

LENNAR CORP /NEW/
Form 10-Q
October 08, 2010

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, 2010

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)

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

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700 Northwest 107th Avenue, Miami, Florida 33172

(Address of principal executive offices) (Zip Code)

(305) 559-4000

(Registrant's telephone number, including area code)

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 September 30, 2010:

Class A 153,659,030

Class B 31,291,294

Part I. Financial Information**Item 1. Financial Statements.****Lennar Corporation and Subsidiaries****Condensed Consolidated Balance Sheets****(In thousands, except share and per share amounts)****(unaudited)**

	August 31, 2010 (1)	November 30, 2009 (1)
ASSETS		
Lennar Homebuilding:		
Cash and cash equivalents	\$ 865,657	1,330,603
Restricted cash	131,473	9,225
Income tax receivables	11,726	334,428
Receivables, net	60,860	122,053
Inventories:		
Finished homes and construction in progress	1,636,056	1,503,346
Land under development	2,174,249	1,990,430
Consolidated inventory not owned	464,022	594,213
Total inventories	4,274,327	4,087,989
Investments in unconsolidated entities	664,916	599,266
Other assets	296,012	263,803
	6,304,971	6,747,367
Rialto Investments:		
Cash and cash equivalents	62,153	
Defeasance cash to retire notes payable	62,855	
Loans receivable	1,133,565	
Real estate owned	58,905	
Investments in unconsolidated entities	78,777	9,874
Other assets	18,679	
	1,414,934	9,874
Lennar Financial Services		
	559,994	557,550
Total assets	\$ 8,279,899	7,314,791

(1) As a result of the adoption of 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 of consolidated variable interest entities (VIEs) that are owned by the consolidated VIEs and liabilities of consolidated VIEs as to which there is no recourse against the Company. As of August 31, 2010, total assets include \$2,259.8 million related to consolidated VIEs of which \$62.4 million is included in Lennar Homebuilding cash and cash equivalents, \$0.2 million in Lennar Homebuilding restricted cash, \$4.8 million in Lennar Homebuilding receivables, net, \$228.6 million in Lennar Homebuilding finished homes and construction in progress, \$350.9 million in Lennar Homebuilding land under development, \$92.2 million in Lennar Homebuilding consolidated inventory not owned, \$36.9 million in Lennar Homebuilding investments in unconsolidated entities, \$154.0 million in Lennar Homebuilding other assets, \$58.8 million in Rialto Investments cash and cash equivalents, \$62.9 million in Rialto Investments defeasance cash to retire notes payable, \$1,133.6 million in Rialto Investments loans receivable,

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\$58.9 million in Rialto Investments real estate owned and \$15.6 million in Rialto Investments other assets.

As of November 30, 2009, total assets include \$1,002.0 million related to consolidated VIEs of which \$25.9 million is included in Lennar Homebuilding cash and cash equivalents, \$1.5 million in Lennar Homebuilding restricted cash, \$5.5 million in Lennar Homebuilding receivables, net, \$253.2 million in Lennar Homebuilding finished homes and construction in progress, \$341.0 million in Lennar Homebuilding land under development, \$182.7 million in Lennar Homebuilding consolidated inventory not owned, \$35.3 million in Lennar Homebuilding investments in unconsolidated entities and \$156.9 million in Lennar Homebuilding other assets.

See accompanying notes to condensed consolidated financial statements.

Lennar Corporation and Subsidiaries

Condensed Consolidated Balance Sheets (Continued)

(In thousands, except share and per share amounts)

(unaudited)

	August 31, 2010 (2)	November 30, 2009 (2)
LIABILITIES AND EQUITY		
Lennar Homebuilding:		
Accounts payable	\$ 200,015	169,596
Liabilities related to consolidated inventory not owned	393,051	518,359
Senior notes and other debts payable	2,843,229	2,761,352
Other liabilities	749,613	862,584
	4,185,908	4,311,891
Rialto Investments:		
Notes payable and other liabilities	638,990	
Lennar Financial Services		
	386,578	414,886
Total liabilities	5,211,476	4,726,777
Stockholders equity:		
Preferred stock		
Class A common stock of \$0.10 par value per share; Authorized: August 31, 2010 and November 30, 2009 300,000,000 shares; Issued: August 31, 2010 165,313,618 shares and November 30, 2009 165,154,591 shares	16,531	16,515
Class B common stock of \$0.10 par value per share; Authorized: August 31, 2010 and November 30, 2009 90,000,000 shares; Issued: August 31, 2010 32,970,914 shares and November 30, 2009 32,963,579 shares	3,297	3,296
Additional paid-in capital	2,227,955	2,208,934
Retained earnings	869,476	828,424
Treasury stock, at cost; August 31, 2010 11,664,744 Class A common shares and 1,679,620 Class B common shares; November 30, 2009 11,542,970 Class A common shares and 1,679,620 Class B common shares	(615,496)	(613,690)
Total stockholders equity	2,501,763	2,443,479
Noncontrolling interests	566,660	144,535
Total equity	3,068,423	2,588,014
Total liabilities and equity	\$ 8,279,899	7,314,791

(2) As of August 31, 2010, total liabilities include \$953.7 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$17.7 million is included in Lennar Homebuilding accounts payable, \$65.9 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$187.2 million in Lennar Homebuilding senior notes and other debts payable, \$49.9 million in Lennar Homebuilding other liabilities and \$633.0 million in Rialto Investments notes payable and other liabilities.

As of November 30, 2009, total liabilities include \$429.9 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$27.2 million is included in Lennar Homebuilding accounts payable, \$155.4 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$187.2 million in Lennar Homebuilding senior notes and other debts payable and \$60.1 million in Lennar Homebuilding other liabilities.

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See accompanying notes to condensed consolidated financial statements.

Lennar Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2010	2009	2010	2009
Revenues:				
Lennar Homebuilding	\$ 718,149	643,613	1,944,253	1,977,876
Lennar Financial Services	68,826	77,117	196,727	227,770
Rialto Investments	38,000		72,918	
Total revenues	824,975	720,730	2,213,898	2,205,646
Costs and expenses:				
Lennar Homebuilding (1)	663,662	704,360	1,822,316	2,150,194
Lennar Financial Services	62,013	65,961	177,162	199,583
Rialto Investments	26,156	496	47,073	1,517
Corporate general and administrative	23,994	27,557	68,868	84,806
Total costs and expenses	775,825	798,374	2,115,419	2,436,100
Lennar Homebuilding equity in earnings (loss) from unconsolidated entities (2)	986	(42,303)	(9,310)	(105,110)
Other income (expense), net (3)	324	(29,269)	14,274	(73,103)
Other interest expense	(17,668)	(22,428)	(53,849)	(48,950)
Rialto Investments equity in earnings from unconsolidated entities	6,643		6,350	
Earnings (loss) before income taxes	39,435	(171,644)	55,944	(457,617)
Benefit (provision) for income taxes (4)	(605)	(2,740)	21,997	(6,135)
Net earnings (loss) (including net earnings (loss) attributable to noncontrolling interests)	38,830	(174,384)	77,941	(463,752)
Less: Net earnings (loss) attributable to noncontrolling interests	8,795	(2,779)	14,710	(11,033)
Net earnings (loss) attributable to Lennar	\$ 30,035	(171,605)	63,231	(452,719)
Basic earnings (loss) per share	\$ 0.16	(0.97)	0.34	(2.72)
Diluted earnings (loss) per share	\$ 0.16	(0.97)	0.34	(2.72)
Cash dividends per each Class A and Class B common share	\$ 0.04	0.04	0.12	0.12

- (1) Lennar Homebuilding costs and expenses include \$12.3 million and \$25.3 million, respectively, of valuation adjustments for the three and nine months ended August 31, 2010; and \$58.8 million and \$152.0 million, respectively, of valuation adjustments for the three and nine months ended August 31, 2009.
- (2) Lennar Homebuilding equity in earnings (loss) from unconsolidated entities include valuation adjustments related to assets of unconsolidated entities in which the Company has investments of \$9.2 million and \$10.5 million, respectively, for the three and nine months ended August 31, 2010; and \$31.0 million and \$81.0 million, respectively, for the three and nine months ended August 31, 2009.

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- (3) Other income (expense), net includes valuation adjustments to investments in unconsolidated entities of \$27.5 million and \$71.7 million, respectively, for the three and nine months ended August 31, 2009.
- (4) Benefit (provision) for income taxes for the three and nine months ended August 31, 2010 includes a reversal of the Company's deferred tax asset valuation allowance of \$12.0 million and \$7.2 million, respectively; and an increase of the Company's deferred tax asset valuation allowance of \$60.2 million and \$162.4 million, respectively, for the three and nine months ended August 31, 2009.

See accompanying notes to condensed consolidated financial statements.

Lennar Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Nine Months Ended August 31,	
	2010	2009
Cash flows from operating activities:		
Net earnings (loss) (including net earnings (loss) attributable to noncontrolling interests)	\$ 77,941	(463,752)
Adjustments to reconcile net earnings (loss) (including net earnings (loss) attributable to noncontrolling interests) to net cash provided by operating activities:		
Depreciation and amortization	9,726	14,054
Amortization of discount/premium on debt, net	3,168	1,363
Lennar Homebuilding equity in loss from unconsolidated entities, including \$10.5 million and \$81.0 million, respectively of the Company's share of valuation adjustments related to assets of unconsolidated entities for the nine months ended August 31, 2010 and 2009	9,310	105,110
Distributions of earnings from Lennar Homebuilding unconsolidated entities	5,616	2,098
Rialto Investments equity in earnings from unconsolidated entities	(6,350)	
Distributions of earnings from Rialto Investments unconsolidated entities	1,868	
Share-based compensation expense	16,995	21,963
Gain on retirement of Lennar Homebuilding other debt	(19,384)	
Loss (gain) on retirement of Lennar Homebuilding senior notes	11,714	(1,169)
Valuation adjustments and write-offs of option deposits and pre-acquisition costs	27,416	224,247
Changes in assets and liabilities:		
Increase in restricted cash	(1,793)	(10,619)
Decrease in receivables	347,712	281,333
(Increase) decrease in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs	(230,323)	263,886
Decrease in other assets	20,387	15,731
(Increase) decrease in Lennar Financial Services loans held-for-sale	(8,384)	47,193
Decrease in accounts payable and other liabilities	(76,532)	(114,522)
Net cash provided by operating activities	189,087	386,916
Cash flows from investing activities:		
Increase in restricted cash related to cash collateralized letters of credit	(121,976)	
Net additions to operating properties and equipment	(603)	(832)
Investments in and contributions to Lennar Homebuilding unconsolidated entities	(162,329)	(268,380)
Distributions of capital from Lennar Homebuilding unconsolidated entities	19,656	24,221
Investments in and contributions to Rialto Investments unconsolidated entities	(64,310)	(9,874)
Investments in and contributions to Rialto Investments consolidated entities (net of \$93.3 million cash and cash equivalents consolidated)	(171,778)	
Increase in Rialto Investments defeasance cash to retire notes payable	(62,855)	
Receipts of principal payments on loans receivable	10,430	
Decrease in Lennar Financial Services loans held-for-investment	1,712	3,749
Purchases of investment securities	(5,826)	(1,647)
Proceeds from sales and maturities of investment securities	719	18,184
Net cash used in investing activities	(557,160)	(234,579)
Cash flows from financing activities:		
Net repayments of Lennar Financial Services debt	(14,351)	(81,179)

Proceeds from senior notes