

LENNAR CORP /NEW/
Form 10-Q
April 09, 2013

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 February 28, 2013
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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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 March 31, 2013:

Class A 161,082,667

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)

	February 28, 2013 (1)	November 30, 2012 (1)
ASSETS		
Lennar Homebuilding:		
Cash and cash equivalents	\$1,112,728	1,146,867
Restricted cash	8,085	8,096
Receivables, net	58,175	53,745
Inventories:		
Finished homes and construction in progress	1,945,434	1,625,048
Land and land under development	3,341,069	3,119,804
Consolidated inventory not owned	325,473	326,861
Total inventories	5,611,976	5,071,713
Investments in unconsolidated entities	577,342	565,360
Other assets	973,565	956,070
	8,341,871	7,801,851
Rialto Investments:		
Cash and cash equivalents	64,188	105,310
Defeasance cash to retire notes payable	4,655	223,813
Loans receivable, net	406,207	436,535
Real estate owned, held-for-sale	178,678	134,161
Real estate owned, held-and-used, net	547,273	601,022
Investments in unconsolidated entities	106,609	108,140
Other assets	34,623	38,379
	1,342,233	1,647,360
Lennar Financial Services	748,165	912,995
Total assets	\$10,432,269	10,362,206

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.

(1) As of February 28, 2013, total assets include \$1,837.4 million related to consolidated VIEs of which \$15.9 million is included in Lennar Homebuilding cash and cash equivalents, \$6.0 million in Lennar Homebuilding receivables, net, \$65.6 million in Lennar Homebuilding finished homes and construction in progress, \$485.6 million in Lennar Homebuilding land and land under development, \$65.9 million in Lennar Homebuilding consolidated inventory not owned, \$44.5 million in Lennar Homebuilding investments in unconsolidated entities, \$223.2 million in Lennar Homebuilding other assets, \$63.3 million in Rialto Investments cash and cash equivalents, \$4.7 million in Rialto Investments defeasance cash to retire notes payable, \$318.5 million in Rialto Investments loans receivable, net, \$115.3 million in Rialto Investments real estate owned, held-for-sale, \$422.8 million in Rialto Investments real estate owned, held-and-used, net \$0.6 million in Rialto Investments in unconsolidated entities and \$5.5 million in Rialto Investments other assets.

As of November 30, 2012, total assets include \$2,128.6 million related to consolidated VIEs of which \$13.2 million is included in Lennar Homebuilding cash and cash equivalents, \$6.0 million in Lennar Homebuilding receivables, net,

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\$57.4 million in Lennar Homebuilding finished homes and construction in progress, \$482.6 million in Lennar Homebuilding land and land under development, \$65.2 million in Lennar Homebuilding consolidated inventory not owned, \$43.7 million in Lennar Homebuilding investments in unconsolidated entities, \$224.1 million in Lennar Homebuilding other assets, \$104.8 million in Rialto Investments cash and cash equivalents, \$223.8 million in Rialto Investments defeasance cash to retire notes payable, \$350.2 million in Rialto Investments loans receivable, net, \$94.2 million in Rialto Investments real estate owned, held-for-sale, \$454.9 million in Rialto Investments real estate owned, held-and-used, net, \$0.7 million in Rialto Investments in unconsolidated entities and \$7.8 million in Rialto Investments 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)

	February 28, 2013 (2)	November 30, 2012 (2)
LIABILITIES AND EQUITY		
Lennar Homebuilding:		
Accounts payable	\$229,880	220,690
Liabilities related to consolidated inventory not owned	266,803	268,159
Senior notes and other debts payable	4,505,662	4,005,051
Other liabilities	600,569	635,524
	5,602,914	5,129,424
Rialto Investments:		
Notes payable and other liabilities	285,166	600,602
Lennar Financial Services	474,549	630,972
Total liabilities	6,362,629	6,360,998
Stockholders' equity:		
Preferred stock	—	—
Class A common stock of \$0.10 par value; Authorized: February 28, 2013 and November 30, 2012		
- 300,000,000 shares; Issued: February 28, 2013 - 172,726,088 shares and November 30, 2012	17,273	17,240
-172,397,149 shares		
Class B common stock of \$0.10 par value; Authorized: February 28, 2013 and November 30, 2012		
- 90,000,000 shares; Issued: February 28, 2013 - 32,982,815 shares and November 30, 2012	3,298	3,298
- 32,982,815 shares		
Additional paid-in capital	2,436,078	2,421,941
Retained earnings	1,654,930	1,605,131
Treasury stock, at cost; February 28, 2013 - 11,702,017 Class A common shares and 1,679,620		
Class B common shares; November 30, 2012 - 12,152,816 Class A common shares and 1,679,620 Class B common shares	(615,698)	(632,846)
Total stockholders' equity	3,495,881	3,414,764
Noncontrolling interests	573,759	586,444
Total equity	4,069,640	4,001,208
Total liabilities and equity	\$10,432,269	10,362,206

As of February 28, 2013, total liabilities include \$435.3 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$10.1 million is included in Lennar Homebuilding accounts payable, (2) \$35.8 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$186.7 million in Lennar Homebuilding senior notes and other debts payable, \$14.5 million in Lennar Homebuilding other liabilities and \$188.2 million in Rialto Investments notes payable and other liabilities.

As of November 30, 2012, total liabilities include \$737.2 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$10.6 million is included in Lennar Homebuilding accounts payable, \$35.9 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$181.6 million in Lennar Homebuilding senior notes and other debts payable, \$15.7 million in Lennar Homebuilding other liabilities and \$493.4 million in Rialto Investments notes payable and other 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	
	February 28, 2013	February 29, 2012
Revenues:		
Lennar Homebuilding	\$868,444	624,433
Lennar Financial Services	95,880	68,215
Rialto Investments	25,622	32,208
Total revenues	989,946	724,856
Costs and expenses:		
Lennar Homebuilding	778,674	584,745
Lennar Financial Services	79,778	59,965
Rialto Investments	31,771	33,370
Corporate general and administrative	31,270	26,842
Total costs and expenses	921,493	704,922
Lennar Homebuilding equity in earnings (loss) unconsolidated entities	(867) 1,083
Lennar Homebuilding other income, net	4,266	4,067
Other interest expense	(26,031) (24,849
Rialto Investments equity in earnings from unconsolidated entities	6,173	18,458
Rialto Investments other income (expense), net	1,327	(12,240
Earnings before income taxes	53,321	6,453
Benefit for income taxes	3,637	1,524
Net earnings (including net loss attributable to noncontrolling interests)	\$56,958	7,977
Less: Net loss attributable to noncontrolling interests (1)	(534) (6,991
Net earnings attributable to Lennar	\$57,492	14,968
Basic earnings per share	\$0.30	0.08
Diluted earnings per share	\$0.26	0.08
Cash dividends per each Class A and Class B common share	\$0.04	0.04
Comprehensive earnings attributable to Lennar	\$57,492	14,968
Comprehensive loss attributable to noncontrolling interests	\$(534) (6,991

Net loss attributable to noncontrolling interests for the three months ended February 28, 2013 and February 29, (1)2012 includes (\$0.3) million and (\$4.3) million, respectively, related to the FDIC's interest in the portfolio of real estate loans that the Company acquired in partnership with the FDIC.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	February 28, 2013	February 29, 2012
Cash flows from operating activities:		
Net earnings (including net loss attributable to noncontrolling interests)	\$56,958	7,977
Adjustments to reconcile net earnings (including net loss attributable to noncontrolling interests) to net cash used in operating activities:		
Depreciation and amortization	6,333	7,630
Amortization of discount/premium on debt, net	5,540	5,371
Lennar Homebuilding equity in (earnings) loss from unconsolidated entities	867	(1,083)
Distributions of earnings from Lennar Homebuilding unconsolidated entities	53	126
Rialto Investments equity in earnings from unconsolidated entities	(6,173)	(18,458)
Distributions of earnings from Rialto Investments unconsolidated entities	107	757
Share based compensation expense	6,486	8,161
Tax benefit from share-based awards	3,164	—
Excess tax benefits from share-based awards	(3,013)	—
Deferred income tax benefit	(7,730)	—
Gains on retirement of Lennar Homebuilding other debts payable	(1,000)	(988)
Unrealized and realized gains on Rialto Investments real estate owned	(10,136)	(5,831)
Impairments of Rialto Investments loans receivable and REO	7,885	4,748
Valuation adjustments and write-offs of option deposits and pre-acquisition costs	1,713	2,326
Changes in assets and liabilities:		
Decrease in restricted cash	417	773
(Increase) decrease in receivables	(240)	101,672
Increase in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs	(514,597)	(172,159)
(Increase) decrease in other assets	5,559	(1,183)
Decrease in Lennar Financial Services loans-held-for-sale	167,423	30,866
Decrease in accounts payable and other liabilities	(41,108)	(103,149)
Net cash used in operating activities	(321,492)	(132,444)
Cash flows from investing activities:		
Net (additions) disposals of operating properties and equipment	(1,261)	1,140
Investments in and contributions to Lennar Homebuilding unconsolidated entities	(14,708)	(26,810)
Distributions of capital from Lennar Homebuilding unconsolidated entities	17,456	9,897
Investments in and contributions to Rialto Investments unconsolidated entities	—	(7,294)
Distributions of capital from Rialto Investments unconsolidated entities	7,680	81
Decrease in Rialto Investments defeasance cash to retire notes payable	219,158	108,163
Receipts of principal payments on Rialto Investments loans receivable	18,434	33,549
Proceeds from sales of Rialto Investments real estate owned	34,451	37,868
Improvements to Rialto Investments real estate owned	(1,716)	(3,963)
Purchase of loans receivable	(5,250)	—
Purchases of Lennar Homebuilding investments available-for-sale	(15,417)	(2,408)
Proceeds from sales of Lennar Homebuilding investments available-for-sale	—	6,436
Decrease in Lennar Financial Services loans held-for-investment, net	446	447
Purchases of Lennar Financial Services investment securities	(13,357)	(1,150)

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Proceeds from maturities of Lennar Financial Services investment securities	14,130	750
Net cash provided by investing activities	\$260,046	156,706

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)

	Three Months Ended	
	February 28, 2013	February 29, 2012
Cash flows from financing activities:		
Net repayments under Lennar Financial Services debt	\$(146,061)	(150,684)
Proceeds from senior notes	450,000	50,000
Debt issuance costs of senior notes and convertible senior notes	(4,730)	(1,035)
Principal repayments on Rialto Investments notes payable	(304,123)	(170,026)
Proceeds from other borrowings	58,092	28,090
Principal payments on other borrowings	(63,926)	(20,267)
Exercise of land option contracts from an unconsolidated land investment venture	(1,270)	(4,628)
Receipts related to noncontrolling interests	434	391
Payments related to noncontrolling interests	(12,585)	—
Excess tax benefits from share-based awards	3,013	—
Common stock:		
Issuances	21,668	10,761
Dividends	(7,693)	(7,562)
Net cash used in financing activities	(7,181)	(264,960)
Net decrease in cash and cash equivalents	(68,627)	(240,698)
Cash and cash equivalents at beginning of period	1,310,743	1,163,604
Cash and cash equivalents at end of period	\$1,242,116	922,906
Summary of cash and cash equivalents:		
Lennar Homebuilding	\$1,112,728	792,165
Lennar Financial Services	65,200	56,555
Rialto Investments	64,188	74,186
	\$1,242,116	922,906
Supplemental disclosures of non-cash investing and financing activities:		
Lennar Homebuilding:		
Non-cash contributions to unconsolidated entities	\$16,734	1,314
Inventory acquired in satisfaction of other assets including investments available-for-sale	\$—	90,385
Non-cash purchases of investments available-for-sale	\$—	12,520
Purchases of inventories and other assets financed by sellers	\$59,821	49,615
Rialto Investments:		
Real estate owned acquired in satisfaction/partial satisfaction of loans receivable	\$15,321	41,588

See accompanying notes to condensed consolidated financial statements.

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 15) 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, 2012. 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 months ended February 28, 2013 are not necessarily indicative of the results to be expected for the full year.

Rialto Management Fees Revenue

The Rialto Investments segment provides services to a variety of legal entities and investment vehicles such as funds, joint ventures, co-invests, and other private equity structures to manage their respective investments. As a result, Rialto earns and receives management fees, underwriting fees, due diligence fees and liquidation fees on asset resolutions. The management fees and other forms of compensation to Rialto vary on a deal by deal basis and can increase after meeting certain investment hurdles. Management fees related to the Rialto Investments segment are included in Rialto Investments revenue and are recorded when contract terms are met, fees are determinable and collectability is reasonably assured. We believe the way we record Rialto Investments' management fees revenue is a significant accounting policy because it is a significant portion of Rialto Investments segment's revenues and will continue to grow in the future as the segment manages more assets.

Reclassifications

Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform with the 2013 presentation. These reclassifications had no impact on the Company’s results of operations.

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

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.

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 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 mortgage financing, title insurance and closing services for both buyers of the Company's homes and others. Substantially all of the loans the Lennar Financial Services segment originates are sold within a short period in the secondary mortgage market 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 sourcing, underwriting, pricing, managing and ultimately monetizing real estate and real estate related assets, as well as providing similar services to others in markets across the country. Rialto's operating earnings consists of revenues generated primarily from accretable 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 Real Estate Investment Fund, LP (the "Fund I"), fees for sub-advisory services, other income (expense), net, consisting primarily of net gains upon foreclosure of real estate owned ("REO") and net gains on sale of REO, and equity in earnings (loss) from unconsolidated entities, less the costs incurred by the segment for managing portfolios, REO expenses and other general 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 2012 Annual Report on Form 10-K.

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)	February 28, 2013	November 30, 2012
Assets:		
Homebuilding East	\$1,640,261	1,565,439
Homebuilding Central	820,877	729,300
Homebuilding West	2,601,065	2,396,515
Homebuilding Southeast Florida	678,094	603,360
Homebuilding Houston	312,404	273,605
Homebuilding Other (1)	805,786	724,461
Rialto Investments (2)	1,342,233	1,647,360
Lennar Financial Services	748,165	912,995
Corporate and unallocated	1,483,384	1,509,171
Total assets	\$10,432,269	10,362,206

(1) Includes assets related to the Company's multifamily business of \$63.2 million and \$29.1 million, respectively, as of February 28, 2013 and November 30, 2012.

(2) Consists primarily of assets of consolidated VIEs (see Note 8).

(In thousands)	Three Months Ended	
	February 28, 2013	February 29, 2012
Revenues:		
Homebuilding East	\$288,892	244,833
Homebuilding Central	149,032	85,713
Homebuilding West	174,075	123,085
Homebuilding Southeast Florida	71,851	49,789
Homebuilding Houston	108,518	84,834
Homebuilding Other	76,076	36,179
Lennar Financial Services	95,880	68,215
Rialto Investments	25,622	32,208
Total revenues (1)	\$989,946	724,856
Operating earnings (loss):		
Homebuilding East	\$22,875	13,947
Homebuilding Central	13,957	1,064
Homebuilding West	12,603	(7,573)
Homebuilding Southeast Florida	9,408	6,634
Homebuilding Houston	9,506	4,516
Homebuilding Other	(1,211)) 1,401
Lennar Financial Services	16,102	8,250
Rialto Investments	1,351	5,056
Total operating earnings	84,591	33,295
Corporate general and administrative expenses	31,270	26,842
Earnings before income taxes	\$53,321	6,453

Total revenues are net of sales incentives of \$74.0 million (\$23,300 per home delivered) for the three months ended (1) February 28, 2013, compared to \$84.5 million (\$34,200 per home delivered) for the three months ended February 29, 2012.

Valuation adjustments and write-offs relating to the Company's homebuilding operations were as follows:

(In thousands)	Three Months Ended	
	February 28, 2013	February 29, 2012
Valuation adjustments to finished homes, CIP and land on which the Company intends to build homes:		
East	\$49	217
Central	37	153
West	98	530
Southeast Florida	1,050	328
Houston	—	61
Other	21	736
Total	1,255	2,025
Valuation adjustments to land the Company intends to sell or has sold to third parties:		
East	83	—
Central	2	—
West	158	—
Total	243	—
Write-offs of option deposits and pre-acquisition costs:		
East	171	7
Central	26	49
West	18	232
Other	—	2
Total	215	290
Valuation adjustments to investments of unconsolidated entities:		
East	—	11
Total	—	11
Total valuation adjustments and write-offs of option deposits and pre-acquisition costs	\$1,713	2,326

During the three months ended February 28, 2013, the Company recorded lower valuation adjustments than during the three months ended February 29, 2012. Changes in market conditions and other specific developments may cause the Company to re-evaluate its strategy regarding certain assets that could result in further valuation adjustments and/or additional write-offs of option deposits and pre-acquisition costs due to abandonment of those options contracts.

(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	
	February 28, 2013	February 29, 2012
Revenues	\$81,224	82,644
Costs and expenses	81,637	83,422
Other income	13,361	—
Net earnings (loss) of unconsolidated entities	\$12,948	(778)
Lennar Homebuilding equity in earnings (loss) from unconsolidated entities	\$(867) 1,083
Balance Sheets		
(In thousands)	February 28, 2013	November 30, 2012
Assets:		
Cash and cash equivalents	\$167,418	157,340
Inventories	2,802,210	2,792,064
Other assets	183,024	250,940
	\$3,152,652	3,200,344
Liabilities and equity:		
Accounts payable and other liabilities	\$255,369	310,496
Debt	718,154	759,803
Equity	2,179,129	2,130,045
	\$3,152,652	3,200,344

As of February 28, 2013 and November 30, 2012, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were \$577.3 million and \$565.4 million, respectively, while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets as of February 28, 2013 and November 30, 2012 was \$690.6 million, and \$681.6 million, respectively, primarily as a result of the Company buying its interest in a partner's equity in a Lennar Homebuilding unconsolidated entity at a discount to 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., 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 has remained on the Company's condensed consolidated balance sheet in consolidated inventory not owned. As of February 28, 2013 and November 30, 2012, the portfolio of land (including land development costs) of \$255.8 million and \$264.9 million, respectively, is also reflected as inventory in the summarized condensed financial information related to Lennar Homebuilding's unconsolidated entities.

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 summary of the Company's net recourse exposure related to Lennar Homebuilding unconsolidated entities in which the Company has investments was as follows:

(In thousands)	February 28, 2013	November 30, 2012
Several recourse debt - repayment	\$40,773	48,020
Joint and several recourse debt - repayment	15,000	18,695
The Company's maximum recourse exposure	55,773	66,715
Less: joint and several reimbursement agreements with the Company's partners	(13,500)	(16,826)
The Company's net recourse exposure	\$42,273	49,889

During the three months ended February 28, 2013, the Company's maximum recourse exposure related to indebtedness of Lennar Homebuilding unconsolidated entities decreased by \$10.9 million primarily related to the joint ventures selling assets and other transactions.

The recourse debt exposure in the previous table represents the Company's maximum recourse exposure to loss from guarantees and does not take into account the underlying value of the collateral or the other assets of the borrowers that are available to repay the debt or to reimburse the Company for any payments on its guarantees. The Lennar Homebuilding unconsolidated entities that have recourse debt have a significant am