

Edgar Filing: CENTEX CORP - Form 10-Q

CENTEX CORP
Form 10-Q
February 13, 2001

1

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

FORM 10-Q

JOINT QUARTERLY REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended

DECEMBER 31, 2000

Commission File No. 1-6776

CENTEX CORPORATION
A Nevada Corporation
IRS Employer Identification No. 75-0778259
2728 N. Harwood
Dallas, Texas 75201
(214) 981-5000

Commission File Nos. 1-9624 and 1-9625, respectively

3333 HOLDING CORPORATION
A Nevada Corporation
CENTEX DEVELOPMENT COMPANY, L.P.
A Delaware Limited Partnership

IRS Employer Identification Nos. 75-2178860 and 75-2168471, respectively
2728 N. Harwood
Dallas, Texas 75201
(214) 981-6770

The registrants have 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 and have been subject to such filing requirements for the past 90 days.

Indicate the number of shares of each of the registrants' classes of common stock (or other similar equity securities) outstanding as of the close of business on January 31, 2001:

Centex Corporation	Common Stock	59,308,649 s
3333 Holding Corporation	Common Stock	1,000 s
Centex Development Company, L.P.	Class A Units of Limited Partnership Interest	32,260 u
Centex Development Company, L.P.	Class C Units of Limited Partnership Interest	38,409 u

2

CENTEX CORPORATION AND SUBSIDIARIES
3333 HOLDING CORPORATION AND SUBSIDIARY
CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES

Edgar Filing: CENTEX CORP - Form 10-Q

Form 10-Q Table of Contents

DECEMBER 31, 2000

CENTEX CORPORATION AND SUBSIDIARIES

	PAGE
PART I. FINANCIAL INFORMATION	
ITEM 1. Condensed Consolidated Financial Statements	1
Condensed Consolidated Statements of Earnings for the Three Months Ended December 31, 2000	2
Condensed Consolidated Statements of Earnings for the Nine Months Ended December 31, 2000	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 2000	6
Notes to Condensed Consolidated Financial Statements	7
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
ITEM 3. Quantitative and Qualitative Disclosures about Market Risk	30
PART II. OTHER INFORMATION	
ITEM 6. Exhibits and Reports on Form 8-K	31
SIGNATURES	32

i

3

3333 HOLDING CORPORATION AND SUBSIDIARY
CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES

	PAGE
PART I. FINANCIAL INFORMATION	
ITEM 1. Condensed Combining Financial Statements	33
Condensed Combining Statements of Operations	

Edgar Filing: CENTEX CORP - Form 10-Q

for the Three Months Ended December 31, 2000	34
Condensed Combining Statements of Operations for the Nine Months Ended December 31, 2000	35
Condensed Combining Balance Sheets	36
Condensed Combining Statements of Cash Flows for the Nine Months Ended December 31, 2000	37
Notes to Condensed Combining Financial Statements	38
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	44
ITEM 3. Quantitative and Qualitative Disclosures about Market Risk	49
PART II. OTHER INFORMATION	
ITEM 6. Exhibits and Reports on Form 8-K	50
SIGNATURES	
	51

ii

4

CENTEX CORPORATION AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ITEM 1.

The condensed consolidated financial statements include the accounts of Centex Corporation and subsidiaries and have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. References herein to "Centex" or the "Company" will include all subsidiaries of Centex Corporation, through which all operations are conducted, except where the context indicates that such reference is only to the registrant, Centex Corporation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The Company suggests that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K. In the opinion of the Company, all adjustments necessary to present fairly the information in the following condensed consolidated financial statements of the Company have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

-1-

5

CENTEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in thousands, except per share data)

Edgar Filing: CENTEX CORP - Form 10-Q

(unaudited)

	For the Three Months Ended December 31,	
	2000	1999
REVENUES		
Home Building		
Conventional Homes	\$ 1,038,810	\$ 863,177
Manufactured Homes	29,494	47,160
Investment Real Estate	13,023	15,908
Financial Services	121,308	106,568
Construction Products	90,410	108,370
Contracting and Construction Services	345,568	287,978
	-----	-----
	1,638,613	1,429,161
	-----	-----
COSTS AND EXPENSES		
Home Building		
Conventional Homes	938,170	789,847
Manufactured Homes	32,031	44,484
Investment Real Estate	(528)	6,991
Financial Services	118,932	97,345
Construction Products	69,397	63,038
Contracting and Construction Services	337,412	281,178
Other, net	(3,123)	628
Corporate General and Administrative	8,458	8,483
Interest Expense	21,076	18,467
Minority Interest	6,294	16,971
	-----	-----
	1,528,119	1,327,432
	-----	-----
EARNINGS BEFORE INCOME TAXES	110,494	101,729
Income Taxes	42,027	38,553
	-----	-----
NET EARNINGS	\$ 68,467	\$ 63,176
	=====	=====
EARNINGS PER SHARE		
Basic	\$ 1.16	\$ 1.07
	=====	=====
Diluted	\$ 1.12	\$ 1.04
	=====	=====
AVERAGE SHARES OUTSTANDING		
Basic	59,080,788	59,230,006
Common Share Equivalents		
Options	1,448,887	1,093,566
Convertible Debenture	400,000	400,000
	-----	-----
Diluted	60,929,675	60,723,572
	=====	=====
CASH DIVIDENDS PER SHARE	\$ 0.04	\$ 0.04
	=====	=====

Edgar Filing: CENTEX CORP - Form 10-Q

See notes to condensed consolidated financial statements.

-2-

6

CENTEX CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Dollars in thousands, except per share data)
 (unaudited)

	For the Nine Months Ended December 31,	
	2000	1999
REVENUES		
Home Building		
Conventional Homes	\$ 2,952,835	\$ 2,461,533
Manufactured Homes	99,777	145,978
Investment Real Estate	19,667	27,357
Financial Services	323,717	343,932
Construction Products	290,507	323,391
Contracting and Construction Services	974,672	928,646
	-----	-----
	4,661,175	4,230,837
	-----	-----
COSTS AND EXPENSES		
Home Building		
Conventional Homes	2,690,086	2,258,855
Manufactured Homes	103,504	138,153
Investment Real Estate	(7,059)	3,270
Financial Services	319,068	301,536
Construction Products	200,752	190,822
Contracting and Construction Services	953,446	911,176
Other, net	(5,040)	3,529
Corporate General and Administrative	25,963	23,821
Interest Expense	65,140	45,828
Minority Interest	30,827	51,677
	-----	-----
	4,376,687	3,928,667
	-----	-----
EARNINGS BEFORE INCOME TAXES	284,488	302,170
Income Taxes	108,722	115,063
	-----	-----
NET EARNINGS	\$ 175,766	\$ 187,107
	=====	=====
EARNINGS PER SHARE		
Basic	\$ 2.98	\$ 3.15
	=====	=====
Diluted	\$ 2.91	\$ 3.06
	=====	=====
AVERAGE SHARES OUTSTANDING		

Edgar Filing: CENTEX CORP - Form 10-Q

Basic	58,946,795	59,370,180
Common Share Equivalents		
Options	1,016,430	1,434,485
Convertible Debenture	400,000	400,000
	-----	-----
Diluted	60,363,225	61,204,665
	=====	=====
 CASH DIVIDENDS PER SHARE	 \$ 0.12	 \$ 0.12
	=====	=====

See notes to condensed consolidated financial statements.

-3-

7

CENTEX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	Centex Corporation and Subsidiaries	
	December 31, 2000*	March 31, 2000**
	-----	-----
ASSETS		
Cash and Cash Equivalents	\$ 76,945	\$ 139,563
Receivables -		
Residential Mortgage Loans	1,571,790	409,697
Other	576,680	483,381
Inventories	2,276,302	1,954,037
Investments -		
Centex Development Company, L.P.	94,515	65,550
Joint Ventures and Other	75,178	65,944
Unconsolidated Subsidiaries	--	--
Property and Equipment, net	738,055	360,604
Other Assets -		
Deferred Income Taxes	51,504	49,907
Goodwill, net	279,232	251,780
Mortgage Securitization Residual Interest	153,468	160,999
Deferred Charges and Other	158,624	97,278
	-----	-----
	\$ 6,052,293	\$ 4,038,740
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts Payable and Accrued Liabilities	\$ 1,134,853	\$ 1,125,807
Debt -		
Non-Financial Services	1,481,887	898,068
Financial Services	1,659,496	415,327
Payable to Affiliates	--	--
Minority Stockholders' Interest	142,205	129,352
Negative Goodwill	38,837	50,837
Stockholders' Equity -		

Edgar Filing: CENTEX CORP - Form 10-Q

Preferred Stock, Authorized 5,000,000 Shares, None Issued	--	--
Common Stock \$.25 Par Value; Authorized 100,000,000 Shares; Issued and Outstanding 59,125,165 and 58,806,217, respectively	14,781	14,702
Capital in Excess of Par Value	6,142	--
Retained Earnings	1,574,582	1,405,895
Accumulated Other Comprehensive Loss	(490)	(1,248)
Total Stockholders' Equity	1,595,015	1,419,349
	\$ 6,052,293	\$ 4,038,740
	=====	=====

See notes to condensed consolidated financial statements.

* Unaudited

** Condensed from audited financial statements.

-4-

8

CENTEX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

Centex Corporation		Financial Services	
December 31, 2000*	March 31, 2000**	December 31, 2000*	March 31, 2000**
\$ 33,011	\$ 123,411	\$ 43,934	\$ 16,000
--	--	1,571,790	409,000
481,855	418,810	94,825	64,000
2,261,207	1,945,899	15,095	8,000
94,515	65,550	--	--
75,178	65,944	--	--
270,455	267,177	--	--
699,838	319,255	38,217	41,000
8,241	24,018	43,263	25,000
262,413	233,059	16,819	18,000
--	--	153,468	160,000
125,589	71,302	33,035	25,000
\$ 4,312,302	\$ 3,534,425	\$ 2,010,446	\$ 771,000
=====	=====	=====	=====
\$ 1,057,322	\$ 1,038,641	\$ 77,531	\$ 87,000

Edgar Filing: CENTEX CORP - Form 10-Q

1,481,887	898,068	--	
--	--	1,659,496	415,
--	--	34,495	64,
139,241	127,530	2,964	1,
38,837	50,837	--	
--	--	--	
14,781	14,702	1	
6,142	--	180,467	150,
1,574,582	1,405,895	55,492	52,
(490)	(1,248)	--	
-----	-----	-----	-----
1,595,015	1,419,349	235,960	202,
-----	-----	-----	-----
\$ 4,312,302	\$ 3,534,425	\$ 2,010,446	\$ 771,
=====	=====	=====	=====

In the supplemental data presented above, "Centex Corporation" represents the combining of all subsidiaries other than those included in Financial Services. Transactions between Centex Corporation and Financial Services have been eliminated from the Centex Corporation and Subsidiaries balance sheets.

-5-

9

CENTEX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
CASH FLOWS - OPERATING ACTIVITIES		
Net Earnings	\$ 175,766	\$ 187,107
Adjustments -		
Depreciation and Amortization	44,717	34,838
Deferred Income Taxes	(6,440)	10,941
Equity in Earnings of Centex Development Company, L.P. and Joint Ventures	(4,421)	(648)
Minority Interest, net of taxes	19,605	33,233
(Increase) Decrease in Receivables	(31,824)	68,912
(Increase) Decrease in Residential Mortgage Loans	(1,162,093)	660,731
Increase in Inventories	(310,971)	(485,419)
(Decrease) Increase in Payables and Accruals	(15,311)	15,268
Increase in Other Assets	(73,845)	(137,737)
Other, net	(6,752)	(40,387)
	-----	-----
	(1,371,569)	346,839

Edgar Filing: CENTEX CORP - Form 10-Q

CASH FLOWS - INVESTING ACTIVITIES		
Increase in Advances to Centex Development Company, L.P. and Joint Ventures	(30,451)	(23,566)
Acquisition of Construction Products Operations	(442,200)	--
Acquisition of Home Building Operations	--	(74,119)
Other Acquisitions	--	(9,349)
Increase in Property and Equipment, net	(46,286)	(55,220)
	(518,937)	(162,254)
CASH FLOWS - FINANCING ACTIVITIES		
Increase (Decrease) in Debt -		
Secured by Residential Mortgage Loans	1,244,169	(569,804)
Other	583,819	458,390
Retirement of Common Stock	(784)	(29,032)
Proceeds from Stock Option Exercises	7,005	13,488
Dividends Paid	(7,079)	(7,134)
	1,827,130	(134,092)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	758	(48)
NET (DECREASE) INCREASE IN CASH	(62,618)	50,445
CASH AT BEGINNING OF PERIOD	139,563	111,268
CASH AT END OF PERIOD	\$ 76,945	\$ 161,713

See notes to condensed consolidated financial statements.

-6-

10

CENTEX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Dollars in thousands)
(unaudited)

(A) A summary of comprehensive income for the three and nine months ended December 31, 2000 is presented below:

	For the Three Months Ended December 31, 2000	For the Nine Months Ended December 31, 2000
	-----	-----
Net Earnings	\$ 68,467	\$ 175,713
Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	73	(3,125)
Unrealized (Loss) Gain on Investment	(586)	1,125
	-----	-----

Edgar Filing: CENTEX CORP - Form 10-Q

Comprehensive Income

\$ 67,954
=====

\$ 176,5
=====

The Foreign Currency Translation Adjustments are the result of Centex's investment in Centex Development Company, L.P. and its foreign subsidiaries. For additional information on Centex Development Company L.P. and subsidiaries, see their separate financial statements included elsewhere in this report. The Unrealized (Loss) Gain on Investment is the result of a mark-to-market adjustment to securities available for sale formerly held by the Company's 65.3%-owned subsidiary, Centex Construction Products, Inc. ("Construction Products").

(B) A summary of changes in stockholders' equity is presented below:

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumu Oth Compre Income
	-----	-----	-----	-----	-----
Balance, March 31, 2000	\$ --	\$ 14,702	\$ --	\$1,405,895	\$ (1
Net Earnings	--	--	--	175,766	
Exercise of Stock Options	--	88	6,917	--	
Retirement of 35,400 Shares	--	(9)	(775)	--	
Cash Dividends	--	--	--	(7,079)	
Unrealized Gain on Investment	--	--	--	--	1
Foreign Currency Translation Adjustments	--	--	--	--	
	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2000	\$ --	\$ 14,781	\$ 6,142	\$1,574,582	\$
	=====	=====	=====	=====	=====

(C) In March 1987, certain of Centex's subsidiaries contributed to Centex Development Company, L.P., (the "Partnership") a newly formed master limited partnership, properties with a historical cost basis (which approximated market value) of approximately \$76 million for 1,000 Class A Limited Partnership Units. The Partnership was formed to enable stockholders to participate in long-term real estate development projects, the dynamics of which are inconsistent with Centex's traditional financial objectives.

The Partnership is managed by its general partner, 3333 Development Corporation ("Development"), which is in turn wholly-owned by 3333 Holding Corporation ("Holding"). Holding is a separate public company whose stock trades in tandem with Centex's stock. The common stock of Holding was distributed in 1987 (with warrants to purchase approximately 80% of the Class B limited partnership units ("Class B Units") in the Partnership) as a dividend to the stockholders of Centex. These securities are held by a nominee on behalf of the stockholders and will trade in tandem with the common stock of Centex until such time as they are detached. The securities may be detached at any time by

Edgar Filing: CENTEX CORP - Form 10-Q

Centex's Board of Directors, but the warrants to purchase Class B Units automatically become detached in November 2007, unless the detachment date is extended by Centex's board.

The stockholders of Centex elect the four-person Board of Directors of Holding. Three of the Board members, representing the majority of the Board, are independent outside directors who are also not directors, affiliates, or employees of Centex. Thus, through Holding, the stockholders of Centex control the general partner of the Partnership. The general partner and independent Board of Holding manage how the Partnership conducts its activities, including the acquisition, development, maintenance, operation, and sale of properties. The general partner, acting on behalf of the Partnership, may sell or acquire properties, including the contributed property, and enter into other business transactions without the consent of the limited partners. In addition, the limited partners cannot remove the general partner.

The Company accounts for its limited partner investment in the Partnership on the equity method of accounting because the Company's interest in the cash flow and earnings of the Partnership is limited to defined amounts, and the Company does not control the Partnership.

During fiscal year 1998, the agreement governing the Partnership was amended to allow for the issuance of Class C Limited Partnership Units. During fiscal 1998, the 1,000 outstanding Class A Units owned by Centex were converted to 32,260 new Class A Units. As of December 31, 2000, 38,409 Class C Units had been issued in exchange for assets with a fair market value of \$38.4 million. These assets were recorded by the Partnership at fair market value. The partnership agreement provides that Centex, as the Class A and Class C limited partner, is entitled to a cumulative preferred return of 9% per annum on the average outstanding balance of its Unrecovered Capital, defined as its capital contributions, adjusted for return of capital distributions. As of December 31, 2000, Unrecovered Capital totaled \$71.2 million, and preference payments in arrears amounted to \$19.6 million. No preference payments were made during fiscal 2000 or fiscal 2001 year to date.

Supplementary condensed combined financial statements for Centex and subsidiaries, Holding and subsidiary and the Partnership and subsidiaries are set forth below. For additional information on Holding and subsidiary and the Partnership and subsidiaries, see their separate financial statements and related footnotes included elsewhere in this report.

-8-

12

SUPPLEMENTARY CONDENSED COMBINED BALANCE SHEETS

	DECEMBER 31, 2000	March 31, 2000*
	-----	-----
ASSETS		
Cash and Cash Equivalents	\$ 87,087	\$ 197,877
Receivables	2,158,282	907,367
Inventories	2,755,802	2,343,682
Investments in Joint Ventures and Other	75,925	68,539
Property and Equipment, net	741,261	364,182
Other Assets	692,676	599,526

Edgar Filing: CENTEX CORP - Form 10-Q

	----- \$ 6,511,033 =====	----- \$ 4,481,173 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts Payable and Accrued Liabilities	\$ 1,239,775	\$ 1,244,500
Debt	3,495,137	1,637,135
Minority Stockholders' Interest	142,269	129,352
Negative Goodwill	38,837	50,837
Stockholders' Equity	1,595,015	1,419,349
	----- \$ 6,511,033 =====	----- \$ 4,481,173 =====

* Condensed from audited financial statements

SUPPLEMENTARY CONDENSED COMBINED STATEMENTS OF EARNINGS

	For the Nine Months Ended December 31,	
	----- 2000 -----	----- 1999 -----
Revenues	\$ 4,882,572	\$ 4,479,147
Costs and Expenses	4,598,955	4,176,376
Earnings Before Income Taxes	283,617	302,771
Income Taxes	107,851	115,664
NET EARNINGS	175,766	187,107
Other Comprehensive Income (Loss)	758	(48)
COMPREHENSIVE INCOME	----- \$ 176,524 =====	----- \$ 187,059 =====

(D) The Company's home building activities include: the acquisition of raw and semi-developed land; the planning, supervision and funding of subcontractors' activities to complete development of that land primarily into single family home sites; and the construction of houses on those sites for sale to individual home purchasers. The Company conducts its land acquisition and development activities directly and via participation in joint ventures in which the Company holds less than a majority interest.

The Company had deposited or invested \$58.6 million as options toward the purchase of undeveloped land and developed lots having a total purchase price of approximately \$1.5 billion in order to ensure the future availability of land for home building. These options expire at various dates through the year 2006. The Company has committed to purchase certain developed lots from the Partnership for approximately \$0.4 million.

Edgar Filing: CENTEX CORP - Form 10-Q

(E) Interest expense relating to the Financial Services operations is included in its costs and expenses. Interest related to operations other than Financial Services is included in interest expense. For the three and nine month periods ending December 31, 2000, Total Interest Expense is net of \$5,600 and \$8,350, respectively, for interest capitalized to qualifying assets, principally within the Home Building business segment.

	For the Three Months Ended December 31,	
	2000	1999
Total Interest Expense	\$ 48,508	\$ 34,272
Less - Financial Services	(27,432)	(15,805)
Interest Expense, net	\$ 21,076	\$ 18,467

	For the Nine Months Ended December 31,	
	2000	1999
Total Interest Expense	\$125,550	\$ 97,657
Less - Financial Services	(60,410)	(51,829)
Interest Expense, net	\$ 65,140	\$ 45,828

(F) In April 1994 Construction Products completed an initial public offering of its stock which began trading on the New York Stock Exchange under the symbol "CXP." Centex's ownership interest in Construction Products was 65.3% as of December 31, 2000, 64.4% as of March 31, 2000, and 63.2% as of December 31, 1999.

(G) In fiscal 1996 the Company acquired an equity interest in Vista Properties, Inc. ("Vista"), which owned a portfolio of properties located in seven states in which the Company has significant operations. The Vista portfolio was reduced to a nominal "book basis" after recording certain deferred tax benefits related to the acquisition. As these properties are developed or sold, the net sales proceeds are reflected as operating margin.

Negative Goodwill related to the Vista acquisition is being amortized to earnings over the estimated period over which the land will be developed, sold or realized. All investment property operations are being reported through the "Investment Real Estate" business segment.

Edgar Filing: CENTEX CORP - Form 10-Q

(H) The Company operates in five principal business segments: Home Building, Investment Real Estate, Financial Services, Construction Products, and Contracting and Construction Services. These segments operate primarily in the United States, and their markets are nationwide. Revenues from any one customer are not significant to the Company.

Intersegment revenues and investments in joint ventures are not material and are not shown in the following tables. The investment in the Partnership (approximately \$94.5 million) is included in the Investment Real Estate segment.

The following tables set forth financial information relating to the business segments.

HOME BUILDING

CONVENTIONAL HOMES

Conventional Homes operations involve the purchase and development of land or lots as well as the construction and sale of single-family homes.

	For the Three Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$1,038.8	\$ 863.2
Cost of Sales	(782.4)	(666.6)
Selling, General & Administrative Expenses	(155.8)	(123.3)
Operating Earnings	\$ 100.6	\$ 73.3

	For the Nine Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$2,952.8	\$2,461.5
Cost of Sales	(2,251.2)	(1,898.9)
Selling, General & Administrative Expenses	(438.9)	(359.9)
Operating Earnings	\$ 262.7	\$ 202.7

Edgar Filing: CENTEX CORP - Form 10-Q

MANUFACTURED HOMES

Manufactured Homes operations involve the construction of single-family homes and, to a lesser degree, commercial structures in factories and the sale of these products through a network of Company-owned and independent dealers.

	For the Three Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$ 29.5	\$ 47.1
Cost of Sales	(24.4)	(36.5)
Selling, General & Administrative Expenses	(6.7)	(7.1)
Goodwill Amortization	(0.9)	(0.8)
	-----	-----
Operating (Loss) Earnings	\$ (2.5)	\$ 2.7
	=====	=====

	For the Nine Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$ 99.8	\$ 146.0
Cost of Sales	(82.0)	(114.2)
Selling, General & Administrative Expenses	(18.9)	(21.4)
Goodwill Amortization	(2.6)	(2.6)
	-----	-----
Operating (Loss) Earnings	(3.7)	7.8
Minority Interest	--	(1.0)
	-----	-----
Net Operating (Loss) Earnings to Centex	\$ (3.7)	\$ 6.8
	=====	=====

INVESTMENT REAL ESTATE

Investment Real Estate operations involve the acquisition, development, and sale of land primarily for multi-family, industrial, office, retail and mixed-use projects.

For the Three Months Ended
December 31,

Edgar Filing: CENTEX CORP - Form 10-Q

	2000	1999
	-----	-----
	(Dollars in millions)	
Revenues	\$13.0	\$15.9
Cost of Sales	(1.8)	(6.8)
Selling, General & Administrative Expenses	(1.6)	(4.2)
Negative Goodwill Amortization	4.0	4.0
	-----	-----
Operating Earnings	\$13.6	\$ 8.9
	=====	=====

-12-

16

	For the Nine Months Ended December 31,	
	-----	-----
	2000	1999
	-----	-----
	(Dollars in millions)	
Revenues	\$19.7	\$27.4
Cost of Sales	(2.2)	(8.0)
Selling, General & Administrative Expenses	(2.8)	(7.3)
Negative Goodwill Amortization	12.0	12.0
	-----	-----
Operating Earnings	\$26.7	\$24.1
	=====	=====

Property sales related to Investment Real Estate's nominally valued assets resulted in operating margins of \$4.3 and \$9.0 million for the three and nine months ended December 31, 2000 and \$7.9 million and \$16.8 million for the three and nine month periods last year. As of December 31, 2000, Investment Real Estate had nominally valued assets with an original cost basis of approximately \$32.7 million.

FINANCIAL SERVICES

Financial Services operations involve financing the purchases of conventional homes, home equity and sub-prime lending, and the sale of title and other insurance coverages. These activities include mortgage origination and other related services for homes sold by Centex subsidiaries and by others.

	For the Three Months Ended December 31,	
	-----	-----
	2000	1999
	-----	-----
	(Dollars in millions)	
Revenues*	\$121.3	\$106.6

Edgar Filing: CENTEX CORP - Form 10-Q

Selling, General & Administrative Expenses	(91.5)	(81.6)
Interest Expense	(27.4)	(15.8)
	-----	-----
Operating Earnings	\$ 2.4	\$ 9.2
	=====	=====

* Financial Services revenues include interest income of \$36.8 million and \$19.2 million for the three months ended December 31, 2000 and 1999, respectively.

	For the Nine Months Ended December 31,	
	----- 2000	----- 1999
	----- (Dollars in millions)	
Revenues*	\$ 323.7	\$ 343.9
Selling, General & Administrative Expenses	(258.6)	(249.7)
Interest Expense	(60.4)	(51.8)
	-----	-----
Operating Earnings	\$ 4.7	\$ 42.4
	=====	=====

* Financial Services revenues include interest income of \$78.9 million and \$70.2 million for the nine months ended December 31, 2000 and 1999, respectively.

-13-

17

Securitizations entered into prior to March 31, 2000 by Financial Services' Centex Home Equity Corporation subsidiary ("Home Equity") were structured in a manner that caused them to be accounted for as sales. The resulting gains on such sales were reported as revenues during the period in which the securitizations closed. Home Equity has changed the structure for securitizations occurring subsequent to March 31, 2000, such that securitizations after that date are being accounted for as borrowings. Although the change in accounting for the securitizations from "sales" to "borrowings" will have no effect on the profit recognized over the life of the mortgages, the change does affect the timing of profit recognition. The approximate impact of this change in fiscal 2001 was to reduce Home Equity's pre-tax earnings by approximately \$9.5 million and \$31.8 million for the three and nine months ended December 31, 2000, respectively, from the amount it would have reported if the securitizations had been accounted for as sales.

CONSTRUCTION PRODUCTS

Construction Products operations involve the manufacture, production, distribution, and sale of cement, gypsum wallboard, paperboard, and aggregates and readymix concrete.

Edgar Filing: CENTEX CORP - Form 10-Q

	For the Three Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$ 90.4	\$ 108.4
Interest Income	1.8	1.1
Cost of Sales	(69.6)	(62.5)
Selling, General & Administrative Expenses	(1.1)	(1.2)
Goodwill Amortization	(0.5)	(0.4)
Operating Earnings	21.0	45.4
Minority Interest	(6.3)	(17.0)
Net Operating Earnings to Centex	\$ 14.7	\$ 28.4

	For the Nine Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$ 290.5	\$ 323.4
Interest Income	5.6	2.4
Cost of Sales	(201.5)	(188.6)
Selling, General & Administrative Expenses	(3.5)	(3.5)
Goodwill Amortization	(1.4)	(1.1)
Operating Earnings	89.7	132.6
Minority Interest	(30.8)	(50.7)
Net Operating Earnings to Centex	\$ 58.9	\$ 81.9
Identifiable Assets	\$ 752.4	\$ 402.6

-14-

18

CONTRACTING AND CONSTRUCTION SERVICES

Contracting and Construction Services operations involve the construction of properties for both private and government interests, including (among others) office, commercial and industrial buildings, hospitals, hotels, museums, libraries, airport facilities and educational institutions. As this segment generates significant positive cash flow, intercompany interest income (credited at the prime rate in effect) is reflected in this segment; however, these amounts are eliminated in consolidation.

Edgar Filing: CENTEX CORP - Form 10-Q

	For the Three Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$ 345.6	\$ 288.0
Construction Contract Costs	(322.8)	(269.6)
Selling, General & Administrative Expenses	(14.6)	(11.6)
Operating Income, as reported	8.2	6.8
Intercompany Interest Income*	2.5	2.0
Total Economic Return	\$ 10.7	\$ 8.8

	For the Nine Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Revenues	\$ 974.7	\$ 928.6
Construction Contract Costs	(911.9)	(875.5)
Selling, General & Administrative Expenses	(41.5)	(35.6)
Operating Income, as reported	21.3	17.5
Intercompany Interest Income*	6.9	6.3
Total Economic Return	\$ 28.2	\$ 23.8

*The "net assets" position of the Contracting and Construction Services segment provides significant cash flow (payables and accruals consistently exceed identifiable assets). Intercompany interest income computed on the segment's cash flow in excess of its equity is reflected above. However, these amounts are eliminated in consolidation.

CORPORATE AND OTHER, NET

Corporate general and administrative expenses represent salaries and other costs not identifiable with a specific segment. Other, net includes new business initiatives and other businesses which do not merit breaking out as separate business segments.

Edgar Filing: CENTEX CORP - Form 10-Q

	For the Three Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Corporate General and Administrative Expenses	\$ (8.5)	\$ (8.5)
	=====	=====
Operating Earnings (Loss)-Other, net	\$ 3.1	\$ (0.6)
	=====	=====

-15-

19

	For the Nine Months Ended December 31,	
	2000	1999
	(Dollars in millions)	
Corporate General and Administrative Expenses	\$ (26.0)	\$ (23.8)
	=====	=====
Operating Earnings (Loss)-Other, net	\$ 5.0	\$ (3.5)
	=====	=====

(I) The computation of diluted earnings per share excludes anti-dilutive options to purchase 2,823,000 common shares at an average price of \$37.44, and 4,416,000 common shares at an average price of \$35.24 for the three months and nine months ended December 31, 2000, respectively. All anti-dilutive options have expiration dates ranging from September 2007 to December 2010.

(J) Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in June 1998. This statement addresses the accounting for derivative instruments, including derivative instruments embedded in other contracts (collectively referred to as derivatives), and hedging activities as well as the disclosure of these activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. In June 1999, SFAS No. 137 was issued which delays the implementation of SFAS No. 133 for the Company until April 2001. In June 2000, SFAS No. 138 was issued which amends SFAS No. 133 for certain derivative instruments and certain hedging activities.

SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," was issued in September 2000. This statement replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries most of SFAS No. 125's provisions without reconsideration. This statement will become effective for the Company in April 2001.

Edgar Filing: CENTEX CORP - Form 10-Q

The Company is in the process of assessing the impact SFAS Nos. 133, 138 and 140 will have on its financial statements.

(K) During November 2000 Construction Products purchased selected strategic assets summarized below, and assumed certain liabilities. The net purchase price was approximately \$392 million. Funding came from cash on hand and borrowings under Construction Products' new \$325 million senior credit facility.

The principal assets acquired were: a 1.1 billion-square-foot gypsum wallboard plant located in Duke, Oklahoma; a short line railroad and railcars linking the Duke plant to adjacent railroads; a recently completed 220,000 ton-per-year lightweight paper mill in Lawton, Oklahoma; a 50,000 ton-per-year Commerce City (Denver), Colorado paper mill; and three recycled paper fiber collection sites. The gypsum wallboard operations will be operated by Construction Products' American Gypsum Company located in Albuquerque, New Mexico. The paper operations will be located in Lawton, Oklahoma, and will focus primarily on the gypsum wallboard paper business.

(L) Certain prior year balances have been reclassified to be consistent with the December 31, 2000 presentation.

-16-

20

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

Centex's consolidated revenues for the three months ended December 31, 2000 were \$1.6 billion, a 15% increase over \$1.4 billion for the same period last year. Earnings before income taxes were \$110.5 million, 9% higher than \$101.7 million last year. Net earnings for the three months ended December 31, 2000 were \$68.5 million, 8% higher than \$63.2 million for the same period last year.

For the nine months ended December 31, 2000, consolidated revenues totaled \$4.7 billion, 10% higher than \$4.2 billion for the same period last year. Earnings before income taxes were \$284.5 million, 6% lower than \$302.2 million for the same period last year. Net earnings were \$175.8 million for the nine months ended December 31, 2000, a 6% decrease from net earnings of \$187.1 million for the same period last year.

HOME BUILDING

CONVENTIONAL HOMES

The following summarizes Conventional Homes' results for the three and nine months ended December 31, 2000 compared to the same periods last year (dollars in millions, except per unit data):

	For the Three Months Ended	
	2000	
Conventional Homes Revenues	\$ 1,038.8	100.0%
Cost of Sales	(782.4)	(75.3)%
Selling, General & Administrative Expenses	(155.8)	(15.0)%
Operating Earnings	\$ 100.6	9.7%

Edgar Filing: CENTEX CORP - Form 10-Q

Units Closed	=====	=====
	4,893	
% Change	8.9%	
Unit Sales Price	\$ 208,328	
% Change	10.0%	
Operating Earnings Per Unit	\$ 20,568	
% Change	26.1%	

		For the Nine Months Ended

		2000

Conventional Homes Revenues	\$ 2,952.8	100.0%
Cost of Sales	(2,251.2)	(76.2)%
Selling, General & Administrative Expenses	(438.9)	(14.9)%
	-----	-----
Operating Earnings	\$ 262.7	8.9%
	=====	=====
Units Closed	14,202	
% Change	10.5%	
Unit Sales Price	\$ 203,071	
% Change	7.7%	
Operating Earnings Per Unit	\$ 18,501	
% Change	17.3%	

-17-

21

Conventional Homes' revenues for the three months and nine months ended December 31, 2000 increased by \$175.6 million and \$491.3 million, respectively, from revenues for the same periods last year. These improvements resulted from an increased number of operating neighborhoods along with an increase in units per neighborhood, and a higher average unit selling price compared to the fiscal 2000 per-unit sales price.

Operating earnings for the three and nine months ended December 31, 2000 were 9.7% and 8.9% as a percentage of revenue and approximately \$20,568 and \$18,501 on a per unit basis compared to operating earnings of 8.5% and 8.2% of revenue and approximately \$16,314 and \$15,768 on a per-unit basis for the same periods last year.

Home sales (orders) totaled 4,351 units during the three months ended December 31, 2000, compared to 4,089 units during the same period last year, representing a 6.4% increase. Home sales (orders) totaled 15,226 units during the nine months ended December 31, 2000 compared to 13,191 units for the same period last year. The backlog of homes sold but not closed at December 31, 2000 was 8,603 units, 16.1% more than the 7,413 units for the same period last year.

MANUFACTURED HOMES

The following summarizes Manufactured Homes' results for the three and

Edgar Filing: CENTEX CORP - Form 10-Q

nine months ended December 31, 2000 compared to the same periods last year
(dollars in millions):

	For the Three Months Ended De		
	2000		
Manufactured Homes Revenues (Construction)	\$ 18.3	100.0%	\$ 30.3
Cost of Sales	(15.1)	(82.4)%	(23.3)
Selling, General & Administrative Expenses	(3.5)	(19.5)%	(3.4)
	(0.3)	(1.9)%	3.6
Retail Sales Revenues	10.2	100.0%	16.8
Cost of Sales	(8.4)	(82.6)%	(13.2)
Selling, General & Administrative Expenses	(2.6)	(25.4)%	(3.7)
	(0.8)	(8.0)%	(0.1)
Construction and Retail (Loss) Earnings	(1.1)		3.5
Subdivision Development Activities	(0.5)		--
Goodwill Amortization	(0.9)		(0.8)
Group Operating (Loss) Earnings	\$ (2.5)		\$ 2.7
Units Sold	1,004		1,501

-18-

22

	For the Nine Months End		
	2000		
Manufactured Homes Revenues (Construction)	\$ 63.5	100.0%	\$
Cost of Sales	(52.3)	(82.4)%	
Selling, General & Administrative Expenses	(9.5)	(14.9)%	
	1.7	2.7%	
Retail Sales Revenues	34.2	100.0%	
Cost of Sales	(27.8)	(81.4)%	
Selling, General & Administrative Expenses	(8.5)	(24.8)%	
	(2.1)	(6.2)%	
Construction and Retail (Loss) Earnings	(0.4)		
Subdivision Development Activities	(0.7)		
Goodwill Amortization	(2.6)		
Minority Interest	--		

Edgar Filing: CENTEX CORP - Form 10-Q

Group Operating (Loss) Earnings	\$ (3.7)
	=====
Units Sold	3,328

Manufactured Homes currently operates four manufacturing plants: three in the Phoenix, Arizona area, and one in central Texas, and also operates 22 retail locations. As a consequence of an oversupply of homes in the total industry distribution pipeline and the reduced availability and higher cost of financing for purchasers of manufactured homes, Manufactured Homes' construction sales and retail sales for the three and nine months ended December 31, 2000 declined from the same periods last year. In response, management has idled its New Mexico plant and slowed production in its other plants until the return of more favorable market conditions.

INVESTMENT REAL ESTATE

The following summarizes Investment Real Estate's results for the three and nine months ended December 31, 2000 compared to the same periods last year (dollars in millions):

	For the Three Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$13.0	\$15.9
	=====	=====
Operating Earnings	\$13.6	\$ 8.9
	=====	=====

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 19.7	\$ 27.4
	=====	=====
Operating Earnings	\$ 26.7	\$ 24.1
	=====	=====

For the three and nine months ended December 31, 2000, Centex's Investment Real Estate operations, through which all investment property transactions are reported, had operating earnings of \$13.6 and \$26.7 million, respectively, 52% and 11% higher than \$8.9 and \$24.1 million for the same periods a year ago. The timing of land sales is uncertain and can vary

Edgar Filing: CENTEX CORP - Form 10-Q

significantly from period to period.

Property sales related to Investment Real Estate's nominally valued assets resulted in operating margins of \$4.3 million and \$7.9 million for the three months ended December 31, 2000 and 1999, and \$9.0 million and \$16.8 million for the nine months ended December 31, 2000 and 1999, respectively. As of December 31, 2000, Investment Real Estate had nominally valued assets with an original cost basis of approximately \$32.7 million which are expected to be sold over the next 12 to 24 months.

Negative goodwill amortization was \$4 million in the three month periods ended December 31, 2000 and 1999, and \$12 million in the nine month periods ended December 31, 2000 and 1999.

FINANCIAL SERVICES

The following summarizes Financial Services' results for the three and nine months ended December 31, 2000 compared to the same periods last year (dollars in millions):

	For the Three Months Ended December 31,	
	2000	1999
Revenues	\$ 121.3	\$ 106.6
	=====	=====
Operating Earnings	\$ 2.4	\$ 9.2
	=====	=====
Origination Volume	\$ 2,461	\$ 2,168
	=====	=====
Number of Loans Originated		
CTX Mortgage Company		
Centex-built Homes ("Builder")	2,956	2,449
Non-Centex-built Homes ("Retail")	10,610	10,614
	-----	-----
	13,566	13,063
Centex Home Equity Corporation	6,564	5,526
Centex Finance Company (closed during fiscal 2000)	--	202
	-----	-----
	20,130	18,791
	=====	=====

-20-

24

	For the Nine Months Ended December 31,	
	2000	1999
Revenues	\$ 323.7	\$ 343.9
	=====	=====
Operating Earnings	\$ 4.7	\$ 42.4
	=====	=====

Edgar Filing: CENTEX CORP - Form 10-Q

Origination Volume	\$ 7,316	\$ 7,337
	=====	=====
Number of Loans Originated		
CTX Mortgage Company		
Builder	8,261	7,489
Retail	33,572	39,093
	-----	-----
	41,833	46,582
Centex Home Equity Corporation	20,310	15,506
Centex Finance Company (closed during fiscal 2000)	--	674
	-----	-----
	62,143	62,762
	=====	=====

Financial Services' operating earnings for the three months ended December 31, 2000 were \$2.4 million compared to \$9.2 million for the same period last year. For the nine months ended December 31, 2000, operating earnings were \$4.7 million compared to \$42.4 million for the same period last year.

Financial Services' revenues for the third quarter of fiscal 2001 were \$121.3 million versus \$106.6 million for the third quarter last year, and \$323.7 million for the first nine months of fiscal 2001 compared to \$343.9 million for the same period last year. Gains on sales of mortgage loans receivable, a component of Financial Services' revenues, decreased to \$40.7 million for the quarter ended December 31, 2000 from \$65.4 million for the comparable quarter last year, and to \$128.7 million for the nine months ended December 31, 2000 compared to \$208.3 million for the same period last year. This decline is primarily due to the change, discussed below, in the method of accounting for securitizations completed by Home Equity.

CTX Mortgage Company and related companies ("CTX Mortgage") had operating earnings totaling \$5.9 million for the three months ended December 31, 2000 compared to operating earnings of \$5.8 million for the three months ended December 31, 1999, and \$16.7 million for the nine months ended December 31, 2000, which was 45% less than operating earnings of \$30.6 million reported for the nine months ended December 31, 1999. The decline in CTX Mortgage's year-to-date operating earnings is primarily due to higher interest rates in the first nine months of fiscal 2001 compared to the same period last year, which has resulted in a decrease in refinancing activity, a more competitive pricing environment, and a change in product mix to a greater volume of adjustable rate loans that have lower profit margins. Originations for the nine months ended December 31, 2000 totaled 41,833 compared to 46,582 originations in the same period last year. The per-loan profit for the nine months ended December 31, 2000 was \$400, or 39% lower than \$657 for the same period last year. CTX Mortgage's total mortgage applications for the three months ended December 31, 2000 increased 14% to 12,723 from 11,197 applications for the same period last year. For the nine months ended December 31, 2000, CTX Mortgage's applications decreased 1% to 43,919 from 44,210 for the same period last year.

-21-

25

Up to December 1999, substantially all of the mortgage loans generated by CTX Mortgage were sold forward upon closing and subsequently delivered to third-party purchasers within approximately 60 days thereafter. In mid-December 1999, CTX Mortgage began to sell, at closing, the majority of its mortgage loans to Harwood Street Funding I, LLC ("HSF-I"), a non-affiliated limited liability company. This arrangement is discussed in more detail in the Financial Condition

Edgar Filing: CENTEX CORP - Form 10-Q

and Liquidity section below.

CTX Mortgage's interest income, earned primarily on loans pending sale, decreased 65% for the quarter ended December 31, 2000 to \$4.2 million from \$12.0 million for the same quarter last year, and declined 73% for the nine months ended December 31, 2000 to \$13.4 million from \$49.1 million for the same period last year. CTX Mortgage's interest expense for the quarter ended December 31, 2000 was \$4.5 million, a 59% decrease from \$10.9 million for the same period last year. Interest expense for the nine months ended December 31, 2000 was \$14.3 million, a 63% decrease from \$38.3 million for the same period last year. The decrease in CTX Mortgage's net interest income was due to the reduction in its inventory of loans because of the sales arrangement with HSF-I, as discussed in the Financial Condition and Liquidity section.

Home Equity reported operating losses of \$3.5 million and \$12.1 million, respectively, for the quarter and nine months ended December 31, 2000, compared to operating earnings of \$3.4 million and \$11.8 million, respectively, for the same periods last year. As discussed below, this decline primarily resulted from accounting for \$400 million in securitizations completed during the quarter ended December 31, 2000 and \$1.15 billion in securitizations during fiscal 2001 as borrowings rather than as sales.

Home Equity's originations for the three months ended December 31, 2000 were 6,564, a 19% increase over 5,526 originations for the same period last year. Originations for the nine months ended December 31, 2000 were 20,310, a 31% increase over 15,506 originations for the same period last year. Loan volume for the three months ended December 31, 2000 was \$442.8 million, a 25% improvement over the same period last year. Loan volume for the nine months ended December 31, 2000 was \$1.3 billion, a 31% improvement over the same period last year. Loan volume for the three and nine months ended December 31, 2000 was favorably impacted by the opening of new operating locations during the later quarters of fiscal 2000, plus generally increased activity. Home Equity's sub-prime applications totaled 35,105 for the quarter ended December 31, 2000, an increase of 9% over the 32,341 applications for the same period last year. Home Equity's sub-prime applications totaled 109,853 for the nine months ended December 31, 2000, an increase of 22% over the 89,785 applications for the same period last year.

During the quarter ended December 31, 2000, Home Equity completed \$400 million in loan securitizations, compared to \$305 million of loan securitizations during the same period last year. For the nine months ended December 31, 2000, Home Equity completed securitizations totaling \$1.15 billion, compared to \$1.0 billion in securitizations for the same period last year. Home Equity retains the servicing rights associated with these securitized loans and is the long-term servicer of these loans. Service fee income related to this long-term servicing was \$6.8 million in the three months ended December 31, 2000, a 70% increase from the \$4.0 million in the same period last year. For the nine months ended December 31, 2000, service fee revenue was \$17.8 million compared to \$10.0 million for the same period last year.

Substantially all of the mortgage loans produced by Home Equity are securitized, generally on a quarterly basis. Securitizations entered into prior to March 31, 2000 by Home Equity were structured in a manner that caused them to be accounted for as sales. The resulting gains on such sales were reported as

revenues during the period in which the securitizations closed. Home Equity has

Edgar Filing: CENTEX CORP - Form 10-Q

changed the structure for securitizations occurring subsequent to March 31, 2000, such that securitizations after that date are being accounted for as borrowings. Although the change in accounting for the securitizations from "sales" to "borrowings" will have no effect on the profit recognized over the life of the mortgages, the change does affect the timing of profit recognition. The approximate impact of this change in fiscal 2001 was to reduce Home Equity's pre-tax earnings by approximately \$9.5 million and \$31.8 million for the three and nine months ended December 31, 2000, respectively, from the amount it would have reported if the securitizations had been structured as sales.

Among other effects, the loans thus securitized are reflected as loans receivable on the Company's balance sheet, and the Company's income statement reflects the interest income and the interest expense associated with this loan portfolio. Such net interest income, rather than gain on sale of loans as in past periods, is Home Equity's primary source of operating income. Primarily as a result of this change, Home Equity's interest income increased 353% for the quarter ended December 31, 2000 to \$32.6 million from \$7.2 million for the same period last year, and increased 210% for the nine months ended December 31, 2000 to \$65.5 million from \$21.1 million for the same period last year. Interest expense for the quarter ended December 31, 2000 was \$22.9 million, a 367% increase from \$4.9 million for the same period last year, and for the nine months ended December 31, 2000, was \$46.1 million, a 241% increase from \$13.5 million for the same period last year. Therefore, Home Equity's net interest income increased 322% to \$9.7 million for the quarter ended December 31, 2000 from \$2.3 million for the same period last year, and increased 155% for the nine months ended December 31, 2000 to \$19.4 million from \$7.6 million for the same period last year.

Financial Services' other sources of revenue include, among other things, loan origination fees, servicing fee income, title policy fees and insurance commissions, mortgage loan broker fees, and fees for mortgage loan quality control and processing services.

CONSTRUCTION PRODUCTS

The following summarizes Construction Products' results for the three and nine months ended December 31, 2000 compared to the same periods last year (dollars in millions):

	For the Three Months Ended December 31,	
	2000	1999
Revenues	\$ 90.4	\$108.4
Interest Income	1.8	1.1
Cost of Sales and Expenses	(69.6)	(62.5)
Selling, General & Administrative Expenses	(1.1)	(1.2)
Goodwill Amortization	(0.5)	(0.4)
	-----	-----
Operating Earnings	21.0	45.4
Minority Interest	(6.3)	(17.0)
	-----	-----
Net Operating Earnings to Centex	\$ 14.7	\$ 28.4
	=====	=====

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 290.5	\$ 323.4
Interest Income	5.6	2.4
Cost of Sales	(201.5)	(188.6)
Selling, General & Administrative Expenses	(3.5)	(3.5)
Goodwill Amortization	(1.4)	(1.1)
	-----	-----
Operating Earnings	89.7	132.6
Minority Interest	(30.8)	(50.7)
	-----	-----
Net Operating Earnings to Centex	\$ 58.9	\$ 81.9
	=====	=====

Construction Products' revenues were \$90.4 million for the three months ended December 31, 2000, a 17% decrease from the same period last year. For the three months ended December 31, 2000, Construction Products' operating earnings, net of minority interest, were \$14.7 million, a 48% decrease from the \$28.4 million reported for the same period last year. Revenues from Construction Products for the nine months ended December 31, 2000 were \$290.5 million, 10% lower than revenues for the same period last year. For the nine months ended December 31, 2000, Construction Products' operating earnings, net of minority interest, were \$58.9 million, 28% lower than the results for the same period last year. The decrease in revenues and operating earnings for the three and nine month periods ending December 31, 2000 are primarily the result of lower pricing, particularly in gypsum wallboard. Construction Products' results for both the current year quarter and nine month period were also adversely impacted by higher fuel and energy costs.

During November 2000, Construction Products purchased selected strategic assets summarized below, and assumed certain liabilities. The net purchase price was approximately \$392 million. Funding came from cash on hand and borrowings under Construction Products' new \$325 million senior credit facility.

The principal assets acquired were: a 1.1 billion-square-foot gypsum wallboard plant located in Duke, Oklahoma; a short line railroad and railcars linking the Duke plant to adjacent railroads; a recently completed 220,000 ton-per-year lightweight paper mill in Lawton, Oklahoma; a 50,000 ton-per-year Commerce City (Denver), Colorado paper mill; and three recycled paper fiber collection sites. The gypsum wallboard operations will be operated by Construction Products' American Gypsum Company located in Albuquerque, New Mexico. The paper operations will be located in Lawton, Oklahoma, and will focus primarily on the gypsum wallboard paper business.

Edgar Filing: CENTEX CORP - Form 10-Q

The following summarizes Contracting and Construction Services' results for the three and nine months ended December 31, 2000 compared to the same periods last year (dollars in millions):

	For the Three Months Ended December 31,	
	2000	1999
Revenues	\$ 345.6	\$ 288.0
Operating Earnings	\$ 8.2	\$ 6.8
New Contracts Received	\$ 318.5	\$ 486.8
Backlog of Uncompleted Contracts	\$ 1,445	\$ 1,322

	For the Nine Months Ended December 31,	
	2000	1999
Revenues	\$ 974.7	\$ 928.6
Operating Earnings	\$ 21.3	\$ 17.5
New Contracts Received	\$ 1,037.6	\$ 1,313.5
Backlog of Uncompleted Contracts	\$ 1,445	\$ 1,322

Contracting and Construction Services' revenues for the three and nine months ended December 31, 2000 were \$345.6 million and \$974.7 million, respectively. Operating earnings for the group improved 20% to \$8.2 million for the three months and 21% to \$21.3 million for the nine months ended December 31, 2000 over the same periods last year. This increase was primarily the result of a continuing shift in recent years to higher-margin private negotiated projects from lower-margin public bid work.

The Contracting and Construction Services operations provided a positive average net cash flow in excess of Centex's investment in the group of \$99.3 million for the three months ended December 31, 2000 and \$94.7 million for the same period last year. For the nine months ended December 31, 2000, the

Edgar Filing: CENTEX CORP - Form 10-Q

positive average net cash flow in excess of Centex's investment in the group was \$95.1 million, compared to \$102.8 million for the same period last year.

-25

29

FINANCIAL CONDITION AND LIQUIDITY

At December 31, 2000, the Company had cash and cash equivalents of \$76.9 million, including \$30.4 million of restricted cash and \$11.8 million belonging to the Company's 65.3%-owned Construction Products subsidiary. The net cash used in or provided by the operating, investing, and financing activities for the nine months ended December 31, 2000 and 1999 is summarized below (dollars in thousands):

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
Net cash provided by (used in)		
Traditional Operations*		
Operating Activities	\$ (149,354)	\$ (233,472)
Investing Activities	(513,888)	(142,454)
Financing Activities	572,084	432,060
	-----	-----
	(91,158)	56,134
	-----	-----
Financial Services		
Operating Activities	(1,222,215)	590,311
Investing Activities	(5,049)	(19,800)
Financing Activities	1,255,046	(576,152)
	-----	-----
	27,782	(5,641)
	-----	-----
Effect of exchange rates on cash	758	(48)
	-----	-----
Net (decrease) increase in cash	\$ (62,618)	\$ 50,445
	=====	=====

* Traditional operations is the combining of all subsidiaries other than those included in the Financial Services business segment.

For the first nine months of fiscal 2001, cash was used in the Operating Activities to finance increases in residential mortgage loans and housing inventories. The increase in housing inventories relates to the increased level of sales and resulting units under construction during the year and to the acquisition of expansion land. The funds provided by Financing Activities included new debt used to fund both residential mortgage loans and the increased home building activity.

Short-term debt as of December 31, 2000 was \$817.8 million, which included \$542.0 million of debt applicable to the Financial Services operation

Edgar Filing: CENTEX CORP - Form 10-Q

(see below). Excluding Financial Services, the Company's short-term borrowings are generally accomplished at prevailing market interest rates from the Company's commercial paper programs and from uncommitted bank facilities. In August, the Company entered into a \$600 million committed multi-bank revolving credit facility expiring in 2005 which serves as backup for commercial paper borrowings.

The Financial Services segment obtains most of its own short-term liquidity needs through separate facilities which require only limited support from Centex Corporation. During the third quarter of fiscal 2000, CTX Mortgage began selling to HSF-I substantially all of the Conforming, Jumbo A, and GNMA eligible mortgages originated by CTX Mortgage under a revolving sales agreement. HSF-I, an unaffiliated special purpose entity, acquires and then resells mortgages originated by CTX Mortgage into secondary

-26-

30

markets. Under the sales agreement between CTX Mortgage and HSF-I, which has a five year term with certain renewal options, CTX Mortgage is not required to sell its mortgage loans to HSF-I; however, HSF-I has committed to purchase all eligible loans offered by CTX Mortgage. This arrangement gives CTX Mortgage daily access, on a revolving basis, to HSF-I's \$1.5 billion of capacity. CTX Mortgage also maintains \$190 million of secured committed mortgage warehouse facilities.

In February 2001, Home Equity began selling mortgage loans to Harwood Street Funding II, LLC ("HSF-II") under a revolving sales agreement. HSF-II, an affiliated special purpose limited liability company, acquires mortgages originated or acquired by Home Equity and then resells them into the secondary market or to securitization structures. Under the sales agreement between Home Equity and HSF-II, Home Equity is not required to sell its mortgage loans to HSF-II; however, HSF-II has committed to purchase all eligible loans offered by Home Equity. This arrangement gives Home Equity daily access, on a revolving basis, to HSF-II's \$550 million of capacity. HSF-II's funding for the purchase of the loans is provided through the sale by it in the capital markets of five-year subordinated notes and short-term secured liquidity notes. Home Equity continues to service the loans acquired by HSF-II. Home Equity also has \$325 million of committed secured mortgage warehouse facilities to finance sub-prime mortgages held until securitization.

In addition, Financial Services has \$90 million of uncommitted unsecured credit facilities under which it can borrow and, in turn, allocate such borrowed funds to its CTX Mortgage, Home Equity, and other subsidiaries. At December 31, 2000, Financial Services had borrowed \$90 million under these facilities; \$45 million of such borrowings were allocated to CTX Mortgage and \$45 million to Home Equity. All borrowings under these unsecured facilities are guaranteed by Centex Corporation.

CTX Mortgage and Home Equity share a \$175 million uncommitted secured credit facility to finance mortgage inventory. At December 31, 2000, CTX Mortgage had borrowed \$25 million and Home Equity had borrowed \$145 million under this facility. This facility has limited recourse to Centex Corporation.

The Company is exposed to market risks related to fluctuations in interest rates on mortgage loans receivable, residual interest in mortgage securitizations, and in debt. The Company utilizes forward sale commitments to mitigate the risk associated with the majority of CTX Mortgage's mortgage loan portfolio and forward starting interest rate swaps for most of the unsecuritized mortgage portfolio of Home Equity. The Company does not utilize forward or

Edgar Filing: CENTEX CORP - Form 10-Q

option contracts on foreign currencies or commodities, or other types of derivative financial instruments. There have been no material changes in the Company's market risk since March 31, 2000. At December 31, 2000, market risk associated with the swaps mentioned above is considered minimal.

-27-

31

Debt outstanding as of December 31, 2000 was as follows (dollars in thousands):

Non-Financial Services:

Short-Term Notes Payable	\$ 275,810
Senior Debt:	
Medium-Term Note Programs, 6.94% to 7.95%, due through 2006	486,991
Long-Term Notes, 6.4% to 9.75%, due through 2006	214,966
Other Indebtedness, weighted-average 8.9%, due through 2027	294,768
Subordinated Debt:	
Subordinated Debentures, 7.375%, due in 2006	99,784
Subordinated Debentures, 8.75%, due in 2007	99,560
Subordinated Debentures, 9.5%, due in 2009	10,008

	1,481,887

Financial Services:

Short-Term Notes Payable	541,970
Home Equity Loans Asset-backed Certificates, 6.60% to 8.48%, due through 2031	327,518
Home Equity Loans Asset-backed Certificates, 6.60% to 7.99%, due through 2030	390,008
Home Equity Loans Asset-backed Certificates, 6.74% to 7.17%, due through 2031	400,000

	1,659,496

Centex Corporation and Subsidiaries	\$3,141,383
	=====

Maturities of long-term debt (in thousands) are fiscal: 2001, \$118,286; 2002, \$702,452; 2003, \$268,178; 2004, \$413,342; 2005, \$105,720; and \$715,625 thereafter. The Company believes it has adequate resources and sufficient credit facilities to satisfy its current needs and to provide for future growth.

On February 1, 2001, Centex issued \$250 million in 7.875% senior notes due February 1, 2011. Proceeds of the bond issue were used to reduce commercial paper and short term bank borrowings.

OTHER DEVELOPMENTS AND OUTLOOK

In October 2000, Centex Homes, a Nevada General Partnership ("Centex Homes") signed a letter of intent to acquire the home building assets of The Selective Group, based in Farmington Hills, Michigan. The closing is scheduled for March 2001, subject to customary conditions.

As part of its increased focus on serving urban markets, Centex Homes announced in January 2001 that it had signed a letter of intent to acquire CityHome Builders, Inc. ("CityHomes"), a leading builder of upscale urban

Edgar Filing: CENTEX CORP - Form 10-Q

townhomes in Dallas. The acquisition would include all homes under construction as well as land or lots for approximately 300 homes. CityHomes, founded in 1997, has been nationally recognized for its sophisticated luxury homes, generally priced from \$250,000 to \$450,000.

-28-

32

Also during the quarter, Centex HomeTeam Pest Control acquired four pest management companies, three in Florida and one in North Carolina. The acquisitions added a total of 8,200 customers to HomeTeam Pest Control's existing customer bases in these markets, bringing its total number of customers nationwide to 121,000.

The Company expects home sales to remain strong and closings and margins to continue to increase. Fiscal 2001 home building results should exceed fiscal 2000's record levels, and the Company also expects all-time high results from its contracting and construction services operations. In addition, operating earnings from Financial Services are expected to increase as interest rates fall and its sub-prime loan portfolio grows. However, despite strong product volumes, earnings from Construction Products will be negatively impacted by higher fuel and energy costs and lower product pricing in gypsum wallboard.

FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis of Financial Condition and Results of Operations, the Other Developments and Outlook and other sections of this report on Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when the Company is discussing its beliefs, estimates or expectations. These statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results and outcomes may differ materially from what is expressed or forecast in such forward-looking statements. The principal risks and uncertainties that may affect the Company's actual performance and results of operations include the following: general economic conditions and interest rates; the cyclical and seasonal nature of the Company's businesses; adverse weather; changes in property taxes and energy costs; changes in federal income tax laws and federal mortgage financing programs; governmental regulation; changes in governmental and public policy; changes in economic conditions specific to any one or more of the Company's markets and businesses; competition; availability of raw materials; and unexpected operations difficulties. Other risks and uncertainties may also affect the outcome of the Company's actual performance and results of operations.

-29-

33

Edgar Filing: CENTEX CORP - Form 10-Q

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks related to fluctuations in interest rates on its direct debt obligations, on mortgage loans receivable, residual interest in mortgage securitizations, and securitizations classified as debt. The Company utilizes derivative instruments, including interest rate swaps, in conjunction with its overall strategy to manage the debt outstanding that is subject to changes in interest rates. The Company utilizes forward sale commitments to mitigate the risk associated with the majority of its mortgage loan portfolio. Other than the forward commitments and interest rate swaps discussed earlier, the Company does not utilize forward or option contracts on foreign currencies or commodities, or other types of derivative financial instruments.

There have been no material changes in the Company's market risk from March 31, 2000. For further information regarding the Company's market risk, refer to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000.

-30-

34

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(1) Exhibits

None

(2) Reports on Form 8-K

Current Report on Form 8-K of Centex Corporation dated October 25, 2000, filed with the SEC on October 26, 2000.

Current Report on Form 8-K of Centex Corporation dated November 16, 2000, and filed with the SEC on that date.

Current Report on Form 8-K of Centex Corporation dated November 17, 2000, and filed with the SEC on November 20, 2000.

-31-

35

SIGNATURES

Edgar Filing: CENTEX CORP - Form 10-Q

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

CENTEX CORPORATION

Registrant

February 13, 2001

/s/ Leldon E. Echols

Leldon E. Echols
Executive Vice President and
Chief Financial Officer
(principal financial officer)

February 13, 2001

/s/ Mark A. Blinn

Mark A. Blinn
Vice President - Controller and
Financial Strategy
(chief accounting officer)

-32-

36

3333 HOLDING CORPORATION AND SUBSIDIARY

CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED COMBINING FINANCIAL STATEMENTS

ITEM 1.

The condensed combining financial statements include the accounts of 3333 Holding Corporation and subsidiary ("Holding") and Centex Development Company, L.P. and subsidiaries (the "Partnership") (collectively the "Companies"), and have been prepared by the Companies, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Companies believe that the disclosures are adequate to make the information presented not misleading. The Companies suggest that these condensed combining financial statements be read in conjunction with the financial statements and the notes thereto included in the Companies' latest Annual Report on Form 10-K.

Edgar Filing: CENTEX CORP - Form 10-Q

In the opinion of the Companies, all adjustments necessary to present fairly the information in the following condensed combining financial statements of the Companies have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

-33-

37

3333 HOLDING CORPORATION AND SUBSIDIARY
AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES
CONDENSED COMBINING STATEMENTS OF OPERATIONS
(Dollars in thousands, except per unit/share data)
(unaudited)

	For the Three Months Ended December			
	2000			
	Combined	Centex Development Company, L.P. and Subsidiaries	3333 Holding Corporation and Subsidiary	Combined
REVENUES	\$ 80,752	\$ 80,752	\$ --	\$ 79,450
COSTS AND EXPENSES	78,031	77,894	137	79,533
EARNINGS (LOSS) BEFORE INCOME TAXES	2,721	2,858	(137)	(83)
INCOME TAXES	(928)	(928)	--	29
NET EARNINGS (LOSS)	<u>\$ 3,649</u>	<u>\$ 3,786</u>	<u>\$ (137)</u>	<u>\$ (112)</u>
NET EARNINGS (LOSS) ALLOCABLE TO LIMITED PARTNER		<u>\$ 3,786</u>		
EARNINGS (LOSS) PER UNIT/SHARE		<u>\$ 53.57</u>	<u>\$ (137)</u>	
WEIGHTED-AVERAGE UNITS/SHARES OUTSTANDING		70,669	1,000	

See notes to condensed combining financial statements.

3333 HOLDING CORPORATION AND SUBSIDIARY
AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES
CONDENSED COMBINING STATEMENTS OF OPERATIONS
(Dollars in thousands, except per unit/share data)
(unaudited)

	For the Nine Months Ended December			
	2000			
	Combined	Centex Development Company, L.P. and Subsidiaries	3333 Holding Corporation and Subsidiary	Combined
REVENUES	\$ 222,510	\$ 222,509	\$ 1	\$ 249,249
COSTS AND EXPENSES	219,517	219,157	360	248,684
EARNINGS (LOSS) BEFORE INCOME TAXES	2,993	3,352	(359)	565
INCOME TAXES	(871)	(871)	--	601
NET EARNINGS (LOSS)	\$ 3,864	\$ 4,223	\$ (359)	\$ (36)
NET EARNINGS ALLOCABLE TO LIMITED PARTNER		\$ 4,223		
EARNINGS (LOSS) PER UNIT/SHARE		\$ 60.70	\$ (359)	
WEIGHTED-AVERAGE UNITS/SHARES OUTSTANDING		69,573	1,000	

See notes to condensed combining financial statements.

Edgar Filing: CENTEX CORP - Form 10-Q

3333 HOLDING CORPORATION AND SUBSIDIARY
AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES
CONDENSED COMBINING BALANCE SHEETS
(Dollars in thousands)

	DECEMBER 31, 2000*			
	Combined	Centex Development Company, L.P. and Subsidiaries	3333 Holding Corporation and Subsidiary	Combined
ASSETS				
Cash	\$ 10,142	\$ 10,137	\$ 5	\$ 58,314
Accounts Receivable	8,582	13,859	1	13,077
Notes Receivable	1,019	1,019	--	3,131
Inventories	400,496	398,860	1,636	329,941
Investments -				
Commercial Properties, net	70,099	70,099	--	61,420
Real Estate Joint Ventures	3,069	3,069	--	2,595
Affiliate	--	--	1,716	--
Property and Equipment, net	3,206	3,138	68	3,578
Other Assets -				
Goodwill, net	29,515	29,515	--	30,727
Deferred Charges and Other	14,009	13,859	150	8,835
	\$ 540,137	\$ 543,555	\$ 3,576	\$ 511,618
LIABILITIES, STOCKHOLDERS' EQUITY AND PARTNERS' CAPITAL				
Accounts Payable and Accrued Liabilities	\$ 116,769	\$ 116,727	\$ 5,894	\$ 118,693
Notes Payable	347,386	347,386	--	323,740
	464,155	464,113	5,894	442,433
Stockholders' Equity and Partners' Capital	75,982	79,442	(2,318)	69,185
	\$ 540,137	\$ 543,555	\$ 3,576	\$ 511,618

* Unaudited.

** Condensed from audited financial statements.

See notes to condensed combining financial statements.

Edgar Filing: CENTEX CORP - Form 10-Q

CONDENSED COMBINING STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	For the Nine Months Ended December			
	2000			
	Combined	Centex Development Company, L.P. and Subsidiaries	3333 Holding Corporation and Subsidiary	Combined
CASH FLOWS - OPERATING ACTIVITIES				
Net Earnings (Loss)	\$ 3,864	\$ 4,223	\$ (359)	\$ (36)
Adjustments:				
Depreciation and Amortization	3,622	3,592	30	2,752
Equity in Earnings from Joint Ventures	(446)	(446)	--	(23)
Decrease (Increase) in Receivables	2,149	2,144	5	(5,662)
Decrease in Notes Receivable	2,112	2,112	--	194
Increase in Inventories	(84,340)	(83,717)	(623)	(11,612)
Increase in Commercial Properties	(10,064)	(10,064)	--	--
(Increase) Decrease in Other Assets	(8,273)	(8,298)	25	(2,744)
Increase in Payables and Accruals	6,238	5,326	912	12,131
	(85,138)	(85,128)	(10)	(5,000)
CASH FLOWS - INVESTING ACTIVITIES				
Increase in Advances to Joint Ventures and Investment in Affiliate	(28)	(28)	--	(947)
(Increase) Decrease in Property and Equipment, net	(175)	(174)	(1)	318
	(203)	(202)	(1)	(629)
CASH FLOWS - FINANCING ACTIVITIES				
Increase (Decrease) in Notes Payable Issuance of Class "C" Partnership Units	39,341	39,341	--	24,719
	--	--	--	4,830
	39,341	39,341	--	29,549
EFFECT OF EXCHANGE RATE CHANGES ON CASH				
	(2,172)	(2,172)	--	13
NET (DECREASE) INCREASE IN CASH	(48,172)	(48,161)	(11)	23,933
CASH AT BEGINNING OF PERIOD	58,314	58,298	16	364
CASH AT END OF PERIOD	\$ 10,142	\$ 10,137	\$ 5	\$ 24,297

SUPPLEMENTAL DISCLOSURES:

Edgar Filing: CENTEX CORP - Form 10-Q

Increase in Notes Payable					
Related to an Acquisition	\$	--	\$	--	\$ 253,812
Issuance of Class C Units in					
Exchange for Assets	\$	3,327	\$	3,327	\$ 3,265

See notes to condensed combining financial statements.

-37-

41

3333 HOLDING CORPORATION AND SUBSIDIARY
AND CENTEX DEVELOPMENT COMPANY, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED COMBINING FINANCIAL STATEMENTS

DECEMBER 31, 2000

(unaudited)

(A) In March 1987, Centex Development Company, L.P. (the "Partnership"), a master limited partnership, was formed to enable holders of common stock of Centex Corporation (together with its subsidiaries, "Centex") to participate in long-term real estate development projects whose dynamics are inconsistent with Centex's traditional financial objectives. Certain of Centex's subsidiaries contributed to the Partnership certain properties at their historical cost basis in exchange for 1,000 limited partnership units ("Class A Units").

The Partnership is managed by its general partner, 3333 Development Corporation ("Development"), which is in turn wholly-owned by 3333 Holding Corporation ("Holding"). Holding is a separate public company whose stock trades in tandem with Centex's stock. The common stock of Holding was distributed in 1987 (with warrants to purchase approximately 80% of the Class B limited partnership units ("Class B Units") in the Partnership) as a dividend to the stockholders of Centex. These securities are held by a nominee on behalf of the stockholders and will trade in tandem with the common stock of Centex until such time as they are detached. The securities may be detached at any time by Centex's Board of Directors, but the warrants to purchase Class B Units automatically become detached in November 2007, unless the detachment date is extended by Centex's board.

The stockholders of Centex elect the four-person Board of Directors of Holding. Three of the Board members, representing the majority of the Board, are independent outside directors who are also not directors, affiliates or employees of Centex. Thus, through Holding, the stockholders of Centex control the general partner of the Partnership. The general partner and the independent board of Holding manage how the Partnership conducts its activities, including the acquisition, development, maintenance, operation, and sale of properties. The general partner, acting on behalf of the Partnership, may sell or acquire properties, including the contributed property, and enter into other business transactions without the consent of the limited partners. In addition, the limited partners cannot remove the general partner.

See Note (C) to the condensed consolidated financial statements of Centex included elsewhere in this Form 10-Q for supplementary condensed combined

Edgar Filing: CENTEX CORP - Form 10-Q

financial statements for Centex and subsidiaries, Holding and subsidiary, and the Partnership and subsidiaries.

-38-

42

(B) Holding has a service agreement with Centex Service Company, a wholly-owned subsidiary of Centex, whereby Centex Service Company provides certain development, tax, accounting and other similar services for Holding. Through December 31, 2000, Holding had paid Centex Service Company \$772,500 for services provided in fiscal 2001.

The Partnership sells lots to Centex Homes, a Nevada General Partnership ("Centex Homes") pursuant to certain purchase and sale agreements. Revenues from these sales were zero for the three and nine months ended December 31, 2000, and \$669,000 and \$5.0 million for the three and nine months ended December 31, 1999, respectively. Gains associated with the sales for the same periods last year were \$132,000 and \$305,000, respectively.

(C) A summary of comprehensive income for the three and nine months ended December 31, 2000 is presented below (dollars in thousands):

	For the Three Months Ended December 31, 2000	For the N Dece
	-----	-----
Net Earnings	\$ 3,649	
Accumulated Other Comprehensive Income (Loss):		
Foreign Currency Translation Adjustments	73	

Comprehensive Income	\$ 3,722	
	=====	

(D) A summary of changes in stockholders' equity and partners' capital is presented below (dollars in thousands):

For the Nine Months Ended Decembe				

Centex Development Company,				
L.P. and Subsidiaries				
	Class B	General	Limited	S
	Unit	Partner's	Partner's	S
Combined	Warrants	Capital	Capital	Wa
-----	-----	-----	-----	-----

Edgar Filing: CENTEX CORP - Form 10-Q

Balance at March 31, 2000	\$ 69,185	\$ 500	\$ 1,142	\$ 70,644	\$
Partnership Units Issued in					
Exchange for Assets	3,327	--	--	3,327	
Net Earnings (Loss)	3,864	--	--	4,223	
Accumulated Other					
Comprehensive Loss:					
Foreign Currency					
Translation Adjustments	(394)	--	--	(394)	
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2000	\$ 75,982	\$ 500	\$ 1,142	\$ 77,800	\$
	=====	=====	=====	=====	=====

-39-

43

During fiscal 1998, the partnership agreement governing the Partnership was amended to allow for the issuance of Class C Limited Partnership Units ("Class C Units") to be issued in exchange for assets. During the nine months ended December 31, 2000, 3,327 Class C Units were issued to Centex Homes, the Partnership's sole limited partner, in exchange for assets with a fair market value of \$3.3 million.

The partnership agreement provides that Centex, as the Class A and Class C limited partner, is entitled to a cumulative preferred return of 9% per annum on the average outstanding balance of its Unrecovered Capital, defined as its capital contributions, adjusted for return of capital distributions. As of December 31, 2000, Unrecovered Capital totaled \$71.2 million, and preference payments in arrears amounted to \$19.6 million. No preference payments were made during fiscal 2000 or fiscal 2001 year to date.

(E) On April 15, 1999 Centex Development Company UK Limited ("CDC-UK"), a company incorporated in England and Wales and a wholly-owned subsidiary of the Partnership, closed its acquisition of all of the voting shares of Fairclough Homes Group Limited, a United Kingdom home builder ("Fairclough"). The purchase price at closing (approximately \$225 million) was paid by the delivery of two-year non-interest bearing promissory notes. A major portion of the promissory note obligation is secured by a letter of credit obtained by the Partnership from a United Kingdom bank.

Additionally, the seller of the voting shares retained non-voting preference shares in Fairclough that will entitle it to receive substantially all of the net, after tax earnings of Fairclough until March 31, 2001. During this time period CDC-UK may, however, participate in Fairclough's earnings in excess of certain specified levels. Because the non-voting preference shares retained by the seller have the characteristics of debt, the preference obligations are being reported as interest expense in the financial statements.

During the period between April 15, 1999 to March 31, 2001, Fairclough's operations will be carried out subject to certain guidelines negotiated with the seller. After March 31, 2001, CDC-UK will redeem, for a nominal value, the preference shares.

The purchase of Fairclough has been accounted for using the purchase method of accounting, pursuant to which the total cost of the acquisition has been allocated to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values. The allocation of the purchase

Edgar Filing: CENTEX CORP - Form 10-Q

price is as follows (dollars in thousands):

Inventories, Property and Equipment, and Other	\$ 270,450
Goodwill	34,904
Notes Issued and Liabilities Assumed	(303,649)

Cash Paid	\$ 1,705
	=====

(F) The Companies operate in five principal business segments: International Home Building, Domestic Home Building, Commercial Development, Multi-Family Development, and Land Sales. All of the segments operate in the United States except for International Home Building, which acquires and develops residential properties and constructs single and multi-family housing units in the United Kingdom.

-40-

44

The following tables set forth financial information relating to the business segments for the three and nine months ended December 31, 2000 and 1999 (dollars in thousands).

INTERNATIONAL HOME BUILDING

	For the Three Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 49,939	\$ 71,298
Costs and Expenses	(45,301)	(62,294)
Selling, General & Administrative Expenses	(5,590)	(6,433)
Interest	62	(2,542)
	-----	-----
Operating (Loss) Earnings	\$ (890)	\$ 29
	=====	=====

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 173,813	\$ 208,389
Costs and Expenses	(153,892)	(182,110)
Selling, General & Administrative Expenses	(16,774)	(17,601)
Interest	(4,234)	(8,077)
	-----	-----
Operating (Loss) Earnings	\$ (1,087)	\$ 601
	=====	=====

Edgar Filing: CENTEX CORP - Form 10-Q

DOMESTIC HOME BUILDING

	For the Three Months Ended December 31,	
	2000	1999
Revenues	\$ 9,751	\$ 3,791
Cost of Sales	(8,087)	(3,355)
Selling, General & Administrative Expenses	(529)	(369)
Operating Earnings	\$ 1,135	\$ 67

	For the Nine Months Ended December 31,	
	2000	1999
Revenues	\$ 21,450	\$ 9,781
Cost of Sales	(18,228)	(8,500)
Selling, General & Administrative Expenses	(1,502)	(1,088)
Operating Earnings	\$ 1,720	\$ 193

-41-

45

COMMERCIAL DEVELOPMENT

	For the Three Months Ended December 31,	
	2000	1999
Sales Revenues	\$ 17,383	\$ 1,901
Rental Income	2,791	1,692
Cost of Sales	(14,833)	(1,683)
Selling, General & Administrative Expenses	(1,897)	(974)
Interest	(1,112)	(740)
Operating Earnings	\$ 2,332	\$ 196

Edgar Filing: CENTEX CORP - Form 10-Q

	For the Nine Months Ended December 31,	
	2000	1999
Sales Revenues	\$ 17,383	\$ 3,765
Rental Income	7,709	3,412
Cost of Sales	(14,833)	(3,065)
Selling, General & Administrative Expenses	(4,832)	(1,881)
Interest	(3,137)	(1,471)
Operating Earnings	\$ 2,290	\$ 760

MULTI-FAMILY DEVELOPMENT

	For the Three Months Ended December 31,	
	2000	1999
Revenues	\$ 654	\$ --
Selling, General & Administrative Expenses	(574)	(475)
Interest	--	(4)
Operating Earnings (Loss)	\$ 80	\$ (479)

	For the Nine Months Ended December 31,	
	2000	1999
Revenues	\$ 1,662	\$ 17,154
Cost of Sales	--	(17,049)
Selling, General & Administrative Expenses	(1,605)	(1,505)
Interest	--	(19)
Operating Earnings (Loss)	\$ 57	\$ (1,419)

-42-

46

LAND SALES

For the Three Months Ended

Edgar Filing: CENTEX CORP - Form 10-Q

	December 31,	
	2000	1999
	-----	-----
Sales Revenues	\$ --	\$ 670
Other Revenues	234	98
Cost of Sales	--	(539)
Selling, General & Administrative Expenses	(170)	(125)
	-----	-----
Operating Earnings	\$ 64	\$ 104
	=====	=====

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
Sales Revenues	\$ --	\$ 6,416
Other Revenues	493	332
Cost of Sales	--	(5,943)
Selling, General & Administrative Expenses	(480)	(375)
	-----	-----
Operating Earnings	\$ 13	\$ 430
	=====	=====

(G) Certain prior year balances have been reclassified to be consistent with the December 31, 2000 presentation.

-43-

47

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

RESULTS OF OPERATIONS

On a combined basis, the Companies' revenues for the three and nine months ended December 31, 2000 totaled \$80.7 million and \$222.5 million, respectively. Revenues of \$79.4 million and \$249.2 million were reported for the three and nine months ended December 31, 1999, respectively. Operating results for the three and nine months ended December 31, 2000 reflect net earnings of \$3,649,000 for the quarter and \$3,864,000 of net earnings for the year to date period, respectively, compared to net losses of \$112,000 and \$36,000 for the same periods last year. The significant decrease in revenues for the nine months ended December 31, 2000 compared to the same period last year primarily resulted from decreased sales revenue in the Companies' Land Sales, Multi-Family and International Home Building business segments, offset by increased sales revenue in the Companies' Domestic Home Building and Commercial Development business segments.

INTERNATIONAL HOME BUILDING

The following summarizes International Home Building's results for the

Edgar Filing: CENTEX CORP - Form 10-Q

three and nine months ended December 31, 2000, compared to the same periods last year (dollars in thousands):

	For the Three Months Ended December 31,	
	2000	1999
Revenues	\$ 49,939	\$ 71,298
Costs and Expenses	(45,301)	(62,294)
Selling, General & Administrative Expenses	(5,590)	(6,433)
Interest	62	(2,542)
Operating (Loss) Earnings	\$ (890)	\$ 29

	For the Nine Months Ended December 31,	
	2000	1999
Revenues	\$ 173,813	\$ 208,389
Costs and Expenses	(153,892)	(182,110)
Selling, General & Administrative Expenses	(16,774)	(17,601)
Interest	(4,234)	(8,077)
Operating (Loss) Earnings	\$ (1,087)	\$ 601

-44-

48

International Home Building's operating results include results for Fairclough, its parent holding company, and goodwill amortization attributable to the Fairclough acquisition. The preferred distribution to the seller totaled \$(0.1) and \$4.2 million for the three and nine months ended December 31, 2000, respectively. Although preferred stock is ordinarily treated as an equity security, in this case the preferred stock has the essential characteristics of debt and, among other things, has a nominal residual interest value that is subject to mandatory redemption in two years. Therefore, the preferred stock has been treated as debt and the preferred distribution has been recorded as interest expense.

For the three and nine months ended December 31, 2000, the decrease in operating earnings is attributable to declining unit completions resulting from severe weather conditions, a tight labor market, and a generally slower economy.

DOMESTIC HOME BUILDING

The following summarizes Domestic Home Building's results for the three and nine months ended December 31, 2000, compared to the same periods last year (dollars in thousands):

Edgar Filing: CENTEX CORP - Form 10-Q

	For the Three Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 9,751	\$ 3,791
Cost of Sales	(8,087)	(3,355)
Selling, General & Administrative Expenses	(529)	(369)
	-----	-----
Operating Earnings	\$ 1,135	\$ 67
	=====	=====
Units Closed	36	11
	=====	=====
Gross Margin Per Unit	\$ 46	\$ 40
	=====	=====

	For the Nine Months Ended December 31,	
	2000	1999
	-----	-----
Revenues	\$ 21,450	\$ 9,781
Cost of Sales	(18,228)	(8,500)
Selling, General & Administrative Expenses	(1,502)	(1,088)
	-----	-----
Operating Earnings	\$ 1,720	\$ 193
	=====	=====
Units Closed	85	30
	=====	=====
Gross Margin Per Unit	\$ 38	\$ 43
	=====	=====

During the three and nine months ended December 31, 2000 and 1999, revenues resulted from sales of single-family homes in New Jersey.

-45-

49

COMMERCIAL DEVELOPMENT

The following summarizes Commercial Development's results for the three and nine months ended December 31, 2000, compared to the same periods last year (dollars and square feet in thousands):

	For the Three Months Ended December 31,	
	2000	1999
	-----	-----

Edgar Filing: CENTEX CORP - Form 10-Q

Sales Revenues	\$ 17,383	\$ 1,901
Rental Income	2,791	1,692
Cost of Sales	(14,833)	(1,683)
Selling, General & Administrative Expenses	(1,897)	(974)
Interest	(1,112)	(740)
	-----	-----
Operating Earnings	\$ 2,332	\$ 196
	=====	=====
Operating Square Feet	1,512	956
	=====	=====

For the Nine Months Ended
December 31,

	2000	1999
	-----	-----
Sales Revenues	\$ 17,383	\$ 3,765
Rental Income	7,709	3,412
Cost of Sales	(14,833)	(3,065)
Selling, General & Administrative Expenses	(4,832)	(1,881)
Interest	(3,137)	(1,471)
	-----	-----
Operating Earnings	\$ 2,290	\$ 760
	=====	=====
Operating Square Feet	1,512	956
	=====	=====

During the three and nine months ended December 31, 2000, respectively, construction was completed on 397,000 and 564,000 square feet of office and industrial space. At December 31, 2000, the Company owned, either directly or through interests in joint ventures, 1,512,000 square feet of office and industrial space in California, Texas, Florida, North Carolina and Massachusetts. As of December 31, 2000, the occupancy level averaged 92%. The rental income from these properties increased during the three and nine months ended December 31, 2000, compared to the same period last year due to the addition of 565,000 square feet of operating properties. Sales revenues for the three and nine months ended December 31, 2000 and December 31, 1999 consisted of the sale of land in Texas and California.

-46-

50

MULTI-FAMILY DEVELOPMENT

The following summarizes Multi-Family Development's results for the three and nine months ended December 31, 2000, compared to the same periods last year (dollars in thousands):

For the Three Months Ended

50

Edgar Filing: CENTEX CORP - Form 10-Q

	December 31,	
	2000	1999
Revenues	\$ 654	\$ --
Selling, General & Administrative Expenses	(574)	(475)
Interest	--	(4)
Operating Earnings (Loss)	\$ 80	\$ (479)

	For the Nine Months Ended December 31,	
	2000	1999
Revenues	\$ 1,662	\$ 17,154
Cost of Sales	--	(17,049)
Selling, General & Administrative Expenses	(1,605)	(1,505)
Interest	--	(19)
Operating Earnings (Loss)	\$ 57	\$ (1,419)

During the nine months ended December 31, 2000, a Multi-Family Development joint venture closed on the sale of a 182-unit apartment complex in College Station, Texas and received an earn-out payment related to the 1999 sale of an apartment community located in The Colony, Texas.

LAND SALES

The following summarizes Land Sales' results for the three and nine months ended December 31, 2000, compared to the same periods last year (dollars in thousands):

	For the Three Months Ended December 31,	
	2000	1999
Sales Revenues	\$ --	\$ 670
Other Revenues	234	98
Cost of Sales	--	(539)
Selling, General & Administrative Expenses	(170)	(125)
Operating Earnings	\$ 64	\$ 104

Edgar Filing: CENTEX CORP - Form 10-Q

	For the Nine Months Ended December 31,	
	2000	1999
Sales Revenues	\$ --	\$ 6,416
Other Revenues	493	332
Cost of Sales	--	(5,943)
Selling, General & Administrative Expenses	(480)	(375)
Operating Earnings	\$ 13	\$ 430

Other Revenues for the three and nine months ended December 31, 2000 included \$86,000 and \$231,000 of earnings in joint ventures, respectively, and \$148,000 and \$262,000 in interest income, respectively. Sales for the three months ended December 31, 1999 included the sale of certain residential lots in Florida, Texas and New Jersey to Centex Homes and the sale of certain land in Texas. Sales for the nine months ended December 31, 1999 comprised lot sales to Centex Homes in Florida, Texas and New Jersey totaling \$5.0 million, plus the sale of 5 acres of commercial property in Texas.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended December 31, 2000, 3,327 Class C Preferred Partnership Units were issued in exchange for assets with a fair market value of \$3.3 million. Also during the nine months ended December 31, 2000, the Companies funded \$35.5 million of construction costs with its interim construction facilities and closed a \$3.7 million permanent loan.

Development operations are not anticipated to provide a significant source of earnings or liquidity for the Companies for the next 12 to 18 months. As a result, the revenues, earnings and liquidity of the Companies will continue to be largely dependent on the sale of single-family homes, land sales, and the sale or permanent financing of development projects. The Companies believe that the cash flows from these sources will be sufficient to provide the necessary funding for current and future needs.

FORWARD-LOOKING STATEMENTS

The Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report on Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when the Companies are discussing their beliefs, estimates or expectations. These statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results and outcomes may differ materially from what is expressed or forecast in such forward-looking statements. The principal risks and uncertainties that may affect the Companies' actual performance and results of operations include the following: general economic conditions and interest rates; the cyclical and

seasonal nature of the Companies' business; changes in property taxes; changes in federal income tax laws; governmental regulation; changes in governmental and public policy; changes in economic conditions specific to any one or more of the Companies' markets and businesses; competition; availability of raw materials; and unexpected operations difficulties. Other risks and uncertainties may also affect the outcome of the Companies' actual performance and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Companies' market risk from March 31, 2000. For more information regarding the Companies' market risk, refer to the Companies' Annual Report on Form 10-K for the fiscal year ended March 31, 2000.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (1) Exhibits
None
- (2) Reports on Form 8-K

The Registrant filed no reports on Form 8-K during the quarter ended December 31, 2000.

SIGNATURES

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

3333 HOLDING CORPORATION

Registrant

/s/ Stephen M. Weinberg

Stephen M. Weinberg
Director and President
(principal executive officer)

February 13, 2001

Edgar Filing: CENTEX CORP - Form 10-Q

February 13, 2001

/s/ Todd D. Newman

Todd D. Newman
Senior Vice President, Chief Financial
Officer and Treasurer
(principal financial officer and
chief accounting officer)

-51-

55

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, 3333 Development Corporation, as general partner of, and on behalf of the Registrant, has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTEX DEVELOPMENT COMPANY, L.P.

Registrant
By: 3333 Development Corporation,
General Partner

February 13, 2001

/s/ Stephen M. Weinberg

Stephen M. Weinberg
Director and President
(principal executive officer)

February 13, 2001

/s/ Todd D. Newman

Todd D. Newman
Senior Vice President, Chief Financial
Officer and Treasurer
(principal financial officer and
chief accounting officer)

-52-