LENNAR CORP /NEW/
Form 10-K
February 08, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 2006

Commission file number 1-11749

Lennar Corporation

(Exact name of registrant as specified in its charter)

Delaware	**95-4337490**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

700 Northwest 107th Avenue, Miami, Florida 33172

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code (305) 559-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value 10¢	New York Stock Exchange
Class B Common Stock, par value 10¢	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES þ NO ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ NO þ

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 þ NO ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

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

The aggregate market value of the registrant s Class A and Class B common stock held by non-affiliates of the registrant (124,270,835 Class A shares and 10,843,179 Class B shares) as of May 31, 2006, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was $6,431,999,899.

As of January 31, 2007, the registrant had outstanding 127,302,839 shares of Class A common stock and 31,234,563 shares of Class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Related Section	Documents
III	Definitive Proxy Statement to be filed pursuant to Regulation 14A on or before March 30, 2007.

PART I

Item 1. Business.

Overview of Lennar Corporation

We are one of the nation s largest homebuilders and a provider of financial services. Our homebuilding operations include the construction and sale of single-family attached and detached homes, and to a lesser extent multi-level buildings, as well as the purchase, development and sale of residential land directly and through unconsolidated entities in which we have investments. We have grouped our homebuilding activities into three reportable segments, which we refer to as Homebuilding East, Homebuilding Central and Homebuilding West. Information about homebuilding activities in states which are not economically similar to other states in the same geographic area is grouped under Homebuilding Other. Our reportable homebuilding segments and Homebuilding Other have divisions located in the following states:

East: Florida, Maryland, New Jersey and Virginia

Central: Arizona, Colorado and Texas

West: California and Nevada

Other: Illinois, Minnesota, New York, North Carolina and South Carolina

We have one Financial Services reportable segment that provides mortgage financing, title insurance, closing services and other ancillary services (including personal lines insurance, high-speed Internet and cable television) for both buyers of our homes and others. We sell substantially all of the loans that we originate in the secondary mortgage market. Our Financial Services segment operates generally in the same states as our homebuilding segments, as well as other states. For financial information about both our homebuilding and financial services operations, you should review Management s Discussion and Analysis of Financial Condition and Results of Operations, which is Item 7 of this Report, and our consolidated financial statements and the notes to our consolidated financial statements, which are included in Item 8 of this Report.

A Brief History of Our Growth

1954: We were founded as a local Miami homebuilder.

1969: We began developing, owning and managing commercial and multi-family residential real estate.

1971: We completed our initial public offering.

1972: Our common stock was listed on the New York Stock Exchange. We also entered the Arizona homebuilding market.

1986: We acquired Development Corporation of America in Florida.

1991: We entered the Texas homebuilding market.

1992: We expanded our commercial operations by acquiring, through a joint venture, a portfolio of loans, mortgages and properties from the Resolution Trust Corporation.

1995: We entered the California homebuilding market through the acquisition of Bramalea California, Inc.

1996: We expanded in California through the acquisition of Renaissance Homes, and significantly expanded operations in Texas with the acquisitions of the assets and operations of both Houston-based Village Builders and Friendswood Development Company, and acquired Regency Title.

1997: We completed the spin-off of our commercial real estate investment business to LNR Property Corporation. We continued our expansion in California through homesite acquisitions and investments in unconsolidated entities. We also acquired Pacific Greystone Corporation, which further expanded our operations in California and Arizona and brought us into the Nevada homebuilding market.

1998: We acquired the properties of two California homebuilders, ColRich Communities and Polygon Communities, acquired a Northern California homebuilder, Winncrest Homes, and acquired North American Title with operations in Arizona, California and Colorado.

1999: We acquired Eagle Home Mortgage with operations in Nevada, Oregon and Washington and Southwest Land Title in Texas.

2000: We acquired U.S. Home Corporation, which expanded our operations into New Jersey, Maryland, Virginia, Minnesota, Ohio and Colorado and strengthened our position in other states. We expanded our title operations in Texas through the acquisition of Texas Professional Title.

2002: We acquired Patriot Homes, Sunstar Communities, Don Galloway Homes, Genesee Company, Barry Andrews Homes, Cambridge Homes, Pacific Century Homes, Concord Homes and Summit Homes, which expanded our operations into the Carolinas and the Chicago, Baltimore and Central Valley, California homebuilding markets and strengthened our position in several existing markets. We also acquired Sentinel Title with operations in Maryland and Washington, D.C.

2003: We acquired Seppala Homes and Coleman Homes, which expanded our operations in South Carolina and California. We also acquired Mid America Title in Illinois.

2004: We acquired The Newhall Land and Farming Company through an unconsolidated entity of which we and LNR Property Corporation each own 50%. We expanded into the San Antonio, Texas homebuilding market by acquiring the operations of Connell-Barron Homes and entered the Jacksonville, Florida homebuilding market by acquiring the operations of Classic American Homes. Through acquisitions, we also expanded our mortgage operations in Oregon and Washington. We expanded our title and closing operations into Minnesota through the acquisition of Title Protection, Inc.

2005: We entered the metropolitan New York City and Boston markets by acquiring, directly and through a joint venture, rights to develop a portfolio of properties in New Jersey facing mid-town Manhattan and waterfront properties near Boston. We also entered the Reno, Nevada market and then expanded in Reno through the acquisition of Barker Coleman. We expanded our presence in Jacksonville through the acquisition of Admiral Homes.

2006 Business Developments

During the second half of 2006, the market conditions in the homebuilding industry deteriorated. As a result, we evaluated our balance sheet for impairment on an asset-by-asset basis. Based on this assessment in 2006, we recorded $501.8 million of inventory valuation adjustments and $126.4 million of valuation adjustments to our investments in unconsolidated entities. This market deterioration was driven primarily by excess supply as speculators reduced purchases and returned homes to the market as well as negative customer sentiment surrounding the general homebuilding market. We also experienced slower sales (down 3% in 2006) and higher cancellation rates (29% in 2006) which have impacted most of our markets and therefore, we made greater use of sales incentives to generate sales in order to build-out our inventory, deliver our backlog and convert inventory into cash. The use of these sales incentives had a negative impact on gross margins.

Homebuilding Operations

Overview

We primarily sell single-family attached and detached homes, and to a lesser extent, multi-level buildings, in communities targeted to first-time, move-up and active adult homebuyers. The average sales price of a Lennar home was $315,000 in fiscal 2006. We operate primarily under the Lennar brand name and market our homes primarily under our Everything s Included® program.

Through our own efforts and unconsolidated entities in which we have investments, we are involved in all phases of planning and building in our residential communities including land acquisition, site planning, preparation and improvement of land and design, construction and marketing of homes. We view unconsolidated entities as a means to both expand our market opportunities and manage our risks. For additional information about our investments in and relationships with unconsolidated entities, see Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

Management and Operating Structure

We balance a local operating structure with centralized corporate level management. Decisions related to our overall strategy, acquisitions of land and businesses, risk management, financing, cash management and information systems are centralized at the corporate level. Our local operating structure encompasses both land and homebuilding divisions, which are managed by individuals who generally have significant experience in the homebuilding industry and, in most instances, in their particular markets. Our land divisions are responsible for operating decisions regarding land identification, entitlement and development and the management of inventory levels for our planned growth. Our homebuilding divisions are responsible for community development, home design, evenflow construction and marketing our homes primarily under our Everything s Included® program.

Diversified Program of Property Acquisition

We generally acquire land for development and for the construction of homes that we sell to homebuyers. Land is subject to specified underwriting criteria and is acquired through our diversified program of property acquisition consisting of the following:

- Acquiring land directly from individual land owners/developers or homebuilders,
- Acquiring local or regional homebuilders that own, or have options to purchase, land in strategic markets,
- Acquiring land through option contracts, which generally enables us to defer acquiring portions of properties owned by third parties (including land funds) until we are ready to build homes on these properties, and
- Acquiring parcels of land through joint ventures, primarily to reduce and share our risk, among other factors, by limiting the amount of our capital invested in land, while increasing our access to potential future homesites and allowing us to participate in strategic ventures. We also acquire land through option contracts with our joint ventures.

At November 30, 2006, we owned 92,325 homesites and had access through option contracts to an additional 189,279 homesites, of which 94,758 were through option contracts with third parties and 94,521 were through option contracts with unconsolidated entities in which we have investments. At November 30, 2005, we owned 102,687 homesites and had access through option contracts to an additional 222,119 homesites, of which 127,013 were through option contracts with third parties and 95,106 were through option contracts with unconsolidated entities in which we have investments.

Construction and Development

We generally supervise and control the development of land and the design and building of our residential communities with a relatively small labor force. We hire subcontractors for site improvements and virtually all of the work involved in the construction of homes. Generally, arrangements with our subcontractors provide that our subcontractors will complete specified work in accordance with price schedules and applicable building codes and laws. The price schedules may be subject to change to meet changes in labor and material costs or for other reasons. We believe that the sources and availability of raw materials to our subcontractors are adequate for our current and planned levels of operation. We generally do not own heavy construction equipment. We finance construction and land development activities primarily with cash generated from operations and public debt issuances, as well as cash borrowed under our revolving credit facility, commercial paper program and unsecured, fixed-rate notes.

Marketing

We offer a diversified line of homes for first-time, move-up and active adult homebuyers. With homes priced from under $100,000 to above $1,000,000 and available in a variety of environments ranging from urban infill communities to golf course communities, we are focused on providing homes for a wide spectrum of buyers. Our Everything s Included® marketing program simplifies the homebuying experience by including desirable features as standard items. This marketing program enables us to differentiate our homes from those of our competitors by creating value through standard upgrades and competitive pricing, while reducing construction and overhead costs through a simplified manufacturing process, product standardization and volume purchasing. We sell our homes primarily from models that we have designed and constructed.

We employ sales associates who are paid salaries, commissions or both to complete on-site sales of homes. We also sell homes through independent brokers. We advertise our communities in newspapers, radio advertisements and other local and regional publications, on billboards and on the Internet, including our website, www.lennar.com. In addition, we advertise our active adult communities in areas where prospective active adult homebuyers live.

We have participated in charitable down-payment assistance programs for a small percentage of our homebuyers. Through these programs, we make a donation to a non-profit organization that provides financial assistance to a homebuyer who would not otherwise have sufficient funds for a down payment.

Quality Service

We strive to continually improve homeowner customer satisfaction throughout the pre-sale, sale, construction, closing and post-closing periods. Through the participation of sales associates, on-site construction supervisors and customer care associates, all working in a team effort, we strive to create a quality homebuying experience for our customers, which we believe leads to enhanced customer retention and referrals.

The quality of our homes is substantially affected by the efforts of on-site management and others engaged in the construction process, by the materials we use in particular homes or by other similar factors. Currently, most management team members bonus plans are, in part, contingent upon achieving certain customer satisfaction standards.

We currently have a Heightened Awareness program, which is a focused initiative designed to objectively evaluate and measure the quality of construction in our communities. In addition to our Heightened Awareness program, we have a quality assurance program in certain markets in which we employ third-party consultants to inspect our homes during the construction process. These inspectors provide us with inspection reports and follow-up verification. We also obtain independent surveys of selected customers through a third-party consultant and use the survey results to further improve our standard of quality and customer satisfaction.

We warrant our new homes against defective material and workmanship for a minimum period of one year after the date of closing. Although we subcontract virtually all segments of construction to others and our contracts call for the subcontractors to repair or replace any deficient items related to their trade, we are primarily responsible to the homebuyer for the correction of any deficiencies.

Deliveries

The table below indicates the number of deliveries for each of our homebuilding segments and Homebuilding Other during our last three fiscal years:

	2006	2005	2004
East	**14,859**	11,220	10,438
Central	**17,069**	15,448	13,126
West	**13,333**	11,731	9,079
Other	**4,307**	3,960	3,561
Total	**49,568**	42,359	36,204

Of the total home deliveries listed above, 2,536, 1,477 and 1,015, respectively, represent deliveries from unconsolidated entities for the years ended November 30, 2006, 2005 and 2004.

Despite the fact that deliveries for the full fiscal 2006 year increased in each of our homebuilding segments and Homebuilding Other, during the fourth quarter of 2006, deliveries were lower in our Homebuilding Central and West segments and Homebuilding Other, compared to the fourth quarter of 2005.

Backlog

Backlog represents the number of homes under sales contracts. Homes are sold using sales contracts, which are generally accompanied by sales deposits. In some instances, purchasers are permitted to cancel sales contracts if they fail to qualify for financing or under certain other circumstances. We experienced a cancellation rate of 29% in 2006, compared to 17% and 16%, respectively, in 2005 and 2004. Although we experienced a significant increase in our cancellation rate during 2006, we remain focused on reselling these homes, which, in many instances, includes the use of higher sales incentives, to avoid the build up of excess inventory. We do not recognize revenue on homes under sales contracts until the sales are closed and title passes to the new homeowners, except for our multi-level buildings under construction for which revenue is recognized under percentage-of-completion accounting.

The table below indicates the backlog dollar value for each of our homebuilding segments and Homebuilding Other as of the end of our last three fiscal years:

	2006	2005	2004
	(In thousands)		
East	**$ 1,460,213**	2,774,396	2,104,959
Central	**850,472**	1,210,257	911,303
West	**1,328,617**	2,374,646	1,597,185
Other	**341,126**	524,939	441,826
Total	**$ 3,980,428**	6,884,238	5,055,273

Of the dollar value of homes in backlog listed above, $478,707, $590,129 and $644,839, respectively, represent the backlog dollar value from unconsolidated entities at November 30, 2006, 2005 and 2004.

As of December 31, 2006 and 2005, the backlog dollar value was $3.6 billion and $6.7 billion, respectively, of which $0.5 billion in 2006 and 2005 represents the backlog dollar value from unconsolidated entities.

Financial Services Operations

Mortgage Financing

We provide a full spectrum of conventional, FHA-insured and VA-guaranteed, first and second lien residential mortgage loan products to our homebuyers and others through our financial services subsidiaries, Universal American Mortgage Company, LLC and Eagle Home Mortgage, LLC, located generally in the same states as our homebuilding segments and Homebuilding Other, as well as other states. In 2006, our financial services subsidiaries provided loans to 66% of our homebuyers who obtained mortgage financing in areas where we offered services. Because of the availability of mortgage loans from our financial services subsidiaries, as well as independent mortgage lenders, we believe access to financing has not been, and is not, a significant obstacle for most purchasers of our homes.

During 2006, we originated approximately 41,800 mortgage loans totaling $10.5 billion. Substantially all of those loans were sold within a short period in the secondary mortgage market on a servicing released, non-recourse basis; however, we remain liable for certain limited representations and warranties related to loan sales.

We have a corporate risk management policy under which we hedge our interest rate risk on rate-locked loan commitments and loans held-for-sale to mitigate exposure to interest rate fluctuations. We finance our mortgage loan activities with borrowings under our financial services subsidiaries warehouse lines of credit or from our general corporate funds.

Title Insurance and Closing Services

We provide title insurance and title and closing services and other ancillary services to our homebuyers and others. We provided title and closing services for approximately 161,300 real estate transactions, issued approximately 195,700 title insurance policies and provided title insurance underwriting during 2006 through subsidiaries of North American Title Insurance Company. Title and closing services and title insurance underwriting are provided by agency subsidiaries in Arizona, California, Colorado, District of Columbia, Florida, Illinois, Maryland, Minnesota, Nevada, New Jersey, Pennsylvania, Texas, Virginia and Wisconsin.

Communication Services

Lennar Communications Ventures oversees our interests and activities in relationships with providers of advanced communication services and provides cable television and high-speed Internet services to residents of our communities and others. At December 31, 2006, we had approximately 11,300 subscribers across California, Florida and Texas.

Seasonality

We have historically experienced variability in our results of operations from quarter-to-quarter due to the seasonal nature of the homebuilding business. Currently, we are focusing our efforts on asset management and our homebuilding manufacturing process, in order to achieve a more evenflow production of home deliveries throughout the year. Evenflow production involves determining the appropriate production levels based on demand in the market, and is driven by a defined production schedule designed to produce a more consistent level of starts and deliveries throughout the year in order to gain production efficiencies. If our efforts at evenflow production are successful, the result should be a reduction in inventory cycle time and more consistent start, completion and delivery dates.

Competition

The residential homebuilding industry is highly competitive. We compete for homebuyers in each of the market regions where we operate with numerous national, regional and local homebuilders, as well as with resales of existing homes and with the rental housing market. We compete for homebuyers on the basis of a number of interrelated factors including location, price, reputation, amenities, design, quality and financing. In addition to competition for homebuyers, we also compete with other homebuilders for desirable properties, raw materials and reliable, skilled labor. We compete for land buyers with third parties in our efforts to sell land to homebuilders and others. We believe we are competitive in the market regions where we operate primarily due to our:

- Balance sheet, where we continue to focus on liquidity while maintaining a strong capital structure;
- Excellent land position, particularly in land-constrained markets;
- Intense focus on salesmanship and increasing our access to various marketing channels; and
- Pricing to current market conditions through higher sales incentives offered to homebuyers.

Our financial services operations compete with other mortgage lenders, including national, regional and local mortgage bankers and brokers, banks, savings and loan associations and other financial institutions, in the origination and sale of mortgage loans. Principal competitive factors include interest rates and other features of mortgage loan products available to the consumer. We compete with other title insurance agencies and underwriters for closing services and title insurance. Principal competitive factors include service and price. We compete with other communication service providers in the sale of high-speed Internet and cable television services. Principal competitive factors include price, quality, service and availability.

Regulation

Homes and residential communities that we build must comply with state and local laws and regulations relating to, among other things, zoning, construction permits or entitlements, construction material requirements, density requirements, and requirements relating to building design and property elevation, building codes and handling of waste. These include laws requiring the use of construction materials that reduce the need for energy-consuming heating and cooling systems. These laws and regulations are subject to frequent change and often increase construction costs. In some instances, we must comply with laws that require commitments from us to provide roads and other offsite infrastructure to be in place prior to the commencement of new construction. These laws and regulations are usually administered by counties and municipalities and may result in fees and assessments or building moratoriums. In addition, certain new development projects are subject to assessments for schools, parks, streets and highways and other public improvements, the costs of which can be substantial.

The residential homebuilding industry is also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. These environmental laws include such areas as storm water and surface water management, soil, groundwater and wetlands protection, subsurface conditions and air quality protection and enhancement. Environmental laws and existing conditions may result in delays, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict homebuilding activity in environmentally sensitive regions or areas.

In recent years, several cities and counties in which we have developments have submitted to voters slow growth initiatives and other ballot measures that could impact the affordability and availability of land suitable for residential development within those localities. Although many of these initiatives have been defeated, we believe that if similar initiatives were approved, residential construction by us and others within certain cities or counties could be seriously impacted.

In order to make it possible for some of our homebuyers to obtain FHA-insured or VA-guaranteed mortgages, we must construct the homes they buy in compliance with regulations promulgated by those agencies.

Various states have statutory disclosure requirements relating to the marketing and sale of new homes. These disclosure requirements vary widely from state-to-state. In addition, some states require that each new home be registered with the state at or before the time title is transferred to a buyer (e.g., the Texas Residential Construction Commission Act).

In some states, we are required to be registered as a licensed contractor and comply with applicable rules and regulations. In various states, our new home consultants are required to be registered as licensed real estate agents and to adhere to the laws governing the practices of real estate agents.

Our mortgage and title subsidiaries must comply with applicable real estate laws and regulations. The subsidiaries are licensed in the states in which they do business and must comply with laws and regulations in those states. These laws and regulations include provisions regarding capitalization, operating procedures, investments, lending and privacy disclosures, forms of policies and premiums.

Our cable subsidiary is generally required to both secure a franchise agreement with each locality in which it operates and to satisfy requirements of the Federal Communications Commission in the ordinary conduct of its business.

A subsidiary of The Newhall Land and Farming Company, (Newhall) of which we currently, indirectly own 50%, provides water to a portion of Los Angeles County, California. This subsidiary is subject to extensive regulation by the California Public Utilities Commission. In December 2006, subsequent to our fiscal year end, we and LNR Property Corporation entered into an agreement to admit a new strategic partner into our LandSource joint venture, which owns Newhall (See Note 22 to our consolidated financial statements in Item 8 of this Report).

Employees

At December 31, 2006, we employed 12,605 individuals of whom 9,018 were involved in our homebuilding operations and 3,587 were involved in our financial services operations. We believe our relations with our employees are good. We do not have collective bargaining agreements relating to any of our employees. However, we subcontract many phases of our homebuilding operations and some of the subcontractors we use have employees who are represented by labor unions.

Relationship with LNR Property Corporation

In 1997, we transferred our commercial real estate investment and management business to LNR Property Corporation (LNR), and spun-off LNR to our stockholders. As a result, LNR became a publicly-traded company, and the family of Stuart A. Miller, our President, Chief Executive Officer and a Director, which had voting control of us, became the controlling shareholder of LNR.

Since the spin-off, we have entered into a number of joint ventures and other transactions with LNR. Many of the joint ventures were formed to acquire and develop land, part of which was subsequently sold to us or other homebuilders for residential building and part of which was subsequently sold to LNR for commercial development. Because for a number of years after the spin-off LNR was controlled by Mr. Miller and his family, all significant transactions we or our subsidiaries engaged in with LNR or entities in which it had an interest were reviewed and approved by the Independent Directors Committee of our Board of Directors.

In January 2004, a company of which we and LNR each own 50% acquired The Newhall Land and Farming Company (Newhall) for approximately $1 billion. The purchase price was paid with (1) approximately $200 million we contributed to the jointly-owned company, (2) approximately $200 million LNR contributed to the jointly-owned company, (3) a $400 million term loan borrowed under $600 million of bank financing obtained by the jointly-owned company and another company of which we and LNR each owned 50% and (4) approximately $217 million from the proceeds of a sale by Newhall of income-producing properties to LNR. Newhall owns approximately 48,000 acres in California, including approximately 34,000 acres in north Los Angeles County that includes two master-planned communities. In connection with the acquisition, we agreed to purchase 687 homesites and received options to purchase an additional 623 homesites from Newhall.

On November 30, 2004, we and LNR each transferred our interests in most of our joint ventures to the jointly-owned company that had acquired Newhall, and that company was renamed LandSource Communities Development LLC (LandSource). In December 2006, subsequent to our fiscal year end, we and LNR entered into an agreement to admit a new strategic partner into our LandSource joint venture (See Note 22 to our consolidated financial statements in Item 8 of this Report).

In February 2005, LNR was acquired by a privately-owned entity. Although Mr. Miller s family acquired a 20.4% financial interest in that privately-owned entity, this interest is non-voting and neither Mr. Miller nor anybody else in his family is an officer or director, or otherwise is involved in the management, of LNR or its parent. Nonetheless, because the Miller family has a 20.4% financial, non-voting, interest in LNR s parent, significant transactions with LNR or entities in which it has an interest are still reviewed and approved by the Independent Directors Committee of our Board of Directors.

NYSE Certifications

We submitted our 2005 Annual CEO Certification to the New York Stock Exchange on April 20, 2006. The certification was not qualified in any respect.

Available Information

Our corporate website is www.lennar.com. We make available on our website, free of charge, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the Securities and Exchange Commission. Information on our website is not part of this document.

Our website also includes printable versions of our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters for each of our Audit, Compensation and Nominating and Corporate Governance Committees of our Board of Directors. Each of these documents is also available in print to any stockholder who requests a copy by addressing a request to:

Lennar Corporation

Attention: Office of the General Counsel

700 Northwest 107th Avenue

Miami, Florida 33172

Item 1A. Risk Factors.

If any of the following risks develop into actual events, our business, financial condition, results of operations, cash flows, strategies and prospects could be materially adversely affected.

Homebuilding Market and Economic Risks

A significant decline in demand for new homes coupled with an increase in the inventory of available new homes adversely affects our sales volume and pricing.

In 2006, the homebuilding industry experienced a significant decline in demand for newly built homes in many of our markets. The decline followed an unusually long period of strong demand for new homes. Some of this strong demand resulted from speculators purchasing new homes with the intention of selling them at a profit, rather than with the intention of living in them. In many instances, the speculators do not have the financial resources to retain the purchased homes, and are selling these homes at depressed prices. Inventories of new homes have also increased as a result of increased cancellation rates on pending contracts as new homebuyers sometimes find it more advantageous to forfeit a deposit than to complete the purchase of the home. This combination of lower demand and higher inventories affects both the number of homes we can sell and the prices at which we can sell them. We have no basis for predicting how long demand and supply will remain out of balance in markets where we operate or whether, even if demand and supply come back in balance, sales volumes or pricing will return to prior levels.

Demand for new homes is sensitive to economic conditions over which we have no control.

Demand for homes is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, the availability of financing and interest rate levels. Although the market experienced some increase in mortgage interest rates during 2006, mortgage interest rates remain lower than their historical averages. If mortgage interest rates increase or if any of these other economic factors adversely change nationally, or in the markets where we operate, the ability or willingness of prospective buyers to purchase new homes could be adversely affected and cancellations of pending contracts could further increase, resulting in a decrease in our revenues and earnings.

Increasing interest rates could cause defaults for homebuyers who financed homes using non-traditional financing products, which could increase the number of homes available for resale.

During the recent time of high demand in the homebuilding industry, many homebuyers financed their purchases using non-traditional adjustable rate or interest only mortgages or other mortgages, including sub-prime mortgages, that involve significantly lower initial monthly payments. As a result, new homes have been more affordable in recent years. However, as monthly payments for these homes increase either as a result of increasing adjustable interest rates or as a result of principal payments coming due, some of these homebuyers could default on their payments and have their homes foreclosed, which would increase the inventory of homes available for resale. In addition, if lenders perceive deterioration in credit quality among homebuyers, lenders may eliminate some of the available non-traditional and sub-prime financing products or increase the qualifications needed for mortgages or adjust their terms to address any increased credit risk. In general, if mortgage rates increase or lenders make it more difficult for prospective buyers to finance home purchases, it could become more difficult or costly for customers to purchase our homes, which would have an adverse affect on our sales volume.

We sell substantially all of the loans we originate within a short period in the secondary mortgage market on a servicing released, non-recourse basis; however, we remain liable for certain limited representations and warranties related to loan sales and certain limited repurchase obligations in the event of early borrower default.

Inflation can adversely affect us, particularly in a period of declining home sale prices.

Inflation can have a long-term impact on us because increasing costs of land, materials and labor may require us to attempt to increase the sale prices of homes in order to maintain satisfactory margins. However, the increased inventory of new homes we are currently experiencing requires that we decrease prices in order to attempt to maintain sales volume. This deflation in sales price, in addition to impacting our margins on new homes, also reduces the value of our land inventory and makes it more difficult for us to recover the full cost of previously purchased land in new home sales prices or, if we choose, to dispose of land assets. In addition, depressed land values may cause us to walk away from deposits on option contracts if we cannot satisfactorily renegotiate the purchase price of the optioned land.

A decline in land values could result in impairment write-downs.

Some of the land we currently own was purchased at prices that reflected the recent high demand cycle in the homebuilding industry. As a result, during the fourth quarter of 2006 we recorded material inventory valuation adjustments. If market conditions continue to deteriorate, some of these assets may be subject to future impairment write-downs, decreasing the value of our assets as reflected on our balance sheet and adversely affecting our stockholders equity.

We face significant competition in our efforts to sell homes.

The homebuilding industry is highly competitive. We compete in each of our markets with numerous national, regional and local homebuilders. This competition with other homebuilders could reduce the number of homes we deliver, or cause us to accept reduced margins in order to maintain sales volume.

We also compete with the resale of existing homes, including foreclosed homes, sales by housing speculators and available rental housing. As demand for homes has slowed, competition, including competition with homes purchased for speculation rather than as places to live, has created increased downward pressure on the prices at which we are able to sell homes, as well as upon the number of homes we can sell.

Operational Risks

Homebuilding is subject to warranty and liability claims in the ordinary course of business that can be significant.

As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. We are also subject to liability claims arising in the course of construction activities. We record warranty and other reserves for the homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes built. We have, and many of our subcontractors have, general liability, property, errors and omissions, workers compensation and other business insurance. These insurance policies protect us against a portion of our risk of loss from claims, subject to certain self-insured retentions, deductibles and other coverage limits. However, because of the uncertainties inherent in these matters, we cannot provide assurance that our insurance coverage or our subcontractor arrangements will be adequate to address all warranty, construction defect and liability claims in the future. Additionally, the coverage offered by and the availability of general liability insurance for construction defects are currently limited and costly. There can be no assurance that coverage will not be further restricted and become even more costly.

Natural disasters and severe weather conditions could delay deliveries, increase costs and decrease demand for new homes in affected areas.

Our homebuilding operations are located in many areas that are subject to natural disasters and severe weather. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs by damaging inventories and negatively impact the demand for new homes in affected areas. Furthermore, if our insurance does not fully cover business interruptions or losses resulting from these events, our earnings, liquidity or capital resources could be adversely affected.

Supply shortages and other risks related to the demand for skilled labor and building materials could increase costs and delay deliveries.

Increased costs or shortages of skilled labor and/or lumber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. We generally are unable to pass on increases in construction costs to customers who have already entered into sales contracts, as those sales contracts generally fix the price of the homes at the time the contracts are signed, which may be well in advance of the construction of the home. Sustained increases in construction costs may, over time, erode our margins, particularly if pricing competition restricts our ability to pass on any additional costs of materials or labor, thereby decreasing our margins.

We may not be able to acquire land suitable for residential homebuilding at reasonable prices, which could increase our costs and reduce our revenues, earnings and margins.

Our long-term ability to build homes depends upon our acquiring land suitable for residential building at reasonable prices in locations where we want to build. During the past few years, we have experienced an increase in competition for suitable land as a result of land constraints in many of our markets. As competition for suitable land increases, and as available land is developed, the cost of acquiring additional suitable land could rise, and in some areas no suitable land may be available at reasonable prices. Any land shortages or any decrease in the supply of suitable land at reasonable prices could limit our ability to develop new communities or result in increased land costs that we are not able to pass through to our customers. This could adversely impact our revenues, earnings and margins.

Reduced numbers of home sales force us to absorb additional costs.

We incur many costs even before we begin to build homes in a community. These include costs of preparing land and installing roads, sewage and other utilities, as well as taxes and other costs related to ownership of the land on which we plan to build homes. Reducing the rate at which we build homes extends the length of time it takes us to recover these costs. Also, we frequently acquire options to purchase land and make deposits that will be forfeited if we do not exercise the options within specified periods. Because of current market conditions, we have had to terminate some of these options, resulting in forfeiture of deposits we made with regard to the options.

We may be unable to obtain suitable financing and bonding for the development of our communities.

Our business requires that we are able to obtain financing for the development of our residential communities and to provide bonds to ensure the completion of our projects. We currently use our $2.7 billion credit facility to provide some of the financing we need. In addition, we have from time-to-time raised funds by selling debt securities into public and private capital markets. The willingness of lenders to make funds available to us could be affected by reductions in the amounts they are willing to lend to homebuilders generally, even if we continue to maintain a strong balance sheet. If we were unable to finance the development of our communities through our credit facility or other debt, or if we were unable to provide required surety bonds for our projects, our business operations and revenues could suffer materially.

Our competitive position could suffer if we were unable to take advantage of acquisition opportunities.

Our growth strategy depends in part on our ability to identify and purchase suitable acquisition candidates, as well as our ability to successfully integrate acquired operations into our business. Given current market conditions, executing this strategy by identifying opportunities to purchase at favorable prices companies that are having problems contending with the current difficult homebuilding environment may be particularly important. Not properly executing this strategy could put us at a disadvantage in our efforts to compete with other major homebuilders who are able to take advantage of such favorable acquisition opportunities.

Our ability to continue to grow our business and operations in a profitable manner depends to a significant extent upon our ability to access capital on favorable terms.

At present, our access to capital is enhanced by the fact that our senior debt securities have an investment-grade credit rating from each of the principal credit rating agencies. If we were to lose our investment-grade credit rating for any reason, it would become more difficult and costly for us to access the capital that is required in order to implement our business plans and achieve our growth objectives.

We might have difficulty integrating acquired companies into our operations.

The integration of operations of acquired companies with our operations, including the consolidation of systems, procedures, personnel and facilities, the relocation of staff, and the achievement of anticipated cost savings, economies of scale and other business efficiencies, presents significant challenges to our management, particularly if several acquisitions occur at the same time.

The performance of our joint venture partners is important to the continued success of our joint venture strategies.

Our joint venture strategy depends in large part on the ability of our joint venture partners to perform their obligations under our agreements with them. If a joint venture partner does not perform its obligations, we may be required to make significant financial expenditures or otherwise undertake the performance of obligations not satisfied by our partner at significant cost to us.

We could be hurt by the loss of key management personnel.

Our future success depends, to a significant degree, on the efforts of our senior management. Our operations could be adversely affected if key members of senior management cease to be active in our company.

Our Financial Services segment could have difficulty financing its activities.

Our Financial Services segment has warehouse lines of credit totaling $1.4 billion. It uses those lines to finance its lending activities until it accumulates sufficient mortgage loans to be able to sell them into the capital markets. These warehouse lines of credit mature in September 2007 ($700 million) and in April 2008 ($670 million). If we are unable to renew or extend these debt arrangements when they mature, our Financial Services segment s mortgage lending activities may be adversely affected.

Regulatory Risks

Federal laws and regulations that adversely affect liquidity in the secondary mortgage market could hurt our business.

Recent federal laws and regulations could have the effect of curtailing the activities of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). These organizations provide significant liquidity to the secondary mortgage market. Any curtailment of their activities could increase mortgage interest rates and increase the effective cost of our homes, which could reduce demand for our homes and adversely affect our results of operations.

The federal financial institution agencies recently issued their final Interagency Guidance on Nontraditional Mortgage Products (Guidance). This Guidance applies to credit unions, banks and savings associations and their subsidiaries, and bank and savings association holding companies and their subsidiaries. Although the Guidance does not apply to independent mortgage companies, it likely will affect the origination operations of many mortgage companies that broker or sell nontraditional mortgage loan products to such entities. This Guidance could reduce the number of potential customers who could qualify for loans to purchase homes from us and others.

Government entities in regions where we operate have adopted or may adopt, slow or no growth initiatives, which could adversely affect our ability to build or timely build in these areas.

Some state and local governments in areas where we operate have approved, and others where we operate may approve, various slow growth or no growth homebuilding initiatives and other ballot measures that could negatively impact the availability of land and building opportunities within those jurisdictions. Approval of slow growth, no growth or similar initiatives (including the effect of these initiatives on existing entitlements and zoning) could adversely affect our ability to build or timely build and sell homes in the affected markets and/or create additional administrative and regulatory requirements and costs, which, in turn, could have an adverse effect on our future revenues and earnings.

Compliance with federal, state and local regulations related to our business could create substantial costs both in time and money, and some regulations could prohibit or restrict some homebuilding ventures.

We are subject to extensive and complex laws and regulations that affect the land development and homebuilding process, including laws and regulations related to zoning, permitted land uses, levels of density, building design, elevation of properties, water and waste disposal and use of open spaces. In addition, we are subject to laws and regulations related to workers health and safety. We also are subject to a variety of local, state and federal laws and regulations concerning the protection of health and the environment. In some of the markets where we operate, we are required to pay environmental impact fees, use energy-saving construction materials and give commitments to municipalities to provide certain infrastructure such as roads and sewage systems. We generally are required to obtain permits, entitlements and approvals from local authorities to commence and carry out residential development or home construction. Such permits, entitlements and approvals may, from time-to-time, be opposed or challenged by local governments, neighboring property owners or other interested parties, adding delays, costs and risks of non-approval to the process. Our obligation to comply with the laws and regulations under which we operate, and our obligation to ensure that our employees, subcontractors and other agents comply with these laws and regulations, could result in delays in construction and land development, cause us to incur substantial costs and prohibit or restrict land development and homebuilding activity in certain areas in which we operate.

Tax law changes could make home ownership more expensive or less attractive.

Significant expenses of owning a home, including mortgage interest expense and real estate taxes, generally are deductible expenses for the purpose of calculating an individual s federal, and in some cases state, taxable income, subject to various limitations under current tax law and policy. If the federal government or a state government changes income tax laws, as has been discussed recently, to eliminate or substantially reduce these income tax deductions, then the after-tax cost of owning a new home would increase substantially. This could adversely impact demand for, and/or sales prices of, new homes.

Other Risks

We have a stockholder who can exercise significant influence over matters that are brought to a vote of our stockholders.

Stuart A. Miller, our President, Chief Executive Officer and a Director, has voting control, through personal holdings and family-owned entities, of Class A and Class B common stock that enables Mr. Miller to cast approximately 49% of the votes that may be cast by the holders of our outstanding Class A and Class B common stock combined. That probably gives Mr. Miller the power to control the election of our directors and the approval of matters that are presented to our stockholders. Mr. Miller s voting power might discourage someone from acquiring us or from making a significant equity investment in us, even if we needed the investment to meet our obligations and to operate our business. Also, because of his voting power, Mr. Miller may be able to authorize actions in matters that are contrary to our other stockholders desires.

Item 1B. Unresolved Staff Comments.

Not applicable.

Executive Officers of Lennar Corporation

Robert J. Strudler, who served as Chairman of our Board of Directors since 2004, passed away on November 7, 2006. Prior to Mr. Strudler s appointment as Chairman in December 2004, he served as Lennar s Vice Chairman and Chief Operating Officer from May 2000 through November 2004. As of the date of this Report, our Board of Directors has not appointed a new Chairman.

The following individuals are our executive officers as of February 8, 2007:

Name	Position	Age
Stuart A. Miller	President and Chief Executive Officer	49
Jonathan M. Jaffe	Vice President and Chief Operating Officer	47
Richard Beckwitt	Executive Vice President	47
Bruce E. Gross	Vice President and Chief Financial Officer	48
Marshall H. Ames	Vice President	63
Diane J. Bessette	Vice President and Controller	46
Mark Sustana	Secretary and General Counsel	45

Mr. Miller has served as our President and Chief Executive Officer since 1997 and is one of our Directors. Before 1997, Mr. Miller held various executive positions with us.

Mr. Jaffe has served as Vice President since 1994 and has served as our Chief Operating Officer since December 2004. Before that time, Mr. Jaffe served as a Regional President in our Homebuilding Division. Additionally, prior to his appointment as Chief Operating Officer, Mr. Jaffe was one of our Directors from 1997 through June 2004.

Mr. Beckwitt has served as our Executive Vice President since March 2006. In this position, Mr. Beckwitt is involved in all operational aspects of our company, with a focus on new business and strategic growth opportunities. Mr. Beckwitt served on the Board of Directors of D.R. Horton, Inc. from 1993 to November 2003. From 1993 to March 2000, he held various executive officer positions at D.R. Horton, including President of the company.

Mr. Gross has served as Vice President and our Chief Financial Officer since 1997. Before that, Mr. Gross was Senior Vice President, Controller and Treasurer of Pacific Greystone Corporation.

Mr. Ames has served as Vice President since 1982 and has been responsible for Investor Relations since 2000.

Ms. Bessette joined us in 1995 and has served as our Controller since 1997. She was appointed a Vice President in 2000.

Mr. Sustana has served as our Secretary and General Counsel since 2005. Before joining Lennar, Mr. Sustana held various legal positions at GenTek, Inc., a manufacturer of communication products, industrial components and performance chemicals.

Item 2. Properties.

We lease and maintain our executive offices in an office complex in Miami, Florida. We also lease and maintain regional offices in California and Texas. Our homebuilding and financial services offices are located in the markets where we conduct business, primarily in leased space. We believe that our existing facilities are adequate for our current and planned levels of operation.

Because of the nature of our homebuilding operations, significant amounts of property are held as inventory in the ordinary course of our homebuilding business. We discuss these properties in the discussion of our homebuilding operations in Item 1 of this Report.

Item 3. Legal Proceedings.

We are party to various claims and lawsuits which arise in the ordinary course of business. Although the specific allegations in the lawsuits differ, most of them involve claims that we failed to construct homes in particular communities in accordance with plans and specifications or applicable construction codes and seek reimbursement for sums allegedly needed to remedy the alleged deficiencies, assert contract issues or relate to personal injuries. Lawsuits of these types are common within the homebuilding industry. We do not believe that the ultimate resolution of these claims or lawsuits will have a material adverse effect on our business, financial position, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Class A and Class B common stock are listed on the New York Stock Exchange under the symbols LEN and LEN.B, respectively. The following table shows the high and low sales prices for our Class A and Class B common stock for the periods indicated, as reported by the NYSE, and cash dividends declared per share:

	Class A Common Stock High/Low Prices				Cash Dividends Per Class A Share	
Fiscal Quarter	2006		2005		2006	2005
First	**$ 66.44**	**55.23**	$ 62.49	44.15	**16¢**	13 3/4¢
Second	**$ 62.38**	**47.30**	$ 62.09	50.30	**16¢**	13 3/4¢
Third	**$ 49.10**	**38.66**	$ 68.86	57.46	**16¢**	13 3/4¢
Fourth	**$ 53.00**	**41.79**	$ 62.78	52.34	**16¢**	16¢

	Class B Common Stock High/Low Prices				Cash Dividends Per Class B Share	
Fiscal Quarter	2006		2005		2006	2005
First	**$ 61.26**	**50.99**	$ 57.40	40.81	**16¢**	13 3/4¢
Second	**$ 57.55**	**43.71**	$ 57.07	46.90	**16¢**	13 3/4¢
Third	**$ 45.09**	**35.93**	$ 64.00	53.50	**16¢**	13 3/4¢
Fourth	**$ 48.97**	**39.25**	$ 58.12	48.96	**16¢**	16¢

As of January 31, 2007, the last reported sale price of our Class A common stock was $54.38 and the last reported sale price of our Class B common stock was $50.56. As of January 31, 2007, there were approximately 1,100 and 800 holders of record, respectively, of our Class A and Class B common stock.

On January 10, 2007, our Board of Directors declared a quarterly cash dividend of $0.16 per share for both our Class A and Class B common stock, which is payable on February 15, 2007 to holders of record at the close of business on February 5, 2007. We regularly pay quarterly dividends as set forth in the table above. We currently expect that comparable cash dividends will continue to be paid in the future although we have no commitment to do that.

In June 2001, our Board of Directors authorized a stock repurchase program to permit future purchases of up to 20 million shares of our outstanding common stock. During the three months and year ended November 30, 2006, we repurchased the following shares of our Class A and Class B common stock (table and footnote amounts in thousands, except per share amounts):

Average

Period	Total Number of Shares Purchased		Price Paid Per Share		Total Number of Shares Purchased Under Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
	Class		Class			
	A	B	A	B		
December 1, 2005 to February 28, 2006*	8		$ 63.48	$		12,450
March 1, 2006 to May 31, 2006*	4,555	447	54.40	48.56	5,000	7,450
June 1, 2006 to August 31, 2006*	56	672	44.62	40.93	672	6,778
September 1, 2006 to September 30, 2006*		1		43.52		
October 1, 2006 to October 31, 2006		285		43.51	285	6,493
November 1, 2006 to November 30, 2006*	1	249	50.21	43.46	249	6,244
Total	4,620	1,654	$ 54.30	$ 43.82	6,206	

* The above includes 67 shares of Class A common stock and 1 share of Class B common stock that we repurchased in connection with activity related to our equity compensation plans and were not repurchased as part of our publicly announced stock repurchase program.

The information required by Item 201(d) of Regulation S-K is provided under Item 12 of this document.

Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial and operating information as of or for each of the years ended November 30, 2002 through 2006. The information presented below is based upon our historical financial statements, except for the results of operations of a subsidiary of the Financial Services segment s title company that was sold in May 2005, which have been classified as discontinued operations. Share and per share amounts have been retroactively adjusted to reflect the effect of our April 2003 10% Class B common stock distribution and our January 2004 two-for-one stock split.

		At or for the Years Ended November 30,				
		2006	2005	2004 (1)	2003 (1)	2002 (1)
		(Dollars in thousands, except per share amounts)				
Results of Operations:						
Revenues:						
Homebuilding	$	**15,623,040**	13,304,599	10,000,632	8,348,645	6,751,301
Financial services	$	**643,622**	562,372	500,336	556,581	482,008
Total revenues	$	**16,266,662**	13,866,971	10,500,968	8,905,226	7,233,309
Operating earnings from continuing operations:						
Homebuilding	$	**986,153**	2,277,091	1,548,488	1,164,089	834,056
Financial services	$	**149,803**	104,768	110,731	153,719	126,941
Corporate general and administrative expenses	$	**193,307**	187,257	141,722	111,488	85,958
Loss on redemption of 9.95% senior notes	$		34,908			
Earnings from continuing operations before provision for income taxes	$	**942,649**	2,159,694	1,517,497	1,206,320	875,039
Earnings from discontinued operations before provision for income taxes (2)	$		17,261	1,570	734	670
Earnings from continuing operations	$	**593,869**	1,344,410	944,642	750,934	544,712
Earnings from discontinued operations	$		10,745	977	457	417
Net earnings	$	**593,869**	1,355,155	945,619	751,391	545,129
Diluted earnings per share:						
Earnings from continuing operations	$	**3.69**	8.17	5.70	4.65	3.51
Earnings from discontinued operations	$		0.06			
Net earnings	$	**3.69**	8.23	5.70	4.65	3.51
Cash dividends declared per share Class A common stock	$	**0.64**	0.573	0.513	0.144	0.025
Cash dividends declared per share Class B common stock	$	**0.64**	0.573	0.513	0.143	0.0225
Financial Position:						
Total assets (3)	$	**12,408,266**	12,541,225	9,165,280	6,775,432	5,755,633
Debt:						
Homebuilding	$	**2,613,503**	2,592,772	2,021,014	1,552,217	1,585,309
Financial services	$	**1,149,231**	1,269,782	896,934	734,657	853,416
Stockholders equity	$	**5,701,372**	5,251,411	4,052,972	3,263,774	2,229,157
Shares outstanding (000s)		**158,155**	157,559	156,230	157,836	142,811
Stockholders equity per share	$	**36.05**	33.33	25.94	20.68	15.61
Homebuilding Data (including unconsolidated entities):						
Number of homes delivered		**49,568**	42,359	36,204	32,180	27,393
New orders		**42,212**	43,405	37,667	33,523	28,373
Backlog of home sales contracts		**11,608**	18,565	15,546	13,905	12,108
Backlog dollar value	$	**3,980,428**	6,884,238	5,055,273	3,887,300	3,200,206

(1) In May 2005, the Company sold a subsidiary of the Financial Services segment s title company. As a result of the sale, the subsidiary s results of operations have been reclassified as discontinued operations to conform with the 2005 presentation.

(2) Earnings from discontinued operations before provision for income taxes includes a gain of $15.8 million for the year ended November 30, 2005 related to the sale of a subsidiary of the Financial Services segment s title company.

(3)

As of November 30, 2004, 2003 and 2002, the Financial Services segment had assets of discontinued operations of $1.0 million, $1.3 million and $0.4 million, respectively, related to a subsidiary of the segment s title company that was sold in May 2005.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Financial Data and our audited consolidated financial statements and accompanying notes included elsewhere in this Report.

Special Note Regarding Forward-Looking Statements

Some of the statements in this Management s Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this Annual Report on Form 10-K, are forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding our business, financial condition, results of operations, cash flows, strategies and prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those described under the caption *Risk Factors* in Item 1A of this Report. We do not undertake any obligation to update forward-looking statements.

Outlook

During the second half of 2006, conditions in the homebuilding industry deteriorated and we have not yet seen a recovery as we entered the first quarter of 2007. This market weakness is driven primarily by excess supply as speculators reduce purchases and return homes to the market as well as negative customer sentiment surrounding the general homebuilding market. We are experiencing slower sales (down 3% in 2006) and higher cancellations (29% in 2006) which have impacted most of our markets and, therefore, we are making greater use of sales incentives to generate sales in order to build-out our inventory, deliver our backlog and convert inventory into cash.

In order to manage under these difficult conditions, we have focused on generating cash flow and maintaining an inventory neutral position, which has created liquidity on our balance sheet. We have also renegotiated the prices at which we have options or agreements to purchase land, to bring them in line with current market prices. In order to generate cash flow, we have priced our inventory to market; however, this has resulted in higher than normal sales incentives, leading to lower gross margins on home sales. As we look ahead to 2007, the strength of our balance sheet, together with our renegotiated land positions that reflect current market conditions, provide the foundation from which we will try to rebuild our margins. Steps we expect to take to improve margins include reducing selling, general and administrative expenses to match current volume and reflect available efficiencies, reducing construction costs by negotiating lower prices, redesigning products to meet current market demand, and building on land at current market prices. We will also continue to carefully match our starts to demand, which we expect will cause deliveries in 2007 to be at least 20% lower than they were in 2006.

Results of Operations

Overview

Our net earnings from continuing operations in 2006 were $593.9 million, or $3.69 per diluted share ($3.76 per basic share), compared to $1.3 billion, or $8.17 per diluted share ($8.65 per basic share), in 2005. The decrease in net earnings was attributable to depressed market conditions during 2006 that impacted our Homebuilding segments operations. While our deliveries and average sales price on homes delivered increased, our gross margins decreased due to inventory valuation adjustments during the second half of 2006 and higher sales incentives offered to homebuyers in 2006, compared to 2005.

The following table sets forth financial and operational information for the years indicated related to our continuing operations. The results of operations of the homebuilders we acquired during these years were not material to our consolidated financial statements and are included in the tables since the respective dates of the acquisitions.

	Years Ended November 30,		
	2006	**2005**	**2004**
	(Dollars in thousands, except average sales price)		
Homebuilding revenues:			
Sales of homes	**$ 14,854,874**	12,711,789	9,559,847
Sales of land	**768,166**	592,810	440,785
Total homebuilding revenues	**15,623,040**	13,304,599	10,000,632
Homebuilding costs and expenses:			
Cost of homes sold	**12,114,433**	9,410,343	7,275,446
Cost of land sold	**798,165**	391,984	281,409
Selling, general and administrative	**1,764,967**	1,412,917	1,072,912
Total homebuilding costs and expenses	**14,677,565**	11,215,244	8,629,767
Equity in earnings (loss) from unconsolidated entities	**(12,536)**	133,814	90,739
Management fees and other income, net	**66,629**	98,952	97,680
Minority interest expense, net	**13,415**	45,030	10,796
Homebuilding operating earnings	**986,153**	2,277,091	1,548,488
Financial services revenues	**643,622**	562,372	500,336
Financial services costs and expenses	**493,819**	457,604	389,605
Financial services operating earnings	**149,803**	104,768	110,731
Total operating earnings	**1,135,956**	2,381,859	1,659,219
Corporate general and administrative expenses	**193,307**	187,257	141,722
Loss on redemption of 9.95% senior notes		34,908	
Earnings from continuing operations before provision for income taxes	**$ 942,649**	2,159,694	1,517,497
Gross margin on home sales	**18.4%**	26.0%	23.9%
SG&A expenses as a % of revenues from home sales	**11.9%**	11.1%	11.2%
Operating margin as a % of revenues from home sales	**6.6%**	14.9%	12.7%
Average sales price	**$ 315,000**	311,000	272,000

2006 versus 2005

Revenues from home sales increased 17% in the year ended November 30, 2006 to $14.9 billion from $12.7 billion in 2005. Revenues were higher primarily due to a 15% increase in the number of home deliveries in 2006. New home deliveries, excluding unconsolidated entities, increased to 47,032 homes in the year ended November 30, 2006 from 40,882 homes last year. In the year ended November 30, 2006, new home deliveries were higher in each of our homebuilding segments and Homebuilding Other, compared to 2005. The average sales price of homes delivered increased to $315,000 in the year ended November 30, 2006 from $311,000 in 2005 despite higher sales incentives offered to homebuyers ($32,000 per home delivered in 2006, compared to $9,000 per home delivered in 2005).

Despite the full year increases, there was a significant slowdown in new home sales throughout the country as the year progressed. As a result, during the fourth quarter of the year, revenues from home sales declined by 14%, new home deliveries declined by 4%, excluding unconsolidated entities, and the average sales price declined by 11%, compared with the same period of the prior year. The decline in average sales price resulted from our use of higher sales incentives.

Gross margins on home sales excluding inventory valuation adjustments were $3.0 billion, or 20.3%, in the year ended November 30, 2006, compared to $3.3 billion, or 26.0%, in 2005. Gross margin percentage on home sales decreased compared to last year in all of our homebuilding segments and Homebuilding Other primarily due to higher sales incentives offered to homebuyers. Gross margins on home sales including inventory valuation adjustments were $2.7 billion, or 18.4%, in the year ended November 30, 2006 due to $280.5 million of inventory valuation adjustments ($157.0 million, $27.1 million, $79.0 million and $17.4 million, respectively, in our Homebuilding East, Central and West segments and Homebuilding Other).

Homebuilding interest expense (primarily included in cost of homes sold and cost of land sold) was $241.1 million in 2006, compared to $187.2 million in 2005. The increase in interest expense was due to higher interest costs resulting from higher average debt during 2006, as well as increased deliveries during 2006, compared to 2005. Our homebuilding debt to total capital ratio as of November 30, 2006 was 31.4%, compared to 33.1% as of November 30, 2005.

Selling, general and administrative expenses as a percentage of revenues from home sales were 11.9% and 11.1%, respectively, for the years ended November 30, 2006 and 2005. The 80 basis point increase was primarily due to increases in broker commissions and advertising expenses, partially offset by lower incentive compensation expenses. Management fees of $37.4 million received during the year ended November 30, 2005 from unconsolidated entities in which we had investments, which were previously recorded as a reduction of selling, general and administrative expenses, have been reclassified to management fees and other income, net in order to conform to the 2006 presentation.

Loss on land sales totaled $30.0 million in the year ended November 30, 2006, net of $152.2 million of write-offs of deposits and pre-acquisition costs ($80.5 million, $2.9 million, $44.0 million and $24.8 million, respectively, in our Homebuilding East, Central and West segments and Homebuilding Other) related to 24,235 homesites under option that we do not intend to purchase and $69.1 million of inventory valuation adjustments ($24.7 million, $17.3 million and $27.1 million, respectively, in our Homebuilding East and Central segments and Homebuilding Other), compared to gross profit from land sales of $200.8 million in 2005. Equity in earnings (loss) from unconsolidated entities was ($12.5) million in the year ended November 30, 2006, which included $126.4 million of valuation adjustments ($25.5 million, $92.8 million and $8.1 million, respectively, in our Homebuilding East and West segments and Homebuilding Other) to our investments in unconsolidated entities, compared to equity in earnings from unconsolidated entities of $133.8 million last year. Management fees and other income, net, totaled $66.6 million in the year ended November 30, 2006, compared to $99.0 million in 2005. Minority interest expense, net was $13.4 million and $45.0 million, respectively, in the years ended November 30, 2006 and 2005. Sales of land, equity in earnings (loss) from unconsolidated entities, management fees and other income, net and minority interest expense, net may vary significantly from period to period depending on the timing of land sales and other transactions entered into by us and unconsolidated entities in which we have investments.

Operating earnings from continuing operations for the Financial Services segment were $149.8 million in the year ended November 30, 2006, compared to $104.8 million last year. The increase was primarily due to a $17.7 million pretax gain generated from monetizing the segment s personal lines insurance policies, as well as increased profitability from the segment s mortgage operations as a result of increased volume and profit per loan. The segment s mortgage capture rate (i.e., the percentage of our homebuyers, excluding cash settlements, who obtained mortgage financing from us in areas where we offered services) was 66% in both the years ended November 30, 2006 and 2005.

Corporate general and administrative expenses as a percentage of total revenues were 1.2% in the year ended November 30, 2006, compared to 1.4% in the same period last year.

At November 30, 2006, we owned 92,325 homesites and had access to an additional 189,279 homesites through either option contracts with third parties or agreements with unconsolidated entities in which we have investments. At November 30, 2006, 10% of the homesites we owned were subject to home purchase contracts. Our backlog of sales contracts was 11,608 homes ($4.0 billion) at November 30, 2006, compared to 18,565 homes ($6.9 billion) at November 30, 2005. As a result of pricing our homes to market through the use of higher sales incentives, building out our inventory and delivering our backlog in an effort to maintain an inventory neutral position, our backlog declined in 2006. The lower backlog was also attributable to the depressed market conditions during 2006, which resulted in lower new orders in 2006, compared to 2005. At November 30, 2006, our inventory balance was consistent with the balance at November 30, 2005.

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2005 versus 2004

Revenues from home sales increased 33% in 2005 to $12.7 billion from $9.6 billion in 2004. Revenues were higher primarily due to a 16% increase in the number of home deliveries and a 15% increase in the average sales price of homes delivered in 2005. New home deliveries, excluding unconsolidated entities, increased to 40,882 homes in the year ended November 30, 2005 from 35,189 homes in 2004. In 2005, new home deliveries were higher in each of our homebuilding segments and Homebuilding Other, compared to 2004. The average sales price of homes delivered increased to $311,000 in the year ended November 30, 2005 from $272,000 in 2004.

Gross margins on home sales were $3.3 billion, or 26.0%, in the year ended November 30, 2005, compared to $2.3 billion, or 23.9%, in 2004. Gross margin percentage on home sales increased 210 basis points primarily due to a product mix favoring our higher margin states, as well as a significant gross margin percentage improvement in Arizona, California and Florida.

Homebuilding interest expense (primarily included in cost of homes sold and cost of land sold) was $187.2 million in 2005, compared to $134.2 million in 2004. The increase in interest expense was due to higher interest costs resulting from higher debt, as well as increased deliveries during 2005, compared to 2004, due to the growth in our homebuilding operations. Our homebuilding debt to total capital ratio as of November 30, 2005 was 33.1%, compared to 33.3% as of November 30, 2004.

Selling, general and administrative expenses as a percentage of revenues from home sales were 11.1% in the year ended November 30, 2005, compared to 11.2% in the year ended November 30, 2004. Management fees of $37.4 million and $28.4 million received during the years ended November 30, 2005 and 2004, respectively, from unconsolidated entities in which we had investments, which were previously recorded as a reduction of selling, general and administrative expenses, have been reclassified to management fees and other income, net in order to conform to the 2006 presentation.

Gross profit on land sales totaled $200.8 million in the year ended November 30, 2005, compared to $159.4 million in 2004. Some of these land sales were from consolidated joint ventures, which resulted in minority interest expense. Minority interest expense, net from these land sales and other activities of the consolidated joint ventures was $45.0 million and $10.8 million, respectively, in the years ended November 30, 2005 and 2004. Management fees and other income, net, totaled $99.0 million in the year ended November 30, 2005, compared to $97.7 million in 2004. Equity in earnings from unconsolidated entities was $133.8 million in the year ended November 30, 2005, compared to $90.7 million in 2004. Sales of land, minority interest expense, net, management fees and other income, net and equity in earnings from unconsolidated entities may vary significantly from period to period depending on the timing of land sales and other transactions entered into by us and unconsolidated entities in which we have investments.

Operating earnings from continuing operations for the Financial Services segment were $104.8 million in the year ended November 30, 2005, compared to $110.7 million in 2004. The decrease was primarily due to reduced profitability from the segment s mortgage operations as a result of a more competitive mortgage environment in 2005, as well as a $6.5 million pretax gain generated from monetizing a majority of the segment s alarm monitoring contracts in 2004. This decrease was partially offset by improved profitability from the segment s title operations in 2005. The segment s mortgage capture rate (i.e., the percentage of our homebuyers, excluding cash settlements, who obtained mortgage financing from us in areas where we offered services) was 66% in the year ended November 30, 2005, compared to 71% in 2004. The decrease in the capture rate was a result of a more competitive mortgage environment. During 2005, we sold North American Exchange Company (NAEC), a subsidiary of the Financial Services title company, which generated a $15.8 million pretax gain.

Corporate general and administrative expenses as a percentage of total revenues were 1.4% and 1.3%, respectively, in the years ended November 30, 2005 and 2004.

At November 30, 2005, we owned 102,687 homesites and had access to an additional 222,119 homesites through either option contracts with third parties or agreements with unconsolidated entities in which we have investments. At November 30, 2005, 14% of the homesites we owned were subject to home purchase contracts. Our backlog of sales contracts was 18,565 homes ($6.9 billion) at November 30, 2005, compared to 15,546 homes ($5.1 billion) at November 30, 2004. The higher backlog was primarily attributable to our growth and strong demand for our homes, which resulted in higher new orders in 2005, compared to 2004. As a result of acquisitions combined with our organic growth, inventories increased 53% during 2005, while revenues from sales of homes increased 33% for the year ended November 30, 2005, compared to 2004.

Homebuilding Segments

Our Homebuilding operations construct and sell homes primarily for first-time, move-up and active adult homebuyers primarily under our Everything s Included® program. Our land operations include the purchase, development and sale of land for our homebuilding activities, as well as the sale of land to third parties. In certain circumstances, we diversify our operations through strategic alliances and minimize our risks by investing with third parties in joint ventures.

We have grouped our homebuilding activities into three reportable segments, which we refer to as Homebuilding East, Homebuilding Central and Homebuilding West. Information about homebuilding activities in states that do not have economic characteristics that are similar to those in other states in the same geographic area is grouped under Homebuilding Other. References in this Management s Discussion and Analysis of Financial Condition and Results of Operations to homebuilding segments are to those reportable segments.

At November 30, 2006, our reportable homebuilding segments and Homebuilding Other consisted of homebuilding divisions located in the following states: **East:** Florida, Maryland, New Jersey and Virginia. **Central:** Arizona, Colorado and Texas. **West:** California and Nevada. **Other:** Illinois, Minnesota, New York, North Carolina and South Carolina.

The following tables set forth selected financial and operational information related to our homebuilding operations for the years indicated:

Selected Financial and Operational Data