria, The Westbrooke Partnership, Newmark Homes Corp. and Westbrooke Acquisition Corp.
2.3	(2)	Stock Purchase Agreement dated November 24, 1999 between Pacific Realty Group, Inc., Pacific USA Holdings Corp., and Technical Olympic USA, Inc.

2.4	(6)	Agreement and Plan of Merger dated February 12, 2001 among Newmark Homes Corp., a Delaware corporation, and Newmark Homes Corp., a Nevada corporation.
3.1	(6)	Articles of Incorporation.
3.2	(6)	Bylaws.
10.1	(1)	Form of Tax Allocation Agreement between Pacific USA and various affiliates and subsidiaries, of Pacific USA, including the Registrant, dated April 28. 1992.
10.2	(1)	Form of Amendment to Tax Agreement.
10.3	(4)	Tax Indemnity and Allocation Agreement dated December 15, 1999 among Pacific USA Holdings Corp., Pacific Realty Group, Inc., Newmark Homes Corp. and Technical Olympic USA, Inc.
10.4	(1)	Employment Agreement between Newmark Homes Corp. and Terry White dated January 1, 1998.
10.5	(1)	Employment Agreement Between Newmark Homes Corp. and J. Eric Rome dated January 1, 1998.
10.6(a)	(4)	Second Amended and Restated Employment Agreement Between Westbrooke Communities, Inc. and James Carr dated December 15, 1999.
10.6(b)	(4)	Amended and Restated Non-Competition Agreement dated December 15, 1999 among Westbrooke Communities, Inc., Westbrooke at West Lake, Inc., Westbrooke at Winston Trails, Inc., Westbrooke at Pembrook Pines, Inc., Westbrooke at Oak Ridge, Inc., The Westbrooke Partnership, Westbrooke Acquisition Corp. and James Carr.
10.7	(4)	Amended and Restated Employment Agreement between Newmark Home Corporation and J. Michael Beckett dated March 1, 2000.
10.8	(4)	Form of Tax Allocation Agreement between Technical Olympic USA, Inc. and various affiliates and subsidiaries, including Newmark Homes Corp. and its subsidiaries.
10.9	(3)	Credit Agreement among Newmark Homes, L.P. and Bank of America, N.A. as Administrative Agent, Swing Line Lender and Letter of Credit Issuing Lender and Other Financial Institutions Party Hereto dated June 27, 2000.
10.10	(3)	Guaranty Agreement among Newmark Homes Corp. and Newmark Homes Corporation in favor of Bank of America, N.A. and the Lenders under the Credit Agreement dated June 27, 2000.
10.11	(3)	Management Services Agreement between Newmark Homes Corp. and Techolym, L.P. dated June 1, 2000.
10.12	(3)	Amended and Restated Employment Agreement between Newmark Homes Corporation and Lonnie M. Fedrick dated

May 12, 2000 effective January 1, 2000.

EXHIBIT NUMBER	REF	EXHIBIT
11.1	(5)	Statement relating to computation of per share earnings.
12.1	(5)	Statement relating to computation of ratios.
21.1	(5)	List of subsidiaries.

(1) Filed as part of the Registrant's Registration Statement on Form S-1, Amendment Number 3, filed with the Securities and Exchange Commission on March 5, 1998, File No. 333-42213 and incorporated herein by reference.

(2) Filed as Exhibit 2.1 of Registrant's Current Report on Form 8-K dated December 22, 1999 and incorporated herein by reference.

(3) Filed as part of the Registrant's Current Report on Form 10-Q, filed with the Securities and Exchange Commission on August 10, 2000 and incorporated herein by reference.

(4) Filed as part of the Registrant's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 27, 2000, File No. 000-23677 and incorporated herein by reference.

(5) Filed herewith.

(6) Filed as part of the Registrant's Current Report on Form 8-K dated March 23, 2001 and incorporated herein by reference.