

TECHNICAL OLYMPIC USA INC

Form DEF 14A

April 18, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Technical Olympic USA, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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**TECHNICAL OLYMPIC USA, INC.
4000 Hollywood Boulevard, Suite 500 N
Hollywood, Florida 33021**

To Our Stockholders:

We cordially invite you to attend the 2005 Annual Meeting of Stockholders to be held on Tuesday, May 10, 2005, at the Mandarin Oriental, Miami, 500 Brickell Key Drive, Miami, Florida 33131. The meeting will start promptly at 8:00 a.m.

The attached Notice of Annual Meeting and the Proxy Statement describe the formal business to be transacted at the Annual Meeting. Our directors and officers, as well as a representative of Ernst & Young LLP, our independent certified public accountants, will be present at the Annual Meeting to respond to any questions that our stockholders may have regarding the business to be transacted.

It is important that your shares be represented and voted at the meeting. Therefore, we urge you to complete, sign, date, and return the enclosed proxy card in the envelope according to the instructions on the proxy card. If you attend the meeting, you may vote your shares personally, even though you have previously designated a proxy. The items to be considered at the meeting include the election of directors and transaction of such other business as may properly come before the meeting and any adjournments or postponements thereof.

We sincerely hope you will be able to attend and participate in our 2005 Annual Meeting of Stockholders. We welcome the opportunity to meet with you and give you a firsthand report on the progress of your company.

Very truly yours,

Konstantinos Stengos
Chairman

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**TECHNICAL OLYMPIC USA, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 10, 2005**

To Our Stockholders:

We will hold our Annual Meeting of Stockholders on Tuesday, May 10, 2005, at 8:00 a.m. Our meeting will be held at the Mandarin Oriental, Miami, 500 Brickell Key Drive, Miami, Florida 33131. If you owned common stock at the close of business on April 1, 2005, you may vote at this meeting or any adjournments or postponements thereof.

At the meeting, we plan to:

1. elect ten directors for a term of one year and, in each case, until his or her successor is duly elected and qualified; and

2. transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Our Board of Directors is not aware of any other proposals for the May 10, 2005 meeting.

It is important that your common stock be represented at the meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by completing, signing, dating, and returning the enclosed proxy card. If you attend the meeting, you may, if you wish, withdraw your proxy and vote in person.

TECHNICAL OLYMPIC USA, INC.

Beatriz L. Koltis
Secretary

Hollywood, Florida
April 18, 2005

YOUR VOTE IS IMPORTANT.

PLEASE COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY PROMPTLY SO THAT YOUR VOTE MAY BE RECORDED AT THE MEETING IF YOU DO NOT ATTEND IN PERSON.

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**TECHNICAL OLYMPIC USA, INC.
4000 Hollywood Boulevard, Suite 500 N
Hollywood, Florida 33021**

PROXY STATEMENT

INFORMATION ABOUT THE MEETING

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Technical Olympic USA, Inc. (TOUSA or the Company) for our Annual Meeting of Stockholders to be held on Tuesday, May 10, 2005, at 8:00 a.m. Our Annual Meeting will be held at the Mandarin Oriental, Miami, 500 Brickell Key Drive, Miami, Florida 33131. This proxy statement and the accompanying proxy are first being mailed to stockholders on or about April 18, 2005.

Voting Instructions

Who May Vote

You may vote your common stock if our records show you owned your shares at the close of business on the record date, which is April 1, 2005. On the record date, there were 56,080,430 shares of our common stock outstanding, with a par value of \$.01 per share. Holders of our common stock are entitled to one vote per share held as of the record date.

How You May Vote

You may vote: (a) in person by attending the meeting or (b) by mail by completing, signing, dating, and returning the enclosed proxy card. If you hold your shares through a broker, bank, or other nominee, you will receive separate instructions from the nominee describing how to vote your shares.

Proxies duly executed and received in time for the meeting will be voted in accordance with your instructions. If no instructions are given, proxies will be voted as follows:

1. FOR the election as directors of the nominees named herein, each to serve for a term of one year and, in each case, until his or her successor is duly elected and qualified; and

2. In the discretion of the proxy holders, FOR or AGAINST such other business as may properly come before the meeting or any adjournment or postponement thereof.

How You May Revoke or Change Your Vote

Proxies may be revoked at any time prior to the meeting in the following ways:

by giving written notice of revocation to our Secretary;

by giving a later dated proxy; or

by attending the meeting and voting in person.

If providing revocation by written notice to our Secretary, please note that no such revocation shall be effective, however, unless received by us at or prior to the meeting.

Voting Procedures

All record holders of issued and outstanding shares of our common stock are entitled to vote. Brokers who hold shares in street name for customers have the authority under the rules of the various stock

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exchanges to vote on certain items when they have not received instructions from beneficial owners. Shares for which brokers have not received instructions, and which therefore are not voted with respect to a certain proposal, are referred to as broker non-votes.

Quorum

Under Delaware law and our Bylaws, the presence, in person or by proxy, of stockholders entitled to cast a majority of all votes entitled to be cast on the matter at the Annual Meeting constitutes a quorum. Abstentions and broker non-votes will count for purposes of determining if there is a quorum present at the Annual Meeting.

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**PROPOSAL 1
ELECTION OF DIRECTORS**

General

Pursuant to our Bylaws, our Board of Directors may have up to 15 members. Currently, we have 11 members on our Board of Directors and each director is elected for a one-year term. Our Independent Directors Committee has recommended and nominated the ten individuals listed below for election to our Board of Directors at the Annual Meeting to hold office until the next annual meeting and the election of their successors. Mr. Fedrick, the other current director, has decided not to stand for re-election. Consequently, there will be a vacancy on our Board of Directors. The Board does not have a current candidate to fill the vacancy, but intends to fill the vacancy during the course of 2005, if and when a suitable candidate is identified. All of the nominees for director are currently serving as members of our Board of Directors.

Each of the nominees has consented to be named in this proxy statement and to serve as a member of our Board of Directors, if elected. In the event that any nominee withdraws or for any reason is not able to serve as a director, the proxy will be voted for such other person as may be designated by our Board of Directors, but in no event will the proxy be voted for more than ten nominees for director. Our management has no reason to believe that any nominee will not serve if elected.

Recommendation of our Board of Directors

We recommend that you vote your shares to elect the following nominees. If you complete, sign, date, and return the enclosed proxy, your shares will be voted for the election of the ten nominees recommended by our Board of Directors, unless you mark the proxy in such a manner as to withhold authority to vote. Please see the Voting Instructions on page 1 of this proxy statement for instructions on how to cast your vote.

Nominees

Nominees to Serve for a One-Year Term Expiring in 2006

Below is a short biography of the business experience of the individuals who are nominated for election. The age indicated and other information in each nominee's biography is as of April 18, 2005.

Konstantinos Stengos, 68, has been the Chairman of our Board since December 15, 1999. Mr. Stengos has served as the President and Managing Director of Technical Olympic S.A. (TOSA), our parent company, since he formed TOSA in 1965. Mr. Stengos owns more than 5% of the outstanding equity of TOSA, which is publicly traded on the Athens Stock Exchange. Mr. Stengos has also served as a director and President of Technical Olympic Services, Inc. (TOSI) since October 2003. TOSA and TOSI are each affiliates of ours. In March 2005, Mr. Stengos was found by a Court of Misdemeanors in Athens, Greece, to have violated certain Greek laws relating to a 1999 sale of certain shares of TOSA. Mr. Stengos has advised the Company that he is appealing the ruling.

Antonio B. Mon, 60, became a director of the Company, and our Executive Vice Chairman, Chief Executive Officer, and President, on June 25, 2002. From October 2001 to June 2002, Mr. Mon served as the Chief Executive Officer of Technical Olympic, Inc., our former parent company (TOI). From May 2001 to October 2001, Mr. Mon was a consultant to TOI. From 1997 to 2001, Mr. Mon was the Chairman of Maywood Investment Company, LLC, a private firm engaged in private equity investments and general consulting. In 1991, Mr. Mon co-founded Pacific Greystone Corporation, a west coast homebuilder that merged with Lennar Corporation in 1997, and served as its Vice Chairman from 1991 to 1997. Prior to 1991, Mr. Mon worked in various positions for The Ryland Group, Inc. (a national homebuilder), M.J. Brock Corporation (a California homebuilder), and Cigna Corporation (a financial services corporation).

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Andreas Stengos, 42, has been a director of the Company since 1999. Since October 2003, Mr. Stengos has served as a director and Treasurer of TOSI. Mr. Stengos has also been a director of TOSA since 1989 and has served as its Vice President and General Manager since 1995.

George Stengos, 38, has been a director of the Company since 1999, and has served as our Executive Vice President since April 2004. Since October 2003, Mr. Stengos has served as a director, Vice President, and Secretary of TOSI. From 2001 to December 2002, Mr. Stengos served as President and Chairman of the Board of Mochlos S.A., a subsidiary of TOSA, and is currently Managing Director of Mochlos S.A. From 1993 to 2000, Mr. Stengos was Executive Vice President of Mochlos S.A. Mr. Stengos has also served as Managing Director of TOSA since June 30, 2004.

Marianna Stengou, 27, has been a director of the Company since 2004. Ms. Stengou has served as Vice President of Porto Carras Campus Hospitality Studies S.A. since April 2002. Ms. Stengou has served in a variety of positions at TOSA, including most recently as Director of Human Resources and Quality, since January 2000. Ms. Stengou served as President and Managing Director of Toxotis S.A. from November 1997 to June 2004. Ms. Stengou has also been a director of TOSA since June 2003.

Larry D. Horner, 71, has been a director of the Company since 1997. Mr. Horner served as Chairman of Pacific USA Holdings Corp., a subsidiary of Pacific Electric Wire and Cable Co., a cable manufacturer, from 1994 to 2001, and was Chairman of the Board of Asia Pacific Wire & Cable Corporation Limited, a manufacturer of copper wire, cable and fiber optic wire products, with operations in Southeast Asia, which was publicly traded on the New York Stock Exchange until 2001. He is also a director of ConocoPhillips (an energy company), Atlantis Plastics, Inc. (a manufacturer of plastic films and plastic components), UT Starcom, Inc. (a provider of wireline, wireless, optical, and access switching solutions), Clinical Data, Inc. (a provider of physicians office and hospital laboratory products), and New River Pharmaceuticals, Inc. (a research-based pharmaceutical company). Mr. Horner was formerly associated with KPMG LLP, a professional services firm, for 35 years, retiring as Chairman and Chief Executive Officer of both the U.S. and International firms in 1991. He is a certified public accountant.

William A. Hasler, 63, has been a director of the Company since 1998. Mr. Hasler served as Co-Chief Executive Officer of Apton Corporation, a biopharmaceutical company, from July 1998 to January 2004. From August 1991 to July 1998, Mr. Hasler served as Dean of the Haas School of Business at the University of California at Berkeley. Prior to that, he was both Vice Chairman and a director of KPMG LLP, a professional services firm. Mr. Hasler also serves on the boards of Mission West (a real estate investment trust), DiTech Communications (a global telecommunications equipment supplier for voice networks), Schwab Funds (a mutual fund company), Apton Corporation and Stratex Networks (a provider of high-speed wireless transmission solutions), and is Chairman of the Board of Solectron Corp. (a provider of electronics manufacturing services). Mr. Hasler is a trustee of Pomona College. He is a certified public accountant.

Michael J. Poulos, 74, has been a director of the Company since 2000. Mr. Poulos also serves as a trustee of Century Shares Trust, a mutual fund. Mr. Poulos served as Chairman, President, and Chief Executive Officer of Western National Corporation, a life insurance company, from 1993 until 1998 when he retired. Mr. Poulos worked for American General Corporation, from 1970 to 1993, and served as its President from 1981 to 1991 and as its Vice Chairman from 1991 to 1993.

Susan B. Parks, 48, has been a director of the Company since 2004. She is the founder and CEO of WalkStyles, Inc., a consumer products company, since September 2003. Prior to becoming an entrepreneur, Ms. Parks was with Kinko's, a multibillion dollar document solutions and business services company, from August 2002 until September 2003, where she served as the Executive Vice President of Operations. From December 2001 to August 2002, Ms. Parks was with Gateway, a personal computer and related products company, where she served as Senior Vice President of US Markets for Gateway, leading their US Market business unit, and Senior Vice President of the Gateway Business division. Ms. Parks also spent approximately five years with U.S. West, a telecommunications company, serving in a succession of senior positions and has served in various leadership positions at both Mead Corporation and Avery-Dennison. Ms. Parks was nominated to our Board of Directors by the Independent Directors

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Committee upon the recommendation of Mr. Mon, our Chief Executive Officer, and Mr. Horner, our senior outside director, after Mr. Mon's consideration of several qualified candidates identified by a third party search consultant.

J. Bryan Whitworth, 66, has been a director of the Company since January 2005. Mr. Whitworth has been Of Counsel at Wachtell, Lipton, Rosen & Katz, a leading corporate and securities law firm, since May 2003. Prior to joining Wachtell, Lipton, Rosen & Katz, Mr. Whitworth served as Executive Vice President of ConocoPhillips, a global integrated petroleum company, from September 2002 to March 2003. Mr. Whitworth joined ConocoPhillips in 2002, following the merger of Conoco Inc. and Phillips Petroleum Company. Prior to the merger, Mr. Whitworth spent more than 30 years with Phillips Petroleum Co., most recently serving as the Executive Vice President and Chief Administrative Officer of that company. Mr. Whitworth also served as Phillips Petroleum's Senior Vice President of Human Resources, Public Relations and Government Relations, as well as its General Counsel. Mr. Whitworth was nominated to our Board of Directors by the Independent Directors Committee upon the recommendation of Mr. Horner and Mr. Mon.

Director Whose Term Expires in 2005

Lonnie M. Fedrick, 60, has been a director of the Company since 1997 and served as our President and Chief Executive Officer from 1997 until June 25, 2002. Mr. Fedrick was President and Chief Executive Officer of Newmark Home Corporation since 1994 and was its Executive Vice President from 1984 to 1994.

Vote Required

The affirmative vote of a plurality of the votes cast by holders of outstanding shares of our common stock is required for the approval of the election of the directors. You may vote in favor of all the nominees or you may withhold your vote from any or all nominees. Votes that are withheld with respect to this matter will be excluded entirely from the vote and will have no effect, other than for purposes of determining the presence of a quorum. Brokers that do not receive instructions are entitled to vote those shares with respect to the election of directors.

BOARD INDEPENDENCE, MEETINGS, COMMITTEES, AND COMPENSATION

Independence

TOSA currently owns 73.36% of our outstanding common stock. As a result, we are a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange (the NYSE). We have elected to take advantage of the controlled company exemption as permitted under Section 303A.00 of the NYSE Listed Company Manual. As a controlled company, we are not currently required to have independent directors comprise a majority of our Board of Directors, nor are we required to have a nominating/corporate governance committee and compensation committee comprised entirely of independent directors. The Board of Directors has determined, however, that Messrs. Horner, Hasler, Poulos, and Whitworth, and Ms. Parks each meet the standards of independence set forth in the corporate governance standards of the NYSE. In making this determination, the Board of Directors specifically determined that charitable contributions of up to \$40,000 made by the Company to organizations in which a family member of a director is an executive officer does not constitute a material relationship which affects the independence of a director.

Board Meetings and Committees

During fiscal year 2004, our Board of Directors held four regularly scheduled meetings and no special meetings, and acted by unanimous written consent on 18 occasions. For fiscal year 2004, each director attended at least 75% or more of the aggregate number of meetings held by our Board of Directors and the committees on which he or she served. As a general matter, Board members are expected to attend

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the Company's annual meetings of stockholders. All members of our Board were present at the Company's 2004 annual meeting of stockholders.

Our Board of Directors currently has four standing committees, all of which were also in place during fiscal year 2004: the Audit Committee, the Human Resources, Compensation, and Benefits Committee, the Independent Directors Committee, and the Board Executive Committee, each briefly described below.

Audit Committee. Prior to April 2005, the Audit Committee consisted of Messrs. Hasler, Horner, Poulos, and Whitworth, and Ms. Parks. Beginning in April 2005, the Audit Committee consists of Messrs. Hasler, Poulos, and Whitworth. Our Board of Directors has determined that each of Messrs. Hasler and Poulos is also an audit committee financial expert as defined by the rules promulgated by the Securities and Exchange Commission (the Commission), and that, in the business judgment of the Board of Directors, Mr. Whitworth is financially literate.

The Audit Committee generally has responsibility for appointing, overseeing, and determining the compensation of our independent certified public accountants, reviewing the plan and scope of the accountants' audit, reviewing our audit and internal control functions, approving all permitted non-audit services provided by our independent certified public accountants, and reporting to our full Board of Directors regarding all of the foregoing. The Audit Committee meets with the independent certified public accountants and our management in connection with its review and approval of (i) the unaudited financial statements for inclusion in our Quarterly Reports on Form 10-Q and (ii) the annual audited financial statements for inclusion in our Annual Report on Form 10-K. Additionally, the Audit Committee provides our Board of Directors with such additional information and materials as it may deem necessary to make our Board of Directors aware of significant financial matters that require its attention. The Audit Committee's goals and responsibilities are set forth in a written Audit Committee charter, a copy of which is attached as Appendix A. The Audit Committee held five meetings during the year ended December 31, 2004. The Audit Committee Report is set forth below.

Human Resources, Compensation, and Benefits Committee. Prior to April 2005, the Human Resources, Compensation, and Benefits Committee consisted of Messrs. Poulos, Horner, Hasler, and Whitworth, and Ms. Parks. Beginning in April 2005, the Human Resources, Compensation, and Benefits Committee consists of Messrs. Poulos and Horner, and Ms. Parks. The Human Resources, Compensation, and Benefits Committee has responsibility for (a) establishing the compensation and bonus plan for the Chief Executive Officer, (b) establishing the compensation and bonus plan for other executives, and (c) administering the Annual and Long-Term Incentive Plan and granting options and performance awards under that Plan. In addition, the Human Resources, Compensation, and Benefits Committee has responsibility for matters of employee compensation and the granting of discretionary bonuses to our Chief Executive Officer and our other senior officers. The Human Resources, Compensation, and Benefits Committee held two meetings and acted by unanimous written consent on six occasions during the year ended December 31, 2004. The Human Resources, Compensation, and Benefits Committee operates under a written charter adopted by our Board of Directors, a copy of which can be found on the Company's website, www.tousa.com, under Investor Information Corporate Governance.

Independent Directors Committee. The Independent Directors Committee consists of Messrs. Horner, Hasler, Poulos, and Whitworth, and Ms. Parks. Mr. Horner served as our senior outside director during fiscal year 2004 and has been designated our senior outside director for fiscal year 2005. As our senior outside director, Mr. Horner presides over the regularly scheduled sessions of our independent directors.

The Independent Directors Committee generally has responsibility for considering and acting on any proposed transaction that would be considered a related party transaction, including any proposed transaction (a) between us and TOSA or any affiliate of TOSA, and (b) by any affiliate which may affect or involve us and in which one or more of our directors may have an actual or perceived interest in the transaction. The Independent Directors Committee also has responsibility for considering and acting upon any other matters that require the review and/or approval of our independent directors.

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The Independent Directors Committee acted by unanimous written consent on one occasion and held two meetings during the year ended December 31, 2004. The Independent Directors Committee operates under a written charter adopted by our Board of Directors, a copy of which can be found on the Company's website, www.tousa.com, under Investor Information - Corporate Governance.

In addition, the Independent Directors Committee solicits, considers, and nominates candidates to serve on our Board of Directors. The Independent Directors Committee considers possible candidates from many sources, including stockholders, for nominees for directors. In evaluating the qualifications of nominees for our Board of Directors, including nominees recommended by stockholders, the Independent Directors Committee evaluates a variety of factors, such as education, work experience, knowledge of the Company's industry, membership on the boards of directors of other corporations, and civic involvement. In addition, if a candidate is being considered for an independent director position, the Independent Directors Committee also evaluates the nominee's independence from the Company based on applicable securities laws and the NYSE's corporate governance standards.

If a stockholder wishes to recommend a nominee for director for consideration at our 2006 Annual Meeting, the recommendation should be sent to the Secretary by December 19, 2005 in accordance with the instructions set forth later in this proxy statement under Stockholder Proposals for 2006 Annual Meeting. All recommendations should be accompanied by a complete statement of such person's qualifications (including education, work experience, knowledge of the Company's industry, membership on the board of directors of another corporation, and civic activity) and an indication of the person's willingness to serve.

Board Executive Committee. The members of the Board Executive Committee are Messrs. Horner, Mon, George Stengos, and Andreas Stengos, and Mr. Tommy McAden serves as the non-director management representative to the Board Executive Committee. The Board Executive Committee has authority to consider and approve acquisitions, investments and other transactions by us or our subsidiaries for amounts not exceeding \$35 million, to the extent not considered and approved by our Board of Directors, and makes reports to our full Board of Directors. The Board Executive Committee held no meetings during the year ended December 31, 2004.

Family Relationships

Konstantinos Stengos is the father of Andreas Stengos, George Stengos, and Marianna Stengou. We have no other familial relationships among the executive officers and directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers, and persons who own more than 10% of our outstanding common stock to file with the Commission reports of changes in their ownership of common stock. Directors, officers, and greater than 10% stockholders are also required to furnish us with copies of all forms they file under this regulation. To our knowledge, based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, during the year ended December 31, 2004, all Section 16(a) filing requirements applicable to our directors, officers, and greater than 10% stockholders were satisfied except that Mr. Mon filed four late Form 4 filings reflecting four gifts and transfers of stock options made for estate planning purposes that were not reported on a timely basis.

Compensation Committee Interlocks and Insider Participation

Messrs. Poulos, Horner, and Hasler, and Ms. Parks comprised the Human Resources, Compensation, and Benefits Committee in 2004. None of these persons served as an officer or employee of ours or any of our subsidiaries during fiscal year 2004. There were no material transactions between us and any of the members of the Human Resources, Compensation, and Benefits Committee during fiscal year 2004.

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Compensation of Directors

In compliance with our director compensation policy, during 2004 our outside directors (which we consider to be those directors who are not officers of the Company, TOSA, or their affiliates), other than the senior outside director, received an annual fee of \$40,000, an annual equity award of either non-qualified stock options or restricted stock valued at \$40,000, and reimbursement of reasonable out-of-pocket expenses incurred for attendance at Board and Board committee meetings. Under our policy, the designated senior outside director for 2004 received an annual cash retainer of \$80,000, an annual equity award of either non-qualified stock options or restricted stock valued at \$80,000, and reimbursement of reasonable out-of-pocket expenses incurred for attendance at Board and Board Committee meetings. For 2005, the amount of the annual fee and the annual equity award payable to our outside directors, other than the senior outside director, will each increase to \$60,000, and the amount of the annual fee and the annual equity award for our senior outside director will each increase to \$120,000. In addition, the chairperson of the Audit Committee for 2005 will receive an additional annual fee of \$20,000, and the chairperson of the Human Resources, Compensation, and Benefits Committee for 2005 will receive an additional annual fee of \$10,000. Mr. Hasler serves as chairperson of our Audit Committee, and Mr. Poulos serves as chairperson of the Human Resources, Compensation, and Benefits Committee. Mr. Horner served as our senior outside director during fiscal year 2004 and has been designated our senior outside director for fiscal year 2005. Directors who also served as officers of the Company, TOSA, or their affiliates did not receive any additional compensation for their services as directors during 2004.

Consulting Agreement

Lonnie M. Fedrick

Effective January 1, 2003, we entered into a consulting agreement with Mr. Fedrick with an initial term of three years. Under the terms of the consulting agreement, Mr. Fedrick receives an annual fee of \$400,000. Upon recommendation of the Chief Executive Officer and approval of our Board of Directors or a designated committee, Mr. Fedrick may receive a bonus or other compensation in his capacity as a consultant. During the term of the agreement, in addition to his service as a member of our Board of Directors, Mr. Fedrick will (a) provide land review, acquisition, and development services for our Houston operations, (b) identify and acquire land in the greater Houston area, (c) perform other assignments requested by the Chairman of our Board of Directors or the Chief Executive Officer from time to time, (d) transition his network of contacts and local knowledge to Company management, and (e) provide other general business advisory services. The agreement requires Mr. Fedrick to devote at least twenty percent (20%) on average of his working time and energy to the Company. The consulting agreement contains non-compete and non-interference provisions. During the year ended December 31, 2004, Mr. Fedrick was paid an aggregate of \$400,000 under his consulting agreement with the Company.

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Our executive officers, their ages and positions, as of April 18, 2005, are as follows:

Name	Age	Position
Antonio B. Mon	60	Executive Vice Chairman, Chief Executive Officer, President, and Director
George Stengos	38	Executive Vice President and Director
David J. Keller	56	Senior Vice President, Chief Financial Officer, and Treasurer
Tommy L. McAden	42	Senior Vice President Strategy and Operations
Patricia M. Petersen	45	Senior Vice President and General Counsel
Randy L. Kotler	40	Vice President and Chief Accounting Officer
Harry Engelstein	70	Senior Executive Vice President TOUSA Homes
John Kraynick	50	Vice President Land Senior Vice President TOUSA Homes
Clint Ooten	34	Vice President Human Resources and Administration
Edward R. Wohlwender	45	Vice President Operations Support Group Senior Vice President TOUSA Homes

Below is a summary of the business experience of each of our executive officers who does not serve on our Board of Directors. The business experience of Messrs. Mon and Stengos appears under the caption Proposal 1 Election of Directors set forth above.

David J. Keller became our Senior Vice President, Chief Financial Officer, and Treasurer in May 2004. Prior to joining the Company, Mr. Keller served as Executive Vice President and Chief Financial Officer of CitiFinancial, a subsidiary of CitiGroup, from October 1999 through August 2003. Prior to CitiGroup, Mr. Keller spent eight years as Chief Financial Officer of D.R. Horton, a homebuilder. Mr. Keller began his career with Ernst & Young LLP, where he was an audit partner for eight years. Mr. Keller is a certified public accountant.

Tommy L. McAden became our Senior Vice President Strategy and Operations in April 2004. Mr. McAden served as our Vice President of Finance and Administration, Chief Financial Officer, and Treasurer from June 2002 to April 2004. Mr. McAden served as a director, Vice President, and Chief Financial Officer of TOI from January 2000 to June 2002. From 1994 to December 1999, Mr. McAden was Chief Financial Officer of Pacific Realty Group, Inc., which was our former 80% stockholder.

Patricia M. Petersen became our Vice President and General Counsel on September 1, 2002, was named Senior Vice President in April 2004, and served as our Secretary from July 2003 to November 2004. Before joining TOUSA, Ms. Petersen served as Assistant General Counsel of Corning Incorporated, a technology company, from January 2001 to August 2002. From September 1992 to October 2000, Ms. Petersen served as Managing Partner of the Nestor Nestor Kingston Petersen law firm in Bucharest, Romania, and from 1990 to August 1992 as Associate Counsel with the Hillis Clark Martin & Peterson law firm in Seattle, Washington.

Randy L. Kotler became our Vice President and Chief Accounting Officer on June 25, 2002. Prior to joining TOUSA, Mr. Kotler spent 13 years in public accounting, including the last five with Ernst & Young LLP in its Real Estate Group. Mr. Kotler is a certified public accountant.

Harry Engelstein became Senior Executive Vice President of TOUSA Homes, Inc. in April 2004, served as Executive Vice President of TOUSA Homes, Inc. from February 2003 to April 2004, and

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managed our South Florida division from June 2002 to February 2003. Mr. Engelstein began his career in homebuilding in Montreal, Canada, in 1960, as a contractor. In 1979, he moved to Florida to help form Engle Homes, Inc., our predecessor in interest. In 1992, Engle Homes went public, and Mr. Engelstein served as Executive Vice President and Corporate Chief Construction Manager.

John Kraynick became our Vice President Land in December 2004 and has served as Senior Vice President of TOUSA Homes, Inc. since June 2002. Prior to that time, Mr. Kraynick served as Executive Vice President of Engle Homes, our predecessor in interest, since December 1998. He originally joined Engle Homes in March 1986. As Executive Vice President of Engle Homes, Mr. Kraynick coordinated the operations of that company's seven divisions and oversaw land acquisition on a national level.

Clint Ooten became our Vice President Human Resources and Administration in April 2004. From March 2002 until November 2004, Mr. Ooten served as our Director of Human Resources. Prior to joining TOUSA, Mr. Ooten served for five years as the Director of Human Resources for GE Industrial Systems, a division of the General Electric Company.

Edward R. Wohlwender became our Vice President Operations Support Group in December 2004 and has served as Senior Vice President of TOUSA Homes, Inc. since February 2003. Mr. Wohlwender served as Vice President Supply Management of TOUSA Homes, Inc. from January 2002 to February 2003. From January 2001 to January 2002, Mr. Wohlwender owned and managed Value Chain Consulting, a consulting firm based in Cincinnati, Ohio and specializing in supply chain optimization. From July 1999 to January 2001, Mr. Wohlwender served as Senior Vice President Supply Chain for the Standard Register Company, an integrated document solutions provider based in Dayton, Ohio. Prior to July 1999, Mr. Wohlwender worked as a senior executive at Ernst & Young LLP in their consulting practice and was Director of Logistics for a division of the Sara Lee Corporation.

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AUDIT COMMITTEE REPORT

For fiscal year 2004, the Audit Committee operated under a written charter adopted by our Board of Directors, and on October 13, 2004, our Board of Directors adopted an amended and restated Audit Committee charter, a copy of which is attached as Appendix A to this Proxy Statement. The Audit Committee members' responsibilities and functions are not intended to duplicate or to certify the activities of management and the independent certified public accountants. The Audit Committee oversees our financial reporting process on behalf of our Board of Directors. Our management has the primary responsibility for the financial statements and reporting process, including our systems of internal control over financial reporting.

During fiscal year 2004, at each of its meetings, the Audit Committee met with the senior members of the Company's financial management team, the Company's General Counsel, and our independent certified public accountants. In addition, the Director of Internal Audit attends all regularly scheduled Audit Committee meetings and also meets in private session with the Audit Committee on a regular basis. The Committee agenda is established by the Audit Committee's Chairman, the Chief Financial Officer, and the General Counsel. During 2004, the Audit Committee held private sessions with the Company's independent certified public accountants.

The Audit Committee approved the engagement of Ernst & Young LLP as our independent certified public accountants for the year ended December 31, 2004 and reviewed with the Company's senior financial management and the independent certified public accountants overall audit scope and plans, the results of audit examinations, evaluations by the auditors of the Company's internal controls, and the quality of the Company's financial reporting.

The Audit Committee held meetings on February 15 and March 8, 2005, and took the following actions regarding our 2004 audited financial statements:

reviewed and discussed the 2004 audited consolidated financial statements with our management; this included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant accounting judgments and estimates, and the clarity of disclosures in the financial statements. In addressing the quality of management's accounting judgments, members of the Audit Committee asked for management's representations and reviewed certifications prepared by the Chief Executive Officer and Chief Financial Officer that the consolidated financial statements of the Company present fairly, in all material respects, the financial position and results of operations of the Company;

discussed with the independent certified public accountants, Ernst & Young LLP, matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees;

received the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and discussed with Ernst & Young LLP its independence; and

in reliance on the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors, and our Board approved, that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2004 for filing with the Commission.

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This report furnished by the Audit Committee of our Board of Directors.

Messrs. Hasler, Horner, Poulos, and Whitworth, and Ms. Parks

March 31, 2005

The report of the Audit Committee and the performance graph on page 25 shall not be deemed to be soliciting material or to be filed with the SEC, nor shall this information be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (the Acts), except to the extent that Technical Olympic USA, Inc. specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

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The following table sets forth certain information as of April 1, 2005, regarding beneficial ownership of our common stock by

each person (or group of affiliated persons) who we know to beneficially own more than 5% of the outstanding shares of our common stock;

each of our current directors and our Named Executive Officers (as defined below); and

all of our current executive officers and directors as a group.

The percentage of beneficial ownership is based on 56,080,430 shares of our common stock outstanding on April 1, 2005.

This table is based on information supplied to us by our executive officers, directors, and principal stockholders and information filed with the Commission, and the information in the table has been adjusted for our five-for-four stock split, effected in the form of a 25% stock dividend, which was paid to stockholders on March 31, 2005 (the 2005 Stock Split).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent Owned(1)
Technical Olympic S.A.(2)	41,141,975	73.36%
Bricoleur Capital Management LLC(3)	3,530,181	6.29%
Konstantinos Stengos	273,197(4)	*
Antonio B. Mon	2,650,009(5)	4.51%
Andreas Stengos	226,322(6)	*
George Stengos	226,322(6)	*
Marianna Stengou	245,072(4)	*
Larry D. Horner	19,670	*
William A. Hasler	17,072(7)	*
Michael J. Poulos	9,833	*
Susan B. Parks	3,375	*
J. Bryan Whitworth	2,614(8)	*
Lonnie M. Fedrick	87,791	*
David J. Keller	22,750(9)	*
Tommy L. McAden	662,628(10)	1.17%
Harry Engelstein	26,250(6)	*
John Kraynick	9,375(6)	*
Mark R. Upton	37,500(6)	*
J. Eric Rome	54,375(11)	*
All directors and executive officers as a group (19 persons)	4,564,780(12)	7.55%

* Less than one percent.

Except as otherwise indicated, the address of each person named in this table is c/o Technical Olympic USA, Inc., 4000 Hollywood Boulevard, Suite 500 N, Hollywood, Florida 33021.

(1)

The amounts and percentage of common stock beneficially owned are reported on the basis of regulations of the Commission. Under the rules of the Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to dispose of or direct the disposition of the security. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting

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and investment power with respect to all shares of common stock shown as beneficially owned by them. In addition, in determining the number and percentage of shares beneficially owned by each person, shares issuable pursuant to options exercisable within 60 days after April 1, 2005, are deemed outstanding for purposes of determining the total number outstanding for such person and are not deemed outstanding for such purpose for all other stockholders. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

- (2) The principal business address of Technical Olympic S.A. is 20 Solomou Street, Alimos, Athens, Greece, 17456. Mr. Konstantinos Stengos owns more than 5% of the outstanding stock of Technical Olympic S.A.
- (3) The principal business address of Bricoleur Capital Management (Bricoleur) is 12230 El Camino Real, Suite 100, San Diego, California 92130. This number is based solely on Amendment No. 4, filed on April 8, 2005, to the Schedule 13G filed with the Commission by Bricoleur. According to the Schedule 13G, as amended, Bricoleur has shared voting power and shared dispositive power with respect to all of the referenced shares.
- (4) Includes 226,322 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.
- (5) As a result of various gifts and transfers for estate planning purposes, Mr. Mon has transferred all of his stock options to various family-controlled entities. The total set forth above includes (i) 622,749 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005 that are beneficially owned by Maywood Investment Company, LLC (MIC), (ii) 967,307 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005 that are beneficially owned by a trust for the benefit of Mr. Mon's adult children (the Trust), and (iii) 1,059,953 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005 that are beneficially owned by Maywood Capital, LLC (MC). Mr. Mon is not the managing member of MIC, nor does he own or control majority of the membership interests in MIC, and, accordingly, he disclaims beneficial ownership of the stock options owned by MIC. Mr. Mon disclaims beneficial ownership of the stock options held by the Trust, and, although he has a pecuniary interest in MC, he also disclaims beneficial ownership of the stock options held by MC.
- (6) Consists solely of shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.
- (7) Includes 14,522 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.
- (8) Includes 1,364 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.
- (9) Includes 18,750 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.
- (10) Includes 662,503 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.
- (11) Includes 37,500 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.

- (12) Includes 4,370,561 shares issuable upon exercise of stock options that have already vested or will vest within 60 days of April 1, 2005.

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The following table presents certain summary information concerning compensation earned for services rendered by (i) our Chief Executive Officer during 2004, (ii) our other four most highly compensated executive officers whose total annual salary and bonus exceeded \$100,000 during the fiscal year ended December 31, 2004, and (iii) two additional individuals for whom disclosure is required (the Named Executive Officers).

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards	
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Securities Underlying Options(#)(5)	All Other Compensation(\$)
Antonio B. Mon Chief Executive Officer, President, and Director	2004	992,200	3,950,000	140,208(1)		111,636(2)
	2003	896,700	2,500,000	117,239(3)		111,636(2)
	2002	828,333	2,394,700	61,644(4)	3,293,169	111,636(2)
David J. Keller(6)(7) Senior Vice President,	2004	300,000	500,000	*	93,750	
	2003				—	