

LENNAR CORP /NEW/
Form 10-Q
October 03, 2014

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 31, 2014
Commission File Number: 1-11749

Lennar Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
700 Northwest 107th Avenue, Miami, Florida 33172
(Address of principal executive offices) (Zip Code)
(305) 559-4000
(Registrant's telephone number, including area code)

95-4337490
(I.R.S. Employer
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Common stock outstanding as of August 31, 2014:
Class A 173,941,743
Class B 31,303,195

Part I. Financial Information

Item 1. Financial Statements

Lennar Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

(Dollars in thousands, except shares and per share amounts)

(unaudited)

	August 31, 2014 (1)	November 30, 2013 (1)
ASSETS		
Lennar Homebuilding:		
Cash and cash equivalents	\$542,241	695,424
Restricted cash	11,769	36,150
Receivables, net	83,420	51,935
Inventories:		
Finished homes and construction in progress	3,159,148	2,269,116
Land and land under development	4,509,515	3,871,773
Consolidated inventory not owned	55,771	460,159
Total inventories	7,724,434	6,601,048
Investments in unconsolidated entities	697,623	716,949
Other assets	695,325	748,629
	9,754,812	8,850,135
Rialto Investments:		
Cash and cash equivalents	211,030	201,496
Restricted cash	31,636	2,593
Receivables, net	—	111,833
Loans receivable, net	174,286	278,392
Loans held-for-sale	164,923	44,228
Real estate owned, held-for-sale	194,339	197,851
Real estate owned, held-and-used, net	335,472	428,989
Investments in unconsolidated entities	176,132	154,573
Other assets	95,925	59,358
	1,383,743	1,479,313
Lennar Financial Services	946,537	796,710
Lennar Multifamily	204,985	147,089
Total assets	\$12,290,077	11,273,247

Under certain provisions of Accounting Standards Codification (“ASC”) Topic 810, Consolidations, (“ASC 810”) the Company is required to separately disclose on its condensed consolidated balance sheets the assets owned by consolidated variable interest entities (“VIEs”) and liabilities of consolidated VIEs as to which neither Lennar Corporation, or any of its subsidiaries, has any obligations.

As of August 31, 2014, total assets include \$979.8 million related to consolidated VIEs of which \$13.2 million is included in Lennar Homebuilding cash and cash equivalents, \$0.3 million in Lennar Homebuilding restricted cash, \$0.2 million in Lennar Homebuilding receivables, net, \$224.4 million in Lennar Homebuilding land and land under development, \$55.8 million in Lennar Homebuilding consolidated inventory not owned, \$13.2 million in Lennar Homebuilding investments in unconsolidated entities, \$103.7 million in Lennar Homebuilding other assets, \$37.6 million in Rialto Investments (“Rialto”) cash and cash equivalents, \$154.8 million in Rialto loans receivable, net, \$119.3 million in Rialto real estate owned, held-for-sale, \$236.3 million in Rialto real estate owned, held-and-used, net, \$0.7 million in Rialto investments in unconsolidated entities, \$2.5 million in Rialto other assets and \$17.8 million in Lennar Multifamily assets.

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As of November 30, 2013, total assets include \$1,195.3 million related to consolidated VIEs of which \$8.3 million is included in Lennar Homebuilding cash and cash equivalents, \$17.7 million in Lennar Homebuilding restricted cash, \$2.4 million in Lennar Homebuilding receivables, net, \$94.8 million in Lennar Homebuilding land and land under development, \$243.6 million in Lennar Homebuilding consolidated inventory not owned, \$14.7 million in Lennar Homebuilding investments in unconsolidated entities, \$86.8 million in Lennar Homebuilding other assets, \$44.8 million in Rialto cash and cash equivalents, \$244.0 million in Rialto loans receivable, net, \$122.0 million in Rialto real estate owned, held-for-sale, \$313.8 million in Rialto real estate owned, held-and-used, net, \$0.7 million in Rialto investments in unconsolidated entities and \$1.8 million in Rialto other assets.

See accompanying notes to condensed consolidated financial statements.

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Lennar Corporation and Subsidiaries
Condensed Consolidated Balance Sheets – (Continued)
(Dollars in thousands, except shares and per share amounts)
(unaudited)

	August 31, 2014 (2)	November 30, 2013 (2)
LIABILITIES AND EQUITY		
Lennar Homebuilding:		
Accounts payable	\$349,382	271,365
Liabilities related to consolidated inventory not owned	47,507	384,876
Senior notes and other debts payable	4,692,880	4,194,432
Other liabilities	770,499	712,931
	5,860,268	5,563,604
Rialto Investments	659,648	497,008
Lennar Financial Services	697,799	543,639
Lennar Multifamily	34,221	41,526
Total liabilities	7,251,936	6,645,777
Stockholders' equity:		
Preferred stock	—	—
Class A common stock of \$0.10 par value; Authorized: August 31, 2014 and November 30, 2013		
- 300,000,000 shares; Issued: August 31, 2014 - 174,238,332 shares and November 30, 2013	17,424	18,483
- 184,833,120 shares		
Class B common stock of \$0.10 par value; Authorized: August 31, 2014 and November 30, 2013		
- 90,000,000 shares; Issued: August 31, 2014 - 32,982,815 shares and November 30, 2013	3,298	3,298
- 32,982,815 shares		
Additional paid-in capital	2,223,001	2,721,246
Retained earnings	2,422,921	2,053,893
Treasury stock, at cost; August 31, 2014 - 296,589 Class A common stock and 1,679,620		
Class B common stock; November 30, 2013 - 12,063,466 Class A common stock and 1,679,620 Class B common stock	(85,165)	(628,019)
Total stockholders' equity	4,581,479	4,168,901
Noncontrolling interests	456,662	458,569
Total equity	5,038,141	4,627,470
Total liabilities and equity	\$12,290,077	11,273,247

As of August 31, 2014, total liabilities include \$142.7 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$5.5 million is included in Lennar Homebuilding accounts payable, (2) \$47.5 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$61.6 million in Lennar Homebuilding senior notes and other debts payable, \$4.5 million in Lennar Homebuilding other liabilities and \$23.6 million in Rialto Investments liabilities.

As of November 30, 2013, total liabilities include \$294.8 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$3.0 million is included in Lennar Homebuilding accounts payable, \$191.6 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$75.1 million in Lennar Homebuilding senior notes and other debts payable, \$4.9 million in Lennar Homebuilding other liabilities and \$20.2 million in Rialto Investments liabilities.

See accompanying notes to condensed consolidated financial statements.

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Lennar Corporation and Subsidiaries
Condensed Consolidated Statements of Operations
(Dollars in thousands, except per share amounts)
(unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2014	2013	2014	2013
Revenues:				
Lennar Homebuilding	\$1,830,771	1,461,626	4,696,941	3,599,914
Lennar Financial Services	128,379	112,638	316,347	327,614
Rialto Investments	40,848	27,808	142,196	79,114
Lennar Multifamily	14,036	695	40,390	13,249
Total revenues	2,014,034	1,602,767	5,195,874	4,019,891
Costs and expenses:				
Lennar Homebuilding	1,558,319	1,245,638	4,015,317	3,124,819
Lennar Financial Services	101,235	89,146	266,445	258,848
Rialto Investments	47,644	34,167	174,824	94,243
Lennar Multifamily	20,482	6,138	59,958	23,547
Corporate general and administrative	43,072	37,619	119,501	102,742
Total costs and expenses	1,770,752	1,412,708	4,636,045	3,604,199
Lennar Homebuilding equity in earnings (loss) from unconsolidated entities	(2,080	) 10,458	3,304	23,085
Lennar Homebuilding other income (expense), net	(63	) 4,149	5,088	14,021
Other interest expense	(8,381	) (22,230	) (31,359	) (73,370
Rialto Investments equity in earnings from unconsolidated entities	19,973	5,199	43,266	15,877
Rialto Investments other income (expense), net	(5,342	) 1,837	(2,976	) 9,810
Lennar Multifamily equity in earnings (loss) from unconsolidated entities	14,946	(113	) 14,689	(146
Earnings before income taxes	262,335	189,359	591,841	404,969
Provision for income taxes	(88,895	) (67,205	) (215,819	) (83,059
Net earnings (including net earnings (loss) attributable to noncontrolling interests)	\$173,440	122,154	376,022	321,910
Less: Net earnings (loss) attributable to noncontrolling interests	(4,317	) 1,492	(17,571	) 6,320
Net earnings attributable to Lennar	\$177,757	120,662	393,593	315,590
Basic earnings per share	\$0.87	0.62	1.92	1.64
Diluted earnings per share	\$0.78	0.54	1.73	1.42
Cash dividends per each Class A and Class B common share	\$0.04	0.04	0.12	0.12
Comprehensive earnings attributable to Lennar	\$177,757	120,662	393,593	315,590
Comprehensive earnings (loss) attributable to noncontrolling interests	\$(4,317	) 1,492	(17,571	) 6,320

See accompanying notes to condensed consolidated financial statements.

Lennar Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(unaudited)

	Nine Months Ended August 31,	
	2014	2013
Cash flows from operating activities:		
Net earnings (including net earnings (loss) attributable to noncontrolling interests)	\$376,022	321,910
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	27,161	21,683
Amortization of discount/premium on debt, net	16,140	17,641
Lennar Homebuilding equity in earnings from unconsolidated entities	(3,304)	(23,085)
Distributions of earnings from Lennar Homebuilding unconsolidated entities	4,456	718
Rialto Investments equity in earnings from unconsolidated entities	(43,266)	(15,877)
Distributions of earnings from Rialto Investments unconsolidated entities	354	648
Lennar Multifamily equity in (earnings) loss from unconsolidated entities	(14,689)	146
Distributions of earnings from Lennar Multifamily unconsolidated entities	14,469	—
Share based compensation expense	28,590	23,527
Excess tax benefits from share-based awards	(3,007)	(10,148)
Deferred income tax expense	76,351	67,938
Gains on retirement of Lennar Homebuilding debt	—	(1,000)
Gain on retirement of Rialto Investments notes payable	(4,135)	—
Unrealized and realized gains on Rialto Investments real estate owned	(20,568)	(38,056)
Impairments of Rialto Investments loans receivable and REO	55,275	23,970
Valuation adjustments and write-offs of option deposits and pre-acquisition costs and other assets	8,049	6,086
Changes in assets and liabilities:		
Increase in restricted cash	(5,078)	(7,476)
Decrease in receivables	58,522	31,815
Increase in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs	(1,334,703)	(1,469,381)
Increase in other assets	(38,649)	(17,616)
Increase in Rialto Investments loans held-for-sale	(120,754)	(244,137)
Decrease (increase) in Lennar Financial Services loans held-for-sale	(127,685)	156,799
Increase in accounts payable and other liabilities	151,948	136,156
Net cash used in operating activities	(898,501)	(1,017,739)
Cash flows from investing activities:		
Decrease in restricted cash related to LOCs	19,012	—
Net additions of operating properties and equipment	(12,415)	(4,931)
Investments in and contributions to Lennar Homebuilding unconsolidated entities	(74,292)	(45,947)
Distributions of capital from Lennar Homebuilding unconsolidated entities	83,690	140,532
Investments in and contributions to Rialto Investments unconsolidated entities	(28,175)	(41,483)
Distributions of capital from Rialto Investments unconsolidated entities	41,235	39,837
Investments in and contributions to Lennar Multifamily unconsolidated entities	(25,072)	(14,406)
Distributions of capital from Lennar Multifamily unconsolidated entities	51,565	14,479
Decrease in Rialto Investments defeasance cash to retire notes payable	—	145,781
Receipts of principal payments on Rialto Investments loans receivable	20,827	49,560
Proceeds from sales of Rialto Investments real estate owned	168,946	182,220

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Proceeds from sale of commercial mortgage-backed securities bond	9,171	—
Purchases of commercial mortgage-backed securities bond	(8,705) —
Improvements to Rialto Investments real estate owned	(9,924	) (7,862)
Purchases of loans receivables	—	(5,450)
Purchases of Lennar Homebuilding investments available-for-sale	(21,274	) (28,708)
Proceeds from sales of Lennar Homebuilding investments available-for-sale	46,234	2,486
Acquisition, net of cash acquired	(5,489) —
Increase in Rialto Investments loans held-for-investment	(7,000) —
Decrease (increase) in Lennar Financial Services loans held-for-investment, net	1,242	(706)
Purchases of Lennar Financial Services investment securities	(19,025	) (21,504)
Proceeds from maturities of Lennar Financial Services investment securities	11,904	30,146

See accompanying notes to condensed consolidated financial statements.

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Lennar Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(unaudited)

Net cash provided by investing activities	\$242,455	434,044
	Nine Months Ended	
	August 31,	
	2014	2013
Cash flows from financing activities:		
Net borrowings under unsecured revolving credit facility	\$70,000	100,000
Net borrowings (repayments) under Lennar Financial Services debt	141,954	(167,710)
Net borrowings (repayments) under Rialto Investments warehouse repurchase facilities	(4,596)	133,103
Proceeds from Lennar Homebuilding senior notes	500,500	500,000
Proceeds from Rialto Investments senior notes	104,525	—
Proceeds from Rialto Investments structured notes	73,830	—
Principal payments on Rialto Investments structured notes	(18,836)	—
Redemption of senior notes	—	(63,001)
Debt issuance costs	(7,725)	(5,189)
Principal payments on Rialto Investments notes payable	(7,676)	(360,956)
Proceeds from other borrowings	33,103	76,966
Principal payments on other borrowings	(241,339)	(187,648)
Exercise of land option contracts from an unconsolidated land investment venture	(1,540)	(27,329)
Receipts related to noncontrolling interests	11,963	579
Payments related to noncontrolling interests	(115,001)	(174,853)
Excess tax benefits from share-based awards	3,007	10,148
Common stock:		
Issuances	13,603	33,945
Repurchases	(12,153)	(191)
Dividends	(24,565)	(23,142)
Net cash provided by (used in) financing activities	519,054	(155,278)
Net decrease in cash and cash equivalents	(136,992)	(738,973)
Cash and cash equivalents at beginning of period	970,505	1,310,743
Cash and cash equivalents at end of period	\$833,513	571,770
Summary of cash and cash equivalents:		
Lennar Homebuilding	\$542,241	433,548
Lennar Financial Services	78,361	65,803
Rialto Investments	211,030	72,024
Lennar Multifamily	1,881	395
	\$833,513	571,770
Supplemental disclosures of non-cash investing and financing activities:		
Lennar Homebuilding and Lennar Multifamily:		
Non-cash contributions to Lennar Homebuilding unconsolidated entities	\$647	240,247
Inventory acquired in satisfaction of other assets including investments available-for-sale	\$4,774	—
Purchases of inventories and other assets financed by sellers	\$109,560	126,148
Non-cash reduction of equity due to purchase of noncontrolling interest	\$—	103,391
Non-cash purchase of noncontrolling interests	\$—	63,500
Non-cash contributions to Lennar Multifamily unconsolidated entities	\$72,552	14,070
Rialto Investments:		
Real estate owned acquired in satisfaction/partial satisfaction of loans receivable	\$51,545	53,849

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Non-cash acquisition of Servicer Provider	\$8,317	—
Lennar Financial Services:		
Purchase of mortgage servicing rights financed by seller	\$5,927	—
Consolidation/deconsolidation of unconsolidated/consolidated entities, net:		
Inventories	\$155,021	—
Investments in unconsolidated entities	\$(30,647)	—
Operating properties and equipment and other assets	\$(7,218)	—
Noncontrolling interests	\$(117,156)	—

See accompanying notes to condensed consolidated financial statements.

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Lennar Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

Basis of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Lennar Corporation and all subsidiaries, partnerships and other entities in which Lennar Corporation has a controlling interest and VIEs (see Note 16) in which Lennar Corporation is deemed to be the primary beneficiary (the “Company”). The Company’s investments in both unconsolidated entities in which a significant, but less than controlling, interest is held and in VIEs in which the Company is not deemed to be the primary beneficiary, are accounted for by the equity method. All intercompany transactions and balances have been eliminated in consolidation. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended November 30, 2013. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the accompanying condensed consolidated financial statements have been made.

The Company has historically experienced, and expects to continue to experience, variability in quarterly results. The condensed consolidated statements of operations for the three and nine months ended August 31, 2014 are not necessarily indicative of the results to be expected for the full year.

Reclassifications

Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform with the 2014 presentation. These reclassifications had no impact on the Company's results of operations. As a result of the Company's change in reportable segments in the Company's Form 10-K for the year ended November 30, 2013 to reflect Lennar Multifamily as a separate reportable segment, the Company revised the presentation of certain prior year amounts in the condensed consolidated financial statements to conform with the 2014 presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Operating and Reporting Segments

The Company’s operating segments are aggregated into reportable segments, based primarily upon similar economic characteristics, geography and product type. The Company’s reportable segments consist of:

- (1) Homebuilding East
- (2) Homebuilding Central
- (3) Homebuilding West
- (4) Homebuilding Southeast Florida
- (5) Homebuilding Houston
- (6) Lennar Financial Services
- (7) Rialto Investments
- (8) Lennar Multifamily

Information about homebuilding activities in states which are not economically similar to other states in the same geographic area is grouped under “Homebuilding Other,” which is not considered a reportable segment.

Evaluation of segment performance is based primarily on operating earnings (loss) before income taxes. Operations of the Company’s homebuilding segments primarily include the construction and sale of single-family attached and detached homes, as well as the purchase, development and sale of residential land directly and through the Company’s unconsolidated entities. Operating earnings (loss) for the homebuilding segments consist of revenues generated from the sales of homes and land, equity in earnings (loss) from unconsolidated entities and other income (expense), net,

less the cost of homes sold and land sold, selling, general and administrative expenses and other interest expense of the segment.

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The Company's reportable homebuilding segments and all other homebuilding operations not required to be reported separately have operations located in:

East: Florida⁽¹⁾, Georgia, Maryland, New Jersey, North Carolina, South Carolina and Virginia

Central: Arizona, Colorado and Texas⁽²⁾

West: California and Nevada

Southeast Florida: Southeast Florida

Houston: Houston, Texas

Other: Illinois, Minnesota, Oregon, Tennessee and Washington

(1)Florida in the East reportable segment excludes Southeast Florida, which is its own reportable segment.

(2)Texas in the Central reportable segment excludes Houston, Texas, which is its own reportable segment.

Operations of the Lennar Financial Services segment include primarily mortgage financing, title insurance and closing services for both buyers of the Company's homes and others. The Lennar Financial Services segment sells substantially all of the loans it originates within a short period in the secondary mortgage market, the majority of which are sold on a servicing released, non-recourse basis. After the loans are sold, the Company retains potential liability for possible claims by purchasers that it breached certain limited industry-standard representations and warranties in the loan sale agreements. Lennar Financial Services' operating earnings consist of revenues generated primarily from mortgage financing, title insurance and closing services, less the cost of such services and certain selling, general and administrative expenses incurred by the segment. The Lennar Financial Services segment operates generally in the same states as the Company's homebuilding operations, as well as in other states.

Operations of the Rialto Investments ("Rialto") segment include raising, investing and managing third party capital, originating and securitizing commercial mortgage loans, as well as investing its own capital in real estate related mortgage loans, properties and related securities. Rialto utilizes its vertically-integrated investment and operating platform to underwrite, diligence, acquire, manage, workout and add value to diverse portfolios of real estate loans, properties and securities, as well as providing strategic real estate capital. Rialto's operating earnings consist of revenues generated primarily from gains from securitization transactions and interest income from the Rialto Mortgage Finance ("RMF") business, interest income associated with portfolios of real estate loans acquired in partnership with the FDIC and other portfolios of real estate loans and assets acquired, asset management, due diligence and underwriting fees derived from the segment's investments in the real estate investment funds managed by the Rialto segment, fees for sub-advisory services, other income (expense), net, consisting primarily of gains upon foreclosure of real estate owned ("REO") and gains on sale of REO, and equity in earnings (loss) from unconsolidated entities, less the costs incurred by the segment for managing portfolios, costs related to RMF, REO expenses and other general and administrative expenses.

Operations of the Lennar Multifamily segment include revenues generated from the sales of land, revenue from construction activities and management fees generated from joint ventures and equity in earnings (loss) from unconsolidated entities, less the cost of sales of land, expenses related to construction activities and general and administrative expenses.

Each reportable segment follows the same accounting policies described in Note 1 – "Summary of Significant Accounting Policies" to the consolidated financial statements in the Company's Form 10-K for the year ended November 30, 2013. Operational results of each segment are not necessarily indicative of the results that would have occurred had the segment been an independent, stand-alone entity during the periods presented.

Financial information relating to the Company's operations was as follows:

(In thousands)	August 31, 2014	November 30, 2013		
Assets:				
Homebuilding East	\$2,257,064	1,890,138		
Homebuilding Central	1,207,902	963,815		
Homebuilding West	3,433,419	3,108,395		
Homebuilding Southeast Florida	814,133	757,125		
Homebuilding Houston	404,030	307,864		
Homebuilding Other	884,778	808,496		
Rialto Investments	1,383,743	1,479,313		
Lennar Financial Services	946,537	796,710		
Lennar Multifamily	204,985	147,089		
Corporate and unallocated	753,486	1,014,302		
Total assets	\$12,290,077	11,273,247		
	Three Months Ended		Nine Months Ended	
	August 31,		August 31,	
(In thousands)	2014	2013	2014	2013
Revenues:				
Homebuilding East	\$570,698	510,788	1,497,954	1,221,509
Homebuilding Central	266,284	205,523	663,986	536,329
Homebuilding West	448,068	303,952	1,186,437	747,592
Homebuilding Southeast Florida	167,077	119,849	398,733	315,583
Homebuilding Houston	189,657	192,962	498,943	446,874
Homebuilding Other	188,987	128,552	450,888	332,027
Lennar Financial Services	128,379	112,638	316,347	327,614
Rialto Investments	40,848	27,808	142,196	79,114
Lennar Multifamily	14,036	695	40,390	13,249
Total revenues (1)	\$2,014,034	1,602,767	5,195,874	4,019,891
Operating earnings (loss):				
Homebuilding East	\$83,403	78,523	219,307	150,771
Homebuilding Central (2)	21,531	11,102	56,265	37,895
Homebuilding West (3)	67,887	58,253	186,323	116,554
Homebuilding Southeast Florida (4)	40,579	25,367	87,885	63,539
Homebuilding Houston	27,740	27,893	74,096	52,425
Homebuilding Other (5)	20,788	7,227	34,781	17,647
Lennar Financial Services	27,144	23,492	49,902	68,766
Rialto Investments	7,835	677	7,662	10,558
Lennar Multifamily	8,500	(5,556)	(4,879)	(10,444)
Total operating earnings	305,407	226,978	711,342	507,711
Corporate general and administrative expenses	43,072	37,619	119,501	102,742
Earnings before income taxes	\$262,335	189,359	591,841	404,969

Total revenues were net of sales incentives of \$111.0 million (\$20,400 per home delivered) and \$288.4 million (\$20,600 per home delivered) for the three and nine months ended August 31, 2014, respectively, compared to (1) \$92.8 million (\$18,700 per home delivered) and \$256.7 million (\$20,400 per home delivered) for the three and nine months ended August 31, 2013, respectively.

For both the three and nine months ended August 31, 2014, operating earnings included \$2.0 million in write-offs (2) of other receivables. For both the three and nine months ended August 31, 2013, operating earnings included \$0.9 million of valuation adjustments to investments of unconsolidated entities.

For both the three and nine months ended August 31, 2014, operating earnings included \$2.0 million in write-offs (3) of option deposits and pre-acquisition costs. For the nine months ended August 31, 2014, operating earnings included \$0.9 million of valuation adjustments to land the Company intends to sell or has sold to third parties.

For both the three and nine months ended August 31, 2014, operating earnings included \$1.0 million of valuation (4) adjustments to other assets. For the nine months ended August 31, 2013, operating earnings included \$3.8 million of valuation adjustments to finished homes, CIP and land on which the Company intends to build homes.

(5) For the nine months ended August 31, 2014, operating earnings included \$1.5 million in write-offs of option deposits and pre-acquisition costs.

(3) Lennar Homebuilding Investments in Unconsolidated Entities

Summarized condensed financial information on a combined 100% basis related to Lennar Homebuilding's unconsolidated entities that are accounted for by the equity method was as follows:

Statements of Operations

(In thousands)	Three Months Ended August 31,		Nine Months Ended August 31,	
	2014	2013	2014	2013
Revenues	\$39,021	240,642	214,826	501,656
Costs and expenses	35,401	162,664	246,138	372,023
Other income	—	1,241	—	14,602
Net earnings (loss) of unconsolidated entities	\$3,620	79,219	(31,312)	144,235
Lennar Homebuilding equity in earnings (loss) from unconsolidated entities (1)	\$(2,080)	10,458	3,304	23,085

For the nine months ended August 31, 2014, Lennar Homebuilding equity in earnings from unconsolidated entities included \$4.7 million of equity in earnings primarily as a result of third-party land sales by one unconsolidated (1) entity. For the three and nine months ended August 31, 2013, Lennar Homebuilding equity in earnings from unconsolidated entities included \$8.6 million and \$21.6 million, respectively, of equity in earnings primarily as a result of sales of homesites to third parties by another unconsolidated entity and previously deferred profit related to those homesites that was earned during the three months ended August 31, 2013.

Balance Sheets

(In thousands)	August 31, 2014	November 30, 2013
Assets:		
Cash and cash equivalents	\$259,393	184,521
Inventories	2,795,009	2,904,795
Other assets	142,753	147,410
	\$3,197,155	3,236,726
Liabilities and equity:		
Accounts payable and other liabilities	\$253,264	272,940
Debt	604,134	450,457
Equity	2,339,757	2,513,329
	\$3,197,155	3,236,726

As of August 31, 2014 and November 30, 2013, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were \$697.6 million and \$716.9 million, respectively, while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets as of August 31, 2014 and November 30, 2013 was \$768.7 million and \$829.5 million, respectively. The basis difference is primarily as a result of the Company buying an interest in a partner's equity in a Lennar Homebuilding unconsolidated entity at a discount to book value and contributing non-monetary assets to an unconsolidated entity with a higher fair value than book value.

In fiscal 2007, the Company sold a portfolio of land to a strategic land investment venture with Morgan Stanley Real Estate Fund II, L.P., an affiliate of Morgan Stanley & Co. ("MSR"), Inc., in which the Company has approximately a 20% ownership interest and 50% voting rights. Due to the nature of the Company's continuing involvement, the transaction did not qualify as a sale by the Company under GAAP; thus, the inventory remained on the Company's condensed consolidated balance sheet in consolidated inventory not owned. As of November 30, 2013, the portfolio of land (including land development costs) of \$241.8 million was also reflected as inventory in the summarized condensed financial information

related to Lennar Homebuilding's unconsolidated entities above. In the second quarter of 2014, the Company entered into a new agreement with the joint venture, which required \$155.0 million of inventory assets to remain consolidated due to the existence of option contracts on substantially all of the homesites and were reclassified into land and land under development. The remaining \$70.3 million of inventory assets no longer under option by the Company were deconsolidated.

The Lennar Homebuilding unconsolidated entities in which the Company has investments usually finance their activities with a combination of partner equity and debt financing. In some instances, the Company and its partners have guaranteed debt of certain unconsolidated entities.

The total debt of the Lennar Homebuilding unconsolidated entities in which the Company has investments, including Lennar's maximum recourse exposure, were as follows:

(In thousands)	August 31, 2014	November 30, 2013	
The Company's net recourse exposure	\$24,588	27,496	
Reimbursement agreements from partners	—	13,500	
The Company's maximum recourse exposure	\$24,588	40,996	
Non-recourse bank debt and other debt (partner's share of several recourse)	\$56,970	61,008	
Non-recourse land seller debt or other debt	4,033	20,454	
Non-recourse debt with completion guarantees	344,933	245,821	
Non-recourse debt without completion guarantees	173,610	82,178	
Non-recourse debt to the Company	579,546	409,461	
Total debt	\$604,134	450,457	
The Company's maximum recourse exposure as a % of total JV debt	4	% 9	%

In most instances in which the Company has guaranteed debt of a Lennar Homebuilding unconsolidated entity, the Company's partners have also guaranteed that debt and are required to contribute their share of the guarantee payments. Historically, the Company has had repayment guarantees and/or maintenance guarantees. In a repayment guarantee, the Company and its venture partners guarantee repayment of a portion or all of the debt in the event of default before the lender would have to exercise its rights against the collateral. In the event of default, if the Company's venture partner does not have adequate financial resources to meet its obligations under the reimbursement agreement, the Company may be liable for more than its proportionate share, up to its maximum recourse exposure, which is the full amount covered by the joint and several guarantee. As of both August 31, 2014 and November 30, 2013, the Company did not have any maintenance guarantees related to its Lennar Homebuilding unconsolidated entities. The maintenance guarantees only apply if the value of the collateral (generally land and improvements) is less than a specified percentage of the loan balance.

In connection with many of the loans to Lennar Homebuilding unconsolidated entities, the Company and its joint venture partners (or entities related to them) have been required to give guarantees of completion to the lenders. Those completion guarantees may require that the guarantors complete the construction of the improvements for which the financing was obtained. If the construction is to be done in phases, the guarantee generally is limited to completing only the phases as to which construction has already commenced and for which loan proceeds were used.

If the Company is required to make a payment under any guarantee, the payment would constitute a capital contribution or loan to the Lennar Homebuilding unconsolidated entity and increase the Company's investment in the unconsolidated entity and its share of any funds the unconsolidated entity distributes.

As of August 31, 2014, the fair values of the repayment guarantees and completion guarantees were not material. The Company believes that as of August 31, 2014, in the event it becomes legally obligated to perform under a guarantee of the obligation of a Lennar Homebuilding unconsolidated entity due to a triggering event under a guarantee, most of the time the collateral should be sufficient to repay at least a significant portion of the obligation or the Company and its partners would contribute additional capital into the venture. In certain instances, the Company has placed performance letters of credit and surety bonds with municipalities for its joint ventures (see Note 12).

(4) Stockholders' Equity

The following table reflects the changes in equity attributable to both Lennar Corporation and the noncontrolling interests of its consolidated subsidiaries in which it has less than a 100% ownership interest for both the nine months ended August 31, 2014 and 2013:

(In thousands)	Total Equity	Stockholders' Equity			Paid-Treasury Stock	Retained Earnings	Noncontrolling Interests
		Class A Common Stock	Class B Common Stock	Additional Paid-Treasury Capital			
Balance at November 30, 2013	\$4,627,470	18,483	3,298	2,721,246	(628,019)	2,053,893	458,569
Net earnings (including net loss attributable to noncontrolling interests)	376,022	—	—	—	—	393,593	(17,571)
Employee stock and directors plans	2,176	114					