

LENNAR CORP /NEW/  
Form 10-Q  
July 10, 2012

---

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 May 31, 2012

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 June 30, 2012:

Class A 158,014,450

Class B 31,303,195

---

## Part I. Financial Information

## Item 1. Financial Statements

## Lennar Corporation and Subsidiaries

## Condensed Consolidated Balance Sheets

(In thousands, except shares and per share amounts)

(unaudited)

|                                             | May 31,<br>2012 (1) | November 30,<br>2011 (1) |
|---------------------------------------------|---------------------|--------------------------|
| <b>ASSETS</b>                               |                     |                          |
| Lennar Homebuilding:                        |                     |                          |
| Cash and cash equivalents                   | \$667,111           | 1,024,212                |
| Restricted cash                             | 8,630               | 8,590                    |
| Receivables, net                            | 44,843              | 53,977                   |
| Inventories:                                |                     |                          |
| Finished homes and construction in progress | 1,560,307           | 1,334,703                |
| Land and land under development             | 2,872,782           | 2,636,510                |
| Consolidated inventory not owned            | 366,209             | 389,322                  |
| Total inventories                           | 4,799,298           | 4,360,535                |
| Investments in unconsolidated entities      | 566,576             | 545,760                  |
| Other assets                                | 886,508             | 524,694                  |
|                                             | 6,972,966           | 6,517,768                |
| Rialto Investments:                         |                     |                          |
| Cash and cash equivalents                   | 92,959              | 83,938                   |
| Defeasance cash to retire notes payable     | 138,665             | 219,386                  |
| Loans receivable, net                       | 578,375             | 713,354                  |
| Real estate owned, held-for-sale            | 113,115             | 143,677                  |
| Real estate owned, held-and-used, net       | 634,401             | 582,111                  |
| Investments in unconsolidated entities      | 150,733             | 124,712                  |
| Other assets                                | 40,579              | 29,970                   |
|                                             | 1,748,827           | 1,897,148                |
| Lennar Financial Services                   | 629,416             | 739,755                  |
| Total assets                                | \$9,351,209         | 9,154,671                |

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 (1) consolidated variable interest entities (“VIEs”) and liabilities of consolidated VIEs as to which neither Lennar Corporation, or any of its subsidiaries, has any obligations.

As of May 31, 2012, total assets include \$2,136.9 million related to consolidated VIEs of which \$17.1 million is included in Lennar Homebuilding cash and cash equivalents, \$1.3 million in Lennar Homebuilding restricted cash, \$6.9 million in Lennar Homebuilding receivables, net, \$17.0 million in Lennar Homebuilding finished homes and construction in progress, \$511.2 million in Lennar Homebuilding land and land under development, \$65.5 million in Lennar Homebuilding consolidated inventory not owned, \$43.8 million in Lennar Homebuilding investments in unconsolidated entities, \$218.9 million in Lennar Homebuilding other assets, \$92.3 million in Rialto Investments cash and cash equivalents, \$138.7 million in Rialto Investments defeasance cash to retire notes payable, \$464.1 million in Rialto Investments loans receivable, net, \$91.0 million in Rialto Investments real estate owned, held-for-sale, \$460.4 million in Rialto Investments real estate owned, held-and-used, net, \$0.6 million in Rialto Investments in unconsolidated entities and \$8.1 million in Rialto Investments other assets.

As of November 30, 2011, total assets include \$2,317.4 million related to consolidated VIEs of which \$19.6 million is included in Lennar Homebuilding cash and cash equivalents, \$5.3 million in Lennar Homebuilding receivables, net,

\$0.1 million in Lennar Homebuilding finished homes and construction in progress, \$538.2 million in Lennar Homebuilding land and land under development, \$71.6 million in Lennar Homebuilding consolidated inventory not owned, \$43.4 million in Lennar Homebuilding investments in unconsolidated entities, \$219.6 million in Lennar Homebuilding other assets, \$80.0 million in Rialto Investments cash and cash equivalents, \$219.4 million in Rialto Investments defeasance cash to retire notes payable, \$565.6 million in Rialto Investments loans receivable, net, \$115.4 million in Rialto Investments real estate owned, held-for-sale, \$428.0 million in Rialto Investments real estate owned, held-and-used, net, \$0.6 million in Rialto Investments in unconsolidated entities and \$10.6 million in Rialto Investments other assets.

See accompanying notes to condensed consolidated financial statements.

2

---

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

|                                                                                                                                                                                                        | May 31,<br>2012 (2) | November 30,<br>2011 (2) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------|
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                                          |                     |                          |
| <b>Lennar Homebuilding:</b>                                                                                                                                                                            |                     |                          |
| Accounts payable                                                                                                                                                                                       | \$ 154,664          | 201,101                  |
| Liabilities related to consolidated inventory not owned                                                                                                                                                | 302,853             | 326,200                  |
| Senior notes and other debts payable                                                                                                                                                                   | 3,469,616           | 3,362,759                |
| Other liabilities                                                                                                                                                                                      | 601,132             | 602,231                  |
|                                                                                                                                                                                                        | 4,528,265           | 4,492,291                |
| <b>Rialto Investments:</b>                                                                                                                                                                             |                     |                          |
| Notes payable and other liabilities                                                                                                                                                                    | 612,598             | 796,120                  |
| Lennar Financial Services                                                                                                                                                                              | 430,438             | 562,735                  |
| Total liabilities                                                                                                                                                                                      | 5,571,301           | 5,851,146                |
| <b>Stockholders' equity:</b>                                                                                                                                                                           |                     |                          |
| Preferred stock                                                                                                                                                                                        | —                   | —                        |
| Class A common stock of \$0.10 par value; Authorized: May 31, 2012 and November 30, 2011 - 300,000,000 shares; Issued: May 31, 2012 - 169,675,010 and November 30, 2011 - 169,099,760 shares           | 16,968              | 16,910                   |
| Class B common stock of \$0.10 par value; Authorized: May 31, 2012 and November 30, 2011 - 90,000,000 shares; Issued: May 31, 2012 - 32,982,815 and November 30, 2011 - 32,982,815 shares              | 3,298               | 3,298                    |
| Additional paid-in capital                                                                                                                                                                             | 2,363,870           | 2,341,079                |
| Retained earnings                                                                                                                                                                                      | 1,408,940           | 956,401                  |
| Treasury stock, at cost; May 31, 2012 - 11,702,017 Class A common shares and 1,679,620 Class B common shares; November 30, 2011 - 12,000,017 Class A common shares and 1,679,620 Class B common shares | (615,698)           | (621,220)                |
| Total stockholders' equity                                                                                                                                                                             | 3,177,378           | 2,696,468                |
| Noncontrolling interests                                                                                                                                                                               | 602,530             | 607,057                  |
| Total equity                                                                                                                                                                                           | 3,779,908           | 3,303,525                |
| Total liabilities and equity                                                                                                                                                                           | \$9,351,209         | 9,154,671                |

As of May 31, 2012, total liabilities include \$742.8 million related to consolidated VIEs as to which neither Lennar Corporation, nor any of its subsidiaries, has any obligations, of which \$7.6 million is included in Lennar Homebuilding accounts payable, \$36.7 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$171.9 million in Lennar Homebuilding senior notes and other debts payable, \$35.3 million in Lennar Homebuilding other liabilities and \$491.3 million in Rialto Investments notes payable and other liabilities.

As of November 30, 2011, total liabilities include \$902.3 million related to consolidated VIEs as to which neither Lennar Corporation, nor any of its subsidiaries, has any obligations of which \$12.7 million is included in Lennar Homebuilding accounts payable, \$43.6 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$175.3 million in Lennar Homebuilding senior notes and other debts payable, \$16.7 million in Lennar Homebuilding other liabilities and \$654.0 million in Rialto Investments notes payable and other liabilities.

See accompanying notes to condensed consolidated financial statements.

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

|                                                                                       | Three Months Ended<br>May 31, |           | Six Months Ended<br>May 31, |           |
|---------------------------------------------------------------------------------------|-------------------------------|-----------|-----------------------------|-----------|
|                                                                                       | 2012                          | 2011      | 2012                        | 2011      |
| Revenues:                                                                             |                               |           |                             |           |
| Lennar Homebuilding                                                                   | \$808,088                     | 662,476   | 1,432,521                   | 1,129,185 |
| Lennar Financial Services                                                             | 88,595                        | 59,422    | 156,810                     | 117,135   |
| Rialto Investments                                                                    | 33,472                        | 42,595    | 65,680                      | 76,218    |
| Total revenues                                                                        | 930,155                       | 764,493   | 1,655,011                   | 1,322,538 |
| Cost and expenses:                                                                    |                               |           |                             |           |
| Lennar Homebuilding                                                                   | 731,842                       | 630,711   | 1,316,587                   | 1,078,474 |
| Lennar Financial Services                                                             | 70,615                        | 56,927    | 130,580                     | 113,457   |
| Rialto Investments                                                                    | 30,198                        | 32,273    | 63,568                      | 60,622    |
| Corporate general and administrative                                                  | 29,168                        | 20,598    | 56,010                      | 43,950    |
| Total costs and expenses                                                              | 861,823                       | 740,509   | 1,566,745                   | 1,296,503 |
| Lennar Homebuilding equity in earnings (loss) from unconsolidated entities            | (9,381                        | ) 2,417   | (8,298                      | ) 11,078  |
| Lennar Homebuilding other income, net (1)                                             | 12,758                        | 9,511     | 16,825                      | 39,471    |
| Other interest expense                                                                | (23,803                       | ) (22,468 | ) (48,652                   | ) (44,547 |
| Rialto Investments equity in earnings (loss) from unconsolidated entities             | 5,569                         | (2,973    | ) 24,027                    | 1,552     |
| Rialto Investments other income (expense), net                                        | (1,372                        | ) 15,329  | (13,612                     | ) 28,532  |
| Earnings before income taxes                                                          | 52,103                        | 25,800    | 58,556                      | 62,121    |
| Benefit (provision) for income taxes                                                  | 402,321                       | (953      | ) 403,845                   | 1,452     |
| Net earnings (including net earnings (loss) attributable to noncontrolling interests) | \$454,424                     | 24,847    | 462,401                     | 63,573    |
| Less: Net earnings (loss) attributable to noncontrolling interests (2)                | 1,721                         | 11,062    | (5,270                      | ) 22,382  |
| Net earnings attributable to Lennar                                                   | \$452,703                     | 13,785    | 467,671                     | 41,191    |
| Basic earnings per share                                                              | \$2.39                        | 0.07      | 2.47                        | 0.22      |
| Diluted earnings per share                                                            | \$2.06                        | 0.07      | 2.16                        | 0.22      |
| Cash dividends per each Class A and Class B common share                              | \$0.04                        | 0.04      | 0.08                        | 0.08      |

- (1) Lennar Homebuilding other income, net includes \$8.4 million of valuation adjustments to the Company's investments in Lennar Homebuilding's unconsolidated entities for the six months ended May 31, 2011. Net earnings (loss) attributable to noncontrolling interests for the three and six months ended May 31, 2012 includes \$3.2 million and (\$1.2) million, respectively, of earnings (loss) related to the FDIC's interest in the portfolio of real estate loans that the Company acquired in partnership with the FDIC. Net earnings (loss) attributable to noncontrolling interests for the three and six months ended May 31, 2011 includes \$12.9 million and \$24.8 million, respectively, of earnings 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  
(In thousands)  
(unaudited)

|                                                                                                                                                                        | Six Months Ended<br>May 31, |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------|
|                                                                                                                                                                        | 2012                        | 2011      |
| Cash flows from operating activities:                                                                                                                                  |                             |           |
| Net earnings (including net earnings (loss) attributable to noncontrolling interests)                                                                                  | \$462,401                   | 63,573    |
| Adjustments to reconcile net earnings (including net earnings (loss) attributable to noncontrolling interests) to net cash provided by (used in) operating activities: |                             |           |
| Depreciation and amortization                                                                                                                                          | 12,491                      | 7,651     |
| Amortization of discount/premium on debt, net                                                                                                                          | 10,750                      | 8,400     |
| Lennar Homebuilding equity in (earnings) loss from unconsolidated entities                                                                                             | 8,298                       | (11,078 ) |
| Distributions of earnings from Lennar Homebuilding unconsolidated entities                                                                                             | 954                         | 11,361    |
| Rialto Investments equity in earnings from unconsolidated entities                                                                                                     | (24,027 )                   | (1,552 )  |
| Distributions of earnings from Rialto Investments unconsolidated entities                                                                                              | 4,110                       | 2,386     |
| Share based compensation expense                                                                                                                                       | 15,932                      | 11,506    |
| Excess tax benefits from share-based awards                                                                                                                            | —                           | (261 )    |
| Deferred income tax benefit                                                                                                                                            | (403,012 )                  | —         |
| Gains on retirement of Lennar Homebuilding other debts payable                                                                                                         | (988 )                      | —         |
| Unrealized and realized gains on Rialto Investments real estate owned                                                                                                  | (12,101 )                   | (35,336 ) |
| Gains on sale of Rialto Investments commercial mortgage-backed securities                                                                                              | —                           | (4,743 )  |
| Impairments of Rialto Investments loans receivable and REO                                                                                                             | 7,166                       | 6,942     |
| Valuation adjustments and write-offs of option deposits and pre-acquisition costs, other receivables and other assets                                                  | 6,566                       | 22,092    |
| Changes in assets and liabilities:                                                                                                                                     |                             |           |
| Decrease in restricted cash                                                                                                                                            | 985                         | 2,658     |
| Decrease in receivables                                                                                                                                                | 74,900                      | 19,783    |
| Increase in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs                                                   | (329,933 )                  | (50,724 ) |
| Increase in other assets                                                                                                                                               | (16,445 )                   | (40,923 ) |
| Decrease in Lennar Financial Services loans-held-for-sale                                                                                                              | 34,549                      | 74,255    |
| Decrease in accounts payable and other liabilities                                                                                                                     | (66,403 )                   | (81,381 ) |
| Net cash provided by (used in) operating activities                                                                                                                    | (213,807 )                  | 4,609     |
| Cash flows from investing activities:                                                                                                                                  |                             |           |
| Net disposals (additions) of operating properties and equipment                                                                                                        | 390                         | (1,307 )  |
| Investments in and contributions to Lennar Homebuilding unconsolidated entities                                                                                        | (44,843 )                   | (75,901 ) |
| Distributions of capital from Lennar Homebuilding unconsolidated entities                                                                                              | 21,180                      | 13,841    |
| Investments in and contributions to Rialto Investments unconsolidated entities                                                                                         | (19,884 )                   | (29,708 ) |
| Distributions of capital from Rialto Investments unconsolidated entities                                                                                               | 14,009                      | —         |
| Decrease (increase) in Rialto Investments defeasance cash to retire notes payable                                                                                      | 80,721                      | (58,300 ) |
| Receipts of principal payments on Rialto Investments loans receivable                                                                                                  | 41,788                      | 38,079    |
| Proceeds from sales of Rialto Investments real estate owned                                                                                                            | 91,473                      | 20,851    |
| Improvements to Rialto Investments real estate owned                                                                                                                   | (6,779 )                    | (8,234 )  |
| Purchases of Lennar Homebuilding investments available-for-sale                                                                                                        | (7,224 )                    | —         |
| Proceeds from sales of Lennar Homebuilding investments available-for-sale                                                                                              | 6,436                       | —         |
| Decrease (increase) in Lennar Financial Services loans held-for-investment, net                                                                                        | 1,660                       | (1,015 )  |
| Purchases of Lennar Financial Services investment securities                                                                                                           | (1,804 )                    | (5,280 )  |

Edgar Filing: LENNAR CORP /NEW/ - Form 10-Q

|                                                                             |            |           |
|-----------------------------------------------------------------------------|------------|-----------|
| Proceeds from sale of investments in commercial mortgage-backed securities  | —          | 11,127    |
| Proceeds from maturities of Lennar Financial Services investment securities | 1,073      | 283       |
| Net cash provided by (used in) investing activities                         | \$ 178,196 | (95,564 ) |

See accompanying notes to condensed consolidated financial statements.

5

---

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

|                                                                                             | Six Months Ended<br>May 31, |            |
|---------------------------------------------------------------------------------------------|-----------------------------|------------|
|                                                                                             | 2012                        | 2011       |
| Cash flows from financing activities:                                                       |                             |            |
| Net repayments under Lennar Financial Services debt                                         | \$(146,661 )                | (82,175 )  |
| Proceeds from convertible senior notes                                                      | 50,000                      | —          |
| Debt issuance costs of convertible senior notes                                             | (1,035 )                    | —          |
| Principal repayments on Rialto Investments notes payable                                    | (170,589 )                  | —          |
| Proceeds from other borrowings                                                              | 30,546                      | 1,209      |
| Principal payments on other borrowings                                                      | (42,067 )                   | (62,712 )  |
| Exercise of land option contracts from an unconsolidated land investment venture            | (16,490 )                   | (17,264 )  |
| Receipts related to noncontrolling interests                                                | 888                         | 5,222      |
| Payments related to noncontrolling interests                                                | (145 )                      | (6,164 )   |
| Excess tax benefits from share-based awards                                                 | —                           | 261        |
| Common stock:                                                                               |                             |            |
| Issuances                                                                                   | 12,074                      | 4,853      |
| Repurchases                                                                                 | —                           | (10 )      |
| Dividends                                                                                   | (15,132 )                   | (14,946 )  |
| Net cash used in financing activities                                                       | (298,611 )                  | (171,726 ) |
| Net decrease in cash and cash equivalents                                                   | (334,222 )                  | (262,681 ) |
| Cash and cash equivalents at beginning of period                                            | 1,163,604                   | 1,394,135  |
| Cash and cash equivalents at end of period                                                  | \$829,382                   | 1,131,454  |
| Summary of cash and cash equivalents:                                                       |                             |            |
| Lennar Homebuilding                                                                         | \$667,111                   | 945,155    |
| Lennar Financial Services                                                                   | 69,312                      | 116,650    |
| Rialto Investments                                                                          | 92,959                      | 69,649     |
|                                                                                             | \$829,382                   | 1,131,454  |
| Supplemental disclosures of non-cash investing and financing activities:                    |                             |            |
| Lennar Homebuilding:                                                                        |                             |            |
| Non-cash contributions to unconsolidated entities                                           | \$7,612                     | 14,949     |
| Non-cash distributions from unconsolidated entities                                         | \$—                         | 12,043     |
| 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                               | \$61,872                    | 15,932     |
| Lennar Financial Services:                                                                  |                             |            |
| Purchases of investment securities                                                          | \$—                         | 46,660     |
| Rialto Investments:                                                                         |                             |            |
| Real estate owned acquired in satisfaction/partial satisfaction of loans receivable         | \$107,370                   | 253,904    |
| Consolidations of newly formed or previously unconsolidated entities, net:                  |                             |            |
| Inventories                                                                                 | \$—                         | 49,522     |
| Investments in Lennar Homebuilding unconsolidated entities                                  | \$—                         | (28,574 )  |
| Other assets                                                                                | \$—                         | 3,707      |
| Debts payable                                                                               | \$—                         | (14,703 )  |
| Other liabilities                                                                           | \$—                         | (9,423 )   |
| Noncontrolling interests                                                                    | \$—                         | (529 )     |



See accompanying notes to condensed consolidated financial statements.

6

---

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, 2011. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the accompanying condensed consolidated financial statements have been made.

The Company has historically experienced, and expects to continue to experience, variability in quarterly results. The condensed consolidated statements of operations for the three and six months ended May 31, 2012 are not necessarily indicative of the results to be expected for the full year.

Reclassification

Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform with the 2012 presentation.

Use of Estimates

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

(2) Operating and Reporting Segments

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

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

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, 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<sup>(1)</sup>, Georgia, Maryland, New Jersey, North Carolina, South Carolina and Virginia

Central: Arizona, Colorado and Texas<sup>(2)</sup>

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, fees for sub-advisory services, other income (expense), net, consisting primarily of gains upon foreclosure of real estate owned ("REO") and gains on sale of REO, and equity in earnings (loss) from unconsolidated entities, less the costs incurred by the segment for managing portfolios, REO expenses, due diligence expenses related to both completed and abandoned transactions, 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 2011 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)                 | May 31,<br>2012 | November 30,<br>2011 |
|--------------------------------|-----------------|----------------------|
| Assets:                        |                 |                      |
| Homebuilding East              | \$1,473,193     | 1,312,750            |
| Homebuilding Central           | 706,506         | 681,859              |
| Homebuilding West              | 2,212,194       | 2,169,503            |
| Homebuilding Southeast Florida | 637,253         | 604,415              |
| Homebuilding Houston           | 276,274         | 230,076              |
| Homebuilding Other             | 660,065         | 595,615              |
| Rialto Investments (1)         | 1,748,827       | 1,897,148            |
| Lennar Financial Services      | 629,416         | 739,755              |
| Corporate and unallocated      | 1,007,481       | 923,550              |
| Total assets                   | \$9,351,209     | 9,154,671            |

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



| (In thousands)                                | Three Months Ended |         | Six Months Ended |           |
|-----------------------------------------------|--------------------|---------|------------------|-----------|
|                                               | May 31,<br>2012    | 2011    | May 31,<br>2012  | 2011      |
| Revenues:                                     |                    |         |                  |           |
| Homebuilding East                             | \$310,149          | 265,374 | 554,982          | 447,745   |
| Homebuilding Central                          | 114,564            | 92,155  | 200,277          | 159,161   |
| Homebuilding West                             | 157,710            | 120,897 | 280,795          | 217,279   |
| Homebuilding Southeast Florida                | 70,878             | 51,930  | 120,667          | 87,021    |
| Homebuilding Houston                          | 102,455            | 81,886  | 187,289          | 134,839   |
| Homebuilding Other                            | 52,332             | 50,234  | 88,511           | 83,140    |
| Lennar Financial Services                     | 88,595             | 59,422  | 156,810          | 117,135   |
| Rialto Investments                            | 33,472             | 42,595  | 65,680           | 76,218    |
| Total revenues (1)                            | \$930,155          | 764,493 | 1,655,011        | 1,322,538 |
| Operating earnings (loss):                    |                    |         |                  |           |
| Homebuilding East                             | \$26,291           | 25,134  | 40,238           | 30,795    |
| Homebuilding Central (2)                      | 4,318              | (3,350) | 5,382            | (18,474)  |
| Homebuilding West (3)                         | (9,405)            | (8,855) | (16,978)         | 40,490    |
| Homebuilding Southeast Florida (4)            | 24,176             | 5,797   | 30,810           | 9,971     |
| Homebuilding Houston                          | 10,262             | 2,966   | 14,778           | 2,925     |
| Homebuilding Other                            | 178                | (467)   | 1,579            | (8,994)   |
| Lennar Financial Services                     | 17,980             | 2,495   | 26,230           | 3,678     |
| Rialto Investments                            | 7,471              | 22,678  | 12,527           | 45,680    |
| Total operating earnings                      | 81,271             | 46,398  | 114,566          | 106,071   |
| Corporate general and administrative expenses | 29,168             | 20,598  | 56,010           | 43,950    |
| Earnings before income taxes                  | \$52,103           | 25,800  | 58,556           | 62,121    |

Total revenues are net of sales incentives of \$95.3 million (\$29,800 per home delivered) and \$179.7 million (\$31,700 per home delivered), respectively, for the three and six months ended May 31, 2012, compared to \$89.9 million (\$33,900 per home delivered) and \$152.8 million (\$33,500 per home delivered), respectively, for the three and six months ended May 31, 2011.

(2) For the three and six months ended May 31, 2011, operating loss includes \$1.0 million and \$7.6 million, respectively, of expenses associated with remedying pre-existing liabilities of a previously acquired company.

(3) For the six months ended May 31, 2011, operating earnings include \$37.5 million related to the receipt of a litigation settlement, as well as \$15.4 million related to the Company's share of a gain on debt extinguishment and the recognition of \$10.0 million of deferred management fees related to management services previously performed by the Company for one of its Lennar Homebuilding unconsolidated entities.

(4) For both the three and six months ended May 31, 2012, operating earnings include a \$15.0 million gain on the sale of an operating property.

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

|                                                                                                                             | Three Months Ended<br>May 31, |       | Six Months Ended<br>May 31, |        |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------|-----------------------------|--------|
| (In thousands)                                                                                                              | 2012                          | 2011  | 2012                        | 2011   |
| Valuation adjustments to finished homes, CIP and land on which the Company intends to build homes:                          |                               |       |                             |        |
| East                                                                                                                        | \$568                         | 324   | 785                         | 1,176  |
| Central                                                                                                                     | 55                            | 201   | 208                         | 4,077  |
| West                                                                                                                        | 1,441                         | 1,568 | 1,971                       | 1,582  |
| Southeast Florida                                                                                                           | 308                           | 763   | 636                         | 763    |
| Houston                                                                                                                     | 28                            | 168   | 89                          | 217    |
| Other                                                                                                                       | 4                             | 304   | 740                         | 325    |
| Total                                                                                                                       | 2,404                         | 3,328 | 4,429                       | 8,140  |
| Valuation adjustments to land the Company intends to sell or has sold to third parties:                                     |                               |       |                             |        |
| East                                                                                                                        | 15                            | 72    | 15                          | 92     |
| Central                                                                                                                     | —                             | 156   | —                           | 179    |
| West                                                                                                                        | 1                             | —     | 1                           | —      |
| Southeast Florida                                                                                                           | 332                           | —     | 332                         | —      |
| Houston                                                                                                                     | —                             | —     | —                           | 10     |
| Total                                                                                                                       | 348                           | 228   | 348                         | 281    |
| Write-offs of option deposits and pre-acquisition costs:                                                                    |                               |       |                             |        |
| East                                                                                                                        | 322                           | 346   | 329                         | 346    |
| Central                                                                                                                     | 5                             | 26    | 54                          | 26     |
| West                                                                                                                        | —                             | —     | 232                         | —      |
| Houston                                                                                                                     | —                             | —     | —                           | 81     |
| Other                                                                                                                       | 154                           | —     | 156                         | —      |
| Total                                                                                                                       | 481                           | 372   | 771                         | 453    |
| Company's share of valuation adjustments related to assets of unconsolidated entities:                                      |                               |       |                             |        |
| Central                                                                                                                     | —                             | —     | —                           | 371    |
| West                                                                                                                        | 5,437                         | —     | 5,437                       | 1,660  |
| Other                                                                                                                       | —                             | —     | —                           | 2,495  |
| Total                                                                                                                       | 5,437                         | —     | 5,437                       | 4,526  |
| Valuation adjustments to investments of unconsolidated entities:                                                            |                               |       |                             |        |
| East (1)                                                                                                                    | 7                             | 150   | 18                          | 8,412  |
| Total                                                                                                                       | 7                             | 150   | 18                          | 8,412  |
| Write-offs of other receivables and other assets:                                                                           |                               |       |                             |        |
| East                                                                                                                        | 1,000                         | —     | 1,000                       | —      |
| Other                                                                                                                       | —                             | —     | —                           | 4,806  |
| Total                                                                                                                       | 1,000                         | —     | 1,000                       | 4,806  |
| Total valuation adjustments and write-offs of option deposits and pre-acquisition costs, other receivables and other assets | \$9,677                       | 4,078 | 12,003                      | 26,618 |

For both the three and six months ended May 31, 2011, the Company recorded a \$0.1 million valuation adjustment related to a \$29.8 million investment of a Lennar Homebuilding unconsolidated entity, which was the result of a linked transaction. The linked transaction resulted in a pre-tax gain of \$38.6 million related to a debt extinguishment due to the Company's purchase of the Lennar Homebuilding entity debt's at a discount and a \$38.7 million valuation adjustment of the Lennar Homebuilding unconsolidated entity's inventory upon acquisition. The net pre-tax loss of \$0.1 million was included in Lennar Homebuilding other income (expense), net.





During the six months ended May 31, 2012, the Company recorded lower valuation adjustments than during the six months ended May 31, 2011. 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<br>May 31, |        | Six Months Ended<br>May 31, |         |
|--------------------------------------------------------------------------------|-------------------------------|--------|-----------------------------|---------|
|                                                                                | 2012                          | 2011   | 2012                        | 2011    |
| Revenues                                                                       | \$70,869                      | 83,251 | 153,513                     | 150,314 |
| Costs and expenses                                                             | 94,288                        | 63,894 | 177,710                     | 152,474 |
| Other income                                                                   | —                             | —      | —                           | 123,007 |
| Net earnings (loss) of unconsolidated entities                                 | \$(23,419 )                   | 19,357 | (24,197 )                   | 120,847 |
| Lennar Homebuilding equity in earnings (loss) from unconsolidated entities (1) | \$(9,381 )                    | 2,417  | (8,298 )                    | 11,078  |

For both the three and six months ended May 31, 2012, Lennar Homebuilding equity in earnings (loss) includes \$5.4 million of valuation adjustments related to strategic asset sales at Lennar Homebuilding's unconsolidated entities. For the six months ended May 31, 2011, Lennar Homebuilding equity in earnings (loss) included a \$15.4 million gain related to the Company's share of a \$123.0 million gain on debt extinguishment at a Lennar Homebuilding unconsolidated entity, partially offset by \$4.5 million of valuation adjustments related to assets of Lennar Homebuilding's unconsolidated entities.

#### Balance Sheets

| (In thousands)                        | May 31,<br>2012 | November 30,<br>2011 |
|---------------------------------------|-----------------|----------------------|
| Assets:                               |                 |                      |
| Cash and cash equivalents             | \$113,225       | 90,584               |
| Inventories                           | 2,905,970       | 2,895,241            |
| Other assets                          | 237,225         | 277,152              |
|                                       | \$3,256,420     | 3,262,977            |
| Liabilities and equity:               |                 |                      |
| Account payable and other liabilities | \$276,793       | 246,384              |
| Debt                                  | 868,719         | 960,627              |
| Equity                                | 2,110,908       | 2,055,966            |
|                                       | \$3,256,420     | 3,262,977            |

As of May 31, 2012, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were \$566.6 million while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets was \$672.8 million, primarily as a result of the Company buying at a discount a partner's equity in a Lennar Homebuilding unconsolidated entity. As of November 30, 2011, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were \$545.8 million while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets was \$628.1 million, primarily as a result of the Company buying at a discount a partner's equity in a Lennar Homebuilding unconsolidated entity.

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 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 May 31, 2012 and November 30, 2011, the

portfolio of land (including land development costs) of \$350.0 million and \$372.0 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)                                                               | May 31,<br>2012 | November 30,<br>2011 |
|------------------------------------------------------------------------------|-----------------|----------------------|
| Several recourse debt - repayment                                            | \$44,889        | 62,408               |
| Joint and several recourse debt - repayment                                  | 26,650          | 46,292               |
| The Company's maximum recourse exposure                                      | 71,539          | 108,700              |
| Less: joint and several reimbursement agreements with the Company's partners | (22,820)        | (33,795)             |
| The Company's net recourse exposure                                          | \$48,719        | 74,905               |

During the six months ended May 31, 2012, the Company's maximum recourse exposure related to indebtedness of Lennar Homebuilding unconsolidated entities decreased by \$37.2 million, as a result of \$3.4 million paid by the Company primarily through capital contributions to unconsolidated entities and \$33.8 million primarily related to the joint ventures selling assets and other transactions.

As of May 31, 2012 and November 30, 2011, the Company had no obligation guarantees accrued. The obligation guarantees, if any, are estimated based on current facts and circumstances and any unexpected changes may lead the Company to incur obligation guarantees in the future.

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 amount of assets and equity. The summarized balance sheets of Lennar Homebuilding's unconsolidated entities with recourse debt were as follows:

| (In thousands) | May 31,<br>2012 | November 30,<br>2011 |
|----------------|-----------------|----------------------|
| Assets         | \$1,824,741     | 1,865,144            |
| Liabilities    | \$777,650       | 815,815              |
| Equity         | \$1,047,091     | 1,049,329            |

In addition, in most instances in which the Company has guaranteed debt of a Lennar Homebuilding unconsolidated entity, the Company's partners have also guaranteed that debt and are required to contribute their share of the guarantee payments. Some of the Company's guarantees are repayment guarantees and some are maintenance guarantees. In a repayment guarantee, the Company and its venture partners guarantee repayment of a portion or all of the debt in the event of default before the lender would have to exercise its rights against the collateral. In the event of default, if the Company's venture partner does not have adequate financial resources to meet its obligations under the reimbursement agreement, the Company may be liable for more than its proportionate share, up to its maximum recourse exposure, which is the full amount covered by the joint and several guarantee. The maintenance guarantees only apply if the value of the collateral (generally land and improvements) is less than a specified percentage of the loan balance. If the Company is required to make a payment under a maintenance guarantee to bring the value of the collateral above the specified percentage of the loan balance, the payment would constitute a capital contribution or loan to the Lennar Homebuilding unconsolidated entity and increase the Company's investment in the unconsolidated entity and its share of any funds the unconsolidated entity distributes. As of May 31, 2012, the Company does not have maintenance guarantees related to its Lennar Homebuilding unconsolidated entities.

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

During the three months ended May 31, 2012, there were other loan paydowns of \$0.5 million. During the three months ended May 31, 2011, there were: (1) no payments under the Company's maintenance guarantees and (2) other loan paydowns of \$12.4 million, a portion of which related to amounts paid under the Company's repayment guarantees. During both the three months ended May 31, 2012 and 2011, there were no payments under completion guarantees.

During the six months ended May 31, 2012, there were other loan paydowns of \$3.9 million. During the six months ended May 31, 2011, there were: (1) payments of \$1.7 million under the Company's maintenance guarantees and (2) other loan paydowns of \$13.0 million, a portion of which related to amounts paid under the Company's repayment guarantees. During both the six months ended May 31, 2012 and 2011, there were no payments under completion guarantees.

As of May 31, 2012, the fair values of the repayment guarantees and completion guarantees were not material. The Company believes that as of May 31, 2012, in the event it becomes legally obligated to perform under a guarantee of the obligation of a Lennar Homebuilding unconsolidated entity due to a triggering event under a guarantee, most of the time the collateral should be sufficient to repay at least a significant portion of the obligation or the Company and its partners would contribute additional capital into the venture. In certain instances, the Company has placed performance letters of credit and surety bonds with municipalities for its joint ventures (see Note 11).

The total debt of the Lennar Homebuilding unconsolidated entities in which the Company has investments was as follows:

| (In thousands)                                                              | May 31,<br>2012 | November 30,<br>2011 |   |
|-----------------------------------------------------------------------------|-----------------|----------------------|---|
| The Company's net recourse exposure                                         | \$48,719        | 74,905               |   |
| Reimbursement agreements from partners                                      | 22,820          | 33,795               |   |
| The Company's maximum recourse exposure                                     | \$71,539        | 108,700              |   |
| Non-recourse bank debt and other debt (partner's share of several recourse) | \$105,156       | 149,937              |   |
| Non-recourse land seller debt or other debt                                 | 26,343          | 26,391               |   |
| Non-recourse debt with completion guarantees                                | 490,250         | 441,770              |   |
| Non-recourse debt without completion guarantees                             | 175,431         | 233,829              |   |
| Non-recourse debt to the Company                                            | 797,180         | 851,927              |   |
| Total debt                                                                  | \$868,719       | 960,627              |   |
| The Company's maximum recourse exposure as a % of total JV debt             | 8               | % 11                 | % |

## (4) Equity and Comprehensive Earnings (Loss)

The following table reflects the changes in equity attributable to both Lennar Corporation and the noncontrolling interests of its consolidated subsidiaries in which it has less than a 100% ownership interest for both the six months ended May 31, 2012 and 2011:

| (In thousands)                                                                 | Total Equity | Stockholders' Equity |                      | Additional Paid Capital | Treasury Stock | Retained Earnings | Noncontrolling Interests |
|--------------------------------------------------------------------------------|--------------|----------------------|----------------------|-------------------------|----------------|-------------------|--------------------------|
|                                                                                |              | Class A Common Stock | Class B Common Stock |                         |                |                   |                          |
| Balance at November 30, 2011                                                   | \$3,303,525  | 16,910               | 3,298                | 2,341,079               | (621,220 )     | 956,401           | 607,057                  |
| Net earnings (including net loss attributable to noncontrolling interests)     | 462,401      | —                    | —                    | —                       | —              | 467,671           | (5,270 )                 |
| Employee stock and directors plans                                             | 14,239       | 58                   | —                    | 8,659                   | 5,522          | —                 | —                        |
| Amortization of restricted stock                                               | 14,132       | —                    | —                    | 14,132                  | —              | —                 | —                        |
| Cash dividends                                                                 | (15,132 )    | —                    | —                    | —                       | —              | (15,132 )         | —                        |
| Receipts related to noncontrolling interests                                   | 888          | —                    | —                    | —                       | —              | —                 | 888                      |
| Payments related to noncontrolling interests                                   | (145 )       | —                    | —                    | —                       | —              | —                 | (145 )                   |
| Balance at May 31, 2012                                                        | \$3,779,908  | 16,968               | 3,298                | 2,363,870               | (615,698 )     | 1,408,940         | 602,530                  |
| (In thousands)                                                                 | Total Equity | Stockholders' Equity |                      | Additional Paid Capital | Treasury Stock | Retained Earnings | Noncontrolling Interests |
|                                                                                |              | Class A Common Stock | Class B Common Stock |                         |                |                   |                          |
| Balance at November 30, 2010                                                   | \$3,194,383  | 16,701               | 3,297                | 2,310,339               | (615,496 )     | 894,108           | 585,434                  |
| Net earnings (including net earnings attributable to noncontrolling interests) | 63,573       | —                    | —                    | —                       | —              | 41,191            | 22,382                   |
| Employee stock and directors plans                                             | 7,439        | 31                   | 1                    | 7,417                   | (10 )          | —                 | —                        |
| Amortization of restricted stock                                               | 9,212        | —                    | —                    | 9,212                   | —              | —                 | —                        |
| Cash dividends                                                                 | (14,946 )    | —                    | —                    | —                       | —              | (14,946 )         | —                        |
| Receipts related to noncontrolling interests                                   | 5,222        | —                    | —                    | —                       | —              | —                 | 5,222                    |
| Payments related to noncontrolling interests                                   | (6,164 )     | —                    | —                    | —                       | —              | —                 | (6,164 )                 |
|                                                                                | 529          | —                    | —                    | —                       | —              | —                 | 529                      |

Lennar  
Homebuilding  
non-cash  
consolidations

|                         |             |        |       |           |            |         |         |
|-------------------------|-------------|--------|-------|-----------|------------|---------|---------|
| Balance at May 31, 2011 | \$3,259,248 | 16,732 | 3,298 | 2,326,968 | (615,506 ) | 920,353 | 607,403 |
|-------------------------|-------------|--------|-------|-----------|------------|---------|---------|

Comprehensive earnings attributable to Lennar for both the three and six months ended May 31, 2012 and 2011 was the same as net earnings attributable to Lennar. Comprehensive earnings (loss) attributable to noncontrolling interests for both the three and six months ended May 31, 2012 and 2011 was the same as net earnings (loss) attributable to noncontrolling interests.

The Company has a stock repurchase program which permits the purchase of up to 20 million shares of its outstanding common stock. During both the three and six months ended May 31, 2012 and 2011, there were no repurchases of common stock under the stock repurchase program. As of May 31, 2012, 6.2 million shares of common stock can be repurchased in the future under the program.

During three months ended May 31, 2012, treasury stock had no change in Class A common shares. During the six months ended May 31, 2012, treasury stock decreased by 0.3 million Class A common shares due to activity related to the Company's equity compensation plan.

**(5) Income Taxes**

A reduction of the carrying amounts of deferred tax assets by a valuation allowance is required, if based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more-likely-than-not realization threshold criterion. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, actual earnings, forecasts of future earnings, the duration of statutory carryforward periods, the Company's experience with loss carryforwards not expiring unused and tax planning alternatives.

During the three months ended May 31, 2012, the Company concluded that it was more likely than not that the majority of the valuation allowance against its deferred tax assets would be utilized. This conclusion was based on a detailed evaluation of all relevant evidence, both positive and negative, including such factors as nine consecutive quarters of earnings, the expectation of continued earnings and signs of recovery in the housing markets the Company operates in. Accordingly, the company reversed \$403.0 million of its valuation allowance against its deferred tax assets. After the reversal, the Company had a valuation allowance of \$177.3 million against its deferred tax assets as of May 31, 2012. The Company's deferred tax assets, net, were \$403.6 million at May 31, 2012 of which \$408.5 million was included in Lennar Homebuilding's other assets on the Company's condensed consolidated balance sheets and \$4.9 million was included in Lennar Financial Services segment's liabilities on the Company's condensed consolidated balance sheets. The valuation allowance against the Company's deferred tax assets was \$576.9 million at November 30, 2011. In accordance with GAAP, when a change in a valuation allowance is recognized as a result of a change in judgment in an interim period, a portion of the valuation allowance to be reversed needs to be spread over remaining interim periods. Additionally, a valuation allowance remains on some of the Company's state net operating loss carryforwards that are not more likely than not to be utilized at this time due to an inability to carry back these losses in most states and short carryforward periods that exist in certain states. In future periods, the remaining allowance could be reduced if sufficient positive evidence is present indicating that it is more likely that not that a portion or all of the Company's remaining deferred tax assets will be realized.

During the three and six months ended May 31, 2012, the Company recorded a tax benefit of \$402.3 million and \$403.8 million, respectively, primarily related to the reversal of the Company's valuation allowance.

At May 31, 2012 and November 30, 2011, the Company had \$12.3 million and \$36.7 million of gross unrecognized tax benefits. If the Company were to recognize its gross unrecognized tax benefits as of May 31, 2012, \$5.5 million would affect the Company's effective tax rate. The Company expects the total amount of unrecognized tax benefits to decrease by \$3.8 million within twelve months as a result of settlements with various taxing authorities.

During the six months ended May 31, 2012, the Company's gross unrecognized tax benefits decreased by \$24.4 million primarily as a result of the resolution of an IRS examination, which included a settlement for certain losses carried back to prior years and the settlement of certain tax accounting method items. The decrease in gross unrecognized tax benefits reduced the Company's effective tax rate from (631.17%) to (632.73%). As a result of the partial reversal of the valuation allowance against the Company's deferred tax assets, the effective tax rate is not reflective of the Company's historical tax rate.

At May 31, 2012, the Company had \$20.7 million accrued for interest and penalties, of which \$1.7 million and \$2.0 million, respectively, was recorded during the three and six months ended May 31, 2012. During the three and six months ended May 31, 2012, the accrual for interest and penalties was reduced by \$1.1 million and \$1.3 million as a result of the payment of interest due to the settlement of an IRS examination and a state tax issue. At November 30, 2011, the Company had \$20.0 million accrued for interest and penalties.

The IRS is currently examining the Company's federal income tax returns for fiscal years 2009 through 2011, and certain state taxing authorities are examining various fiscal years. The final outcome of these examinations is not yet determinable. The statute of limitations for the Company's major tax jurisdictions remains open for examination for fiscal year 2005 and subsequent years.





## (6) Earnings Per Share

Basic earnings per share is computed by dividing net earnings attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

All outstanding nonvested shares that contain non-forfeitable rights to dividends or dividend equivalents that participate in undistributed earnings with common stock are considered participating securities and are included in computing earnings per share pursuant to the two-class method. The two class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating securities according to dividends or dividend equivalents and participation rights in undistributed earnings. The Company's restricted common stock ("nonvested shares") are considered participating securities.

Basic and diluted earnings per share were calculated as follows:

| (In thousands, except per share amounts)                                                              | Three Months Ended<br>May 31, |         | Six Months Ended<br>May 31, |         |
|-------------------------------------------------------------------------------------------------------|-------------------------------|---------|-----------------------------|---------|
|                                                                                                       | 2012                          | 2011    | 2012                        | 2011    |
| Numerator:                                                                                            |                               |         |                             |         |
| Net earnings attributable to Lennar                                                                   | \$ 452,703                    | 13,785  | 467,671                     | 41,191  |
| Less: distributed earnings allocated to nonvested shares                                              | 112                           | 93      | 227                         | 194     |
| Less: undistributed earnings allocated to nonvested shares                                            | 6,594                         | 78      | 6,807                       | 340     |
| Numerator for basic earnings per share                                                                | 445,997                       | 13,614  | 460,637                     | 40,657  |
| Plus: interest on 2.00% convertible senior notes due 2020 and 3.25% convertible senior notes due 2021 | 2,883                         | 871     | 5,794                       | 1,743   |
| Plus: undistributed earnings allocated to convertible shares                                          | 6,594                         | 79      | 6,807                       | 339     |
| Less: undistributed earnings reallocated to convertible shares                                        | 5,687                         | 85      | 5,958                       | 342     |
| Numerator for diluted earnings per share                                                              | \$ 449,787                    | 14,479  | 467,280                     | 42,397  |
| Denominator:                                                                                          |                               |         |                             |         |
| Denominator for basic earnings per share - weighted average common shares outstanding                 | 186,432                       | 184,621 | 186,214                     | 184,388 |
| Effect of dilutive securities:                                                                        |                               |         |                             |         |
| Shared based payments                                                                                 | 1,074                         | 679     | 979                         | 689     |
| Convertible senior notes                                                                              | 30,505                        | 10,005  | 28,719                      | 10,005  |
| Denominator for diluted earnings per share - weighted average common shares outstanding               | 218,011                       | 195,305 | 215,912                     | 195,082 |
| Basic earnings per share                                                                              | \$ 2.39                       | 0.07    | 2.47                        | 0.22    |
| Diluted earnings per share                                                                            | \$ 2.06                       | 0.07    | 2.16                        | 0.22    |

Options to purchase 0.1 million and 0.8 million shares, respectively, in total of Class A common stock were outstanding and anti-dilutive for the three months ended May 31, 2012 and 2011. Options to purchase 0.4 million and 1.2 million shares, respectively, in total of Class A and Class B common stock were outstanding and anti-dilutive for the six months ended May 31, 2012 and 2011.

# (7)Lennar Financial Services Segment

The assets and liabilities related to the Lennar Financial Services segment were as follows:

| (In thousands)                 | May 31,<br>2012 | November 30,<br>2011 |
|--------------------------------|-----------------|----------------------|
| Assets:                        |                 |                      |
| Cash and cash equivalents      | \$69,312        | 55,454               |
| Restricted cash                | 15,294          | 16,319               |
| Receivables, net (1)           | 125,268         | 220,546              |
| Loans held-for-sale (2)        | 267,969         | 303,780              |
| Loans held-for-investment, net | 23,402          | 24,262               |
| Investments held-to-maturity   | 48,609          | 48,860               |
| Goodwill                       | 34,046          | 34,046               |
| Other (3)                      | 45,516          | 36,488               |
|                                | \$629,416       | 739,755              |
| Liabilities:                   |                 |                      |
| Notes and other debts payable  | \$263,472       | 410,134              |
| Other (4)                      | 166,966         | 152,601              |
|                                | \$430,438       | 562,735              |

(1) Receivables, net primarily relate to loans sold to investors for which the Company had not yet been paid as of May 31, 2012 and November 30, 2011, respectively.

(2) Loans held-for-sale relate to unsold loans carried at fair value.

(3) Other assets include mortgage loan commitments carried at fair value of \$11.4 million and \$4.2 million, respectively, as of May 31, 2012 and November 30, 2011.

Other liabilities include \$78.3 million and \$75.4 million, respectively, of certain of the Company's self-insurance (4) reserves related to general liability and workers' compensation. Other liabilities also include forward contracts carried at fair value of \$5.4 million and \$1.4 million as of May 31, 2012 and November 30, 2011, respectively.

At May 31, 2012, the Lennar Financial Services segment had a 364-day warehouse repurchase facility with a maximum aggregate commitment of \$100 million and an additional uncommitted amount of \$52 million that matures in February 2013, and another 364-day warehouse repurchase facility with a maximum aggregate commitment of \$175 million that matures in July 2012. As of May 31, 2012, the maximum aggregate commitment and uncommitted amount under these facilities totaled \$275 million and \$52 million, respectively. Subsequent to May 31, 2012, the Lennar Financial Services segment entered into an additional 364-day warehouse repurchase facility with a maximum aggregate commitment of \$75 million and an additional uncommitted amount of \$75 million that matures in June 2013.

The Lennar Financial Services segment uses these facilities to finance its lending activities until the mortgage loans are sold to investors and expects the facilities to be renewed or replaced with other facilities when they mature.

Borrowings under the facilities were \$263.5 million and \$410.1 million, respectively, at May 31, 2012 and November 30, 2011, and were collateralized by mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of \$275.6 million and \$431.6 million, respectively, at May 31, 2012 and November 30, 2011. If the facilities are not renewed, the borrowings under the lines of credit will be paid off by selling the mortgage loans held-for-sale to investors and by collecting on receivables on loans sold but not yet paid. Without the facilities, the Lennar Financial Services segment would have to use cash from operations and other funding sources to finance its lending activities.

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 agreement. There has been an increased industry-wide effort by purchasers to defray their losses in an unfavorable economic environment by purporting to have found inaccuracies related to sellers' representations and warranties in particular loan sale agreements. The Company's mortgage operations have

established reserves for possible losses associated with mortgage loans previously originated and sold to investors. The Company establishes reserves for such possible losses based upon, among other things, an analysis of repurchase requests received, an estimate of potential repurchase claims not yet received and actual past repurchases and losses through the disposition of affected loans, as well as previous settlements. While the Company believes that it has adequately reserved for known losses and projected repurchase requests, given the volatility in the mortgage industry and the uncertainty regarding the ultimate resolution of these claims, if either actual repurchases or the

losses incurred resolving those repurchases exceed the Company's expectations, additional recourse expense may be incurred. Loan origination liabilities are included in Lennar Financial Services' liabilities in the condensed consolidated balance sheets. The activity in the Company's loan origination liabilities was as follows:

|                                                                             | Three Months Ended<br>May 31, |       | Six Months Ended<br>May 31, |       |
|-----------------------------------------------------------------------------|-------------------------------|-------|-----------------------------|-------|
| (In thousands)                                                              | 2012                          | 2011  | 2012                        | 2011  |
| Loan origination liabilities, beginning of period                           | \$5,961                       | 9,872 | 6,050                       | 9,872 |
| Provision for losses during the period                                      | 122                           | 59    | 215                         | 129   |
| Adjustments to pre-existing provisions for losses from changes in estimates | 245                           | 20    | 253                         | (50 ) |
| Payments/settlements                                                        | (130 )                        | —     | (320 )                      | —     |
| Loan origination liabilities, end of period                                 | \$6,198                       | 9,951 | 6,198                       | 9,951 |

For Lennar Financial Services loans held-for-investment, net, a loan is deemed impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Interest income is not accrued or recognized on impaired loans unless payment is received. Impaired loans are written-off if and when the loan is no longer secured by collateral. The total unpaid principal balance of the impaired loans as of May 31, 2012 and November 30, 2011 was \$8.2 million and \$8.8 million, respectively. At May 31, 2012, the recorded investment in the impaired loans with a valuation allowance was \$3.2 million, net of an allowance of \$5.0 million. At November 30, 2011, the recorded investment in the impaired loans with a valuation allowance was \$3.7 million, net of an allowance of \$5.1 million. The average recorded investment in impaired loans totaled \$3.3 million and \$3.5 million, respectively, for the three and six months ended May 31, 2012. The average recorded investment in impaired loans totaled \$4.0 million and \$4.2 million, respectively, for the three and six months ended May 31, 2011.

#### (8) Rialto Investments Segment

The assets and liabilities related to the Rialto segment were as follows:

| (In thousands)                          | May 31,<br>2012 | November 30,<br>2011 |
|-----------------------------------------|-----------------|----------------------|
| Assets:                                 |                 |                      |
| Cash and cash equivalents               | \$92,959        | 83,938               |
| Defeasance cash to retire notes payable | 138,665         | 219,386              |
| Loans receivable, net                   | 578,375         | 713,354              |
| Real estate owned - held-for-sale       | 113,115         | 143,677              |
| Real estate owned - held-and-used, net  | 634,401         | 582,111              |
| Investments in unconsolidated entities  | 150,733         | 124,712              |
| Investments held-to-maturity            | 14,538          | 14,096               |
| Other                                   | 26,041          | 15,874               |
|                                         | \$1,748,827     | 1,897,148            |
| Liabilities:                            |                 |                      |
| Notes payable                           | \$594,915       | 765,541              |
| Other                                   | 17,683          | 30,579               |
|                                         | \$612,598       | 796,120              |

Rialto's operating earnings were as follows:

|                    | Three Months Ended<br>May 31, |          | Six Months Ended<br>May 31, |        |
|--------------------|-------------------------------|----------|-----------------------------|--------|
| (In thousands)     | 2012                          | 2011     | 2012                        | 2011   |
| Revenues           | \$33,472                      | 42,595   | 65,680                      | 76,218 |
| Costs and expenses | 30,198                        | 32,273   | 63,568                      | 60,622 |
|                    | 5,569                         | (2,973 ) | 24,027                      | 1,552  |

Rialto Investments equity in earnings (loss) from unconsolidated entities

|                                                |          |        |           |        |
|------------------------------------------------|----------|--------|-----------|--------|
| Rialto Investments other income (expense), net | (1,372 ) | 15,329 | (13,612 ) | 28,532 |
|------------------------------------------------|----------|--------|-----------|--------|

|                        |         |        |        |        |
|------------------------|---------|--------|--------|--------|
| Operating earnings (1) | \$7,471 | 22,678 | 12,527 | 45,680 |
|------------------------|---------|--------|--------|--------|

(1) Operating earnings for the three and six months ended May 31, 2012 include net earnings (loss) attributable to noncontrolling

interests of \$3.2 million and (\$1.2) million, respectively. Operating earnings for the three and six months ended May 31, 2011 include net earnings (loss) attributable to noncontrolling interests of \$12.9 million and \$24.8 million, respectively.

#### Loans Receivable

In February 2010, the Rialto segment acquired indirectly 40% managing member equity interests in two limited liability companies (“LLCs”), in partnership with the FDIC. The LLCs hold performing and non-performing loans formerly owned by 22 failed financial institutions and when the Rialto segment acquired its interests in the LLCs, the two portfolios consisted of approximately 5,500 distressed residential and commercial real estate loans (“FDIC Portfolios”). The FDIC retained 60% equity interests in the LLCs and provided \$626.9 million of financing with 0% interest, which is non-recourse to the Company and the LLCs. As of May 31, 2012 and November 30, 2011, the notes payable balance was \$470.0 million and \$626.9 million, respectively; however, \$138.7 million and \$219.4 million, respectively, of cash collections on loans in excess of expenses were deposited in a defeasance account, established for the repayment of the notes payable, under the agreement with the FDIC. The funds in the defeasance account are being and will be used to retire the notes payable upon their maturity. During the six months ended May 31, 2012, the LLCs retired \$156.9 million principal amount of the notes payable under the agreement with the FDIC through the defeasance account.

The LLCs met the accounting definition of VIEs and since the Company was determined to be the primary beneficiary, the Company consolidated the LLCs. At May 31, 2012, these consolidated LLCs had total combined assets and liabilities of \$1.3 billion and \$0.5 billion, respectively. At November 30, 2011, these consolidated LLCs had total combined assets and liabilities of \$1.4 billion and \$0.7 billion, respectively.

In September 2010, the Rialto segment acquired approximately 400 distressed residential and commercial real estate loans (“Bank Portfolios”) and over 300 REO properties from three financial institutions. The Company paid \$310 million for the distressed real estate and real estate related assets of which \$124 million was financed through a 5-year senior unsecured note provided by one of the selling institutions. During the six months ended May 31, 2012, the Company retired \$13 million principal amount of the 5-year senior unsecured note.

The following table displays the loans receivable by aggregate collateral type:

| (In thousands)        | May 31,<br>2012 | November 30,<br>2011 |
|-----------------------|-----------------|----------------------|
| Land                  | \$304,239       | 348,234              |
| Single family homes   | 126,656         | 152,265              |
| Commercial properties | 114,218         | 172,799              |
| Multi-family homes    | 24,395          | 28,108               |
| Other                 | 8,867           | 11,948               |
| Loans receivable      | \$578,375       | 713,354              |

With regard to loans accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, (“ASC 310-30”), the Rialto segment estimated the cash flows, at acquisition, it expected to collect on the FDIC Portfolios and Bank Portfolios. In accordance with ASC 310-30, the difference between the contractually required payments and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. This difference is neither accreted into income nor recorded on the Company’s condensed consolidated balance sheets. The excess of cash flows expected to be collected over the cost of the loans acquired is referred to as the accretable yield and is recognized in interest income over the remaining life of the loans using the effective yield method.

The Rialto segment periodically evaluates its estimate of cash flows expected to be collected on its FDIC Portfolios and Bank Portfolios. These evaluations require the continued use of key assumptions and estimates, similar to those used in the initial estimate of fair value of the loans to allocate purchase price. Subsequent changes in the estimated cash flows expected to be collected may result in changes in the accretable yield and nonaccretable difference or reclassifications from nonaccretable yield to accretable yield. Increases in the cash flows expected to be collected will generally result in an increase in interest income over the remaining life of the loan or pool of loans. Decreases in expected cash flows due to further credit deterioration will generally result in an impairment charge recognized as a

provision for loan losses, resulting in an increase to the allowance for loan losses.



The outstanding balance and carrying value of loans accounted for under ASC 310-30 was as follows:

| (In thousands)                | May 31,<br>2012 | November 30,<br>2011 |
|-------------------------------|-----------------|----------------------|
| Outstanding principal balance | \$1,040,569     | 1,331,094            |
| Carrying value                | \$517,967       | 639,642              |

The activity in the accretable yield for the FDIC Portfolios and Bank Portfolios during the six months ended May 31, 2012 and 2011 were as follows:

| (In thousands)                        | May 31,<br>2012 | May 31,<br>2011 |
|---------------------------------------|-----------------|-----------------|
| Accretable yield, beginning of period | \$209,480       | 396,311         |
| Additions                             | 8,423           | 16,173          |
| Deletions                             | (23,256)        | (37,869)        |
| Accretions                            | (40,890)        | (61,114)        |
| Accretable yield, end of period       | \$153,757       | 313,501         |

Additions primarily represent reclasses from nonaccretable yield to accretable yield on the portfolios. Deletions represent disposal of loans, which includes foreclosure of underlying collateral and result in the removal of the loans from the accretable yield portfolios.

When forecasted principal and interest cannot be reasonably estimated at the loan acquisition date, management classifies the loan as nonaccrual and accounts for these assets in accordance with ASC 310-10, Receivables ("ASC 310-10"). When a loan is classified as nonaccrual, any subsequent cash receipt is accounted for using the cost recovery method. In accordance with ASC 310-10, a loan is considered impaired when based on current information and events it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Although these loans met the definition of ASC 310-10, these loans were not considered impaired relative to the Company's recorded investment at the time of acquisition since they were acquired at a substantial discount to their unpaid principal balance. A provision for loan losses is recognized when the recorded investment in the loan is in excess of its fair value. The fair value of the loan is determined by using either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral less estimated costs to sell. As of May 31, 2012 and November 30, 2011, the Company had an allowance for loan losses against the nonaccrual loans of \$0.2 million and \$0.8 million, respectively.

The following tables represent nonaccrual loans in the FDIC Portfolios and Bank Portfolios accounted for under ASC 310-10 aggregated by collateral type:

May 31, 2012

| (In thousands)        | Unpaid<br>Principal Balance | Recorded Investment |                      | Total Recorded<br>Investment |
|-----------------------|-----------------------------|---------------------|----------------------|------------------------------|
|                       |                             | With<br>Allowance   | Without<br>Allowance |                              |
| Land                  | \$40,590                    | —                   | 16,694               | 16,694                       |
| Single family homes   | 28,458                      | 1,156               | 14,410               | 15,566                       |
| Commercial properties | 35,996                      | —                   | 22,818               | 22,818                       |
| Multi-family homes    | 10,928                      | —                   | 5,145                | 5,145                        |
| Other                 | 295                         | —                   | 185                  | 185                          |
| Loans receivable      | \$116,267                   | 1,156               | 59,252               | 60,408                       |

November 30, 2011

| (In thousands)        | Unpaid<br>Principal<br>Balance | Recorded Investment |                      | Total Recorded<br>Investment |
|-----------------------|--------------------------------|---------------------|----------------------|------------------------------|
|                       |                                | With<br>Allowance   | Without<br>Allowance |                              |
| Land                  | \$75,557                       | —                   | 24,692               | 24,692                       |
| Single family homes   | 55,377                         | 1,956               | 13,235               | 15,191                       |
| Commercial properties | 48,293                         | 2,660               | 24,434               | 27,094                       |
| Multi-family homes    | 16,750                         | —                   | 6,735                | 6,735                        |
| Other                 | 405                            | —                   | —                    | —                            |
| Loans receivable      | \$196,382                      | 4,616               | 69,096               | 73,712                       |

The average recorded investment in impaired loans totaled approximately \$67 million and \$197 million, respectively, for the six months ended May 31, 2012 and 2011.

The loans receivable portfolios consist of loans acquired at a discount. Based on the nature of these loans, the portfolios are managed by assessing the risks related to the likelihood of collection of payments from borrowers and guarantors, as well as monitoring the value of the underlying collateral. The following are the risk categories for the loans receivable portfolios:

**Accrual** — Loans in which forecasted cash flows under the loan agreement, as it might be modified from time to time, can be reasonably estimated at the date of acquisition. The risk associated with loans in this category relates to the possible default by the borrower with respect to principal and interest payments and the possible decline in value of the underlying collateral and thus, both could cause a decline in the forecasted cash flows used to determine accretable yield income and the recognition of an impairment through an allowance for loan losses.

**Nonaccrual** — Loans in which forecasted principal and interest could not be reasonably estimated at the date of acquisition. Although the Company believes the recorded investment balance will ultimately be realized, the risk of nonaccrual loans relates to a decline in the value of the collateral securing the outstanding obligation and the recognition of an impairment through an allowance for loan losses if the recorded investment in the loan exceeds the fair value of the collateral less estimated cost to sell. As of May 31, 2012 and November 30, 2011, the Company had an allowance on these loans of \$0.2 million and \$0.8 million, respectively. During the three months ended May 31, 2012, the Company recorded \$1.4 million of provision for loan losses offset by charge-offs of \$1.3 million upon foreclosure of the loans. During the six months ended May 31, 2012, the Company recorded \$2.3 million of provision for loan losses offset by charge-offs of \$2.9 million upon foreclosure of the loans.

Accrual and nonaccrual loans receivable by risk categories were as follows:

May 31, 2012

| (In thousands)        | Accrual   | Nonaccrual | Total   |
|-----------------------|-----------|------------|---------|
| Land                  | \$287,545 | 16,694     | 304,239 |
| Single family homes   | 111,090   | 15,566     | 126,656 |
| Commercial properties | 91,400    | 22,818     | 114,218 |
| Multi-family homes    | 19,250    | 5,145      | 24,395  |
| Other                 | 8,682     | 185        | 8,867   |
| Loans receivable      | \$517,967 | 60,408     | 578,375 |

November 30, 2011

| (In thousands)        | Accrual   | Nonaccrual | Total   |
|-----------------------|-----------|------------|---------|
| Land                  | \$323,542 | 24,692     | 348,234 |
| Single family homes   | 137,074   | 15,191     | 152,265 |
| Commercial properties | 145,705   | 27,094     | 172,799 |
| Multi-family homes    | 21,373    | 6,735      | 28,108  |
| Other                 | 11,948    | —          | 11,948  |
| Loans receivable      | \$639,642 | 73,712     | 713,354 |

In order to assess the risk associated with each risk category, the Rialto segment evaluates the forecasted cash flows and the value of the underlying collateral securing loans receivable on a quarterly basis or when an event occurs that suggest a

decline in the collateral's fair value.

#### Real Estate Owned

The acquisition of properties acquired through, or in lieu of, loan foreclosure are reported within the condensed consolidated balance sheets as REO held-and-used, net and REO held-for-sale. When a property is determined to be held-and-used, net, the asset is recorded at fair value and depreciated over its useful life using the straight line method. When certain criteria set forth in ASC 360, Property, Plant and Equipment, are met; the property is classified as held-for-sale. When a real estate asset is classified as held-for-sale, the property is recorded at the lower of its cost basis or fair value less estimated costs to sell. The fair value of REO held-for-sale are determined in part by placing reliance on third party appraisals of the properties and/or internally prepared analyses of recent offers or prices on comparable properties in the proximate vicinity.

Upon the acquisition of REO through loan foreclosure, gains and losses are recorded in Rialto Investments other income (expense), net. The amount by which the recorded investment in the loan is less than the REO's fair value (net of estimated cost to sell if held-for-sale), is recorded as an unrealized gain upon foreclosure. The amount by which the recorded investment in the loan is greater than the REO's fair value (net of estimated cost to sell if held-for-sale) is generally recorded as a provision for loan losses.

At times, the Company may foreclose on a loan from an accrual loan pool in which the removal of the loan does not cause an overall decrease in the expected cash flows of the loan pool, and as such, no provision for loan losses is required to be recorded. However, the amount by which the recorded investment in the loan is greater than the REO's fair value (net of estimated cost to sell if held-for-sale) is recorded as an unrealized loss upon foreclosure.

The following tables present the activity in REO:

|                                               | Three Months Ended<br>May 31, |           | Six Months Ended<br>May 31, |           |
|-----------------------------------------------|-------------------------------|-----------|-----------------------------|-----------|
| (In thousands)                                | 2012                          | 2011      | 2012                        | 2011      |
| REO - held-for-sale, beginning of period      | \$101,579                     | 431,119   | 143,677                     | 250,286   |
| Additions                                     | 221                           | 94,568    | 1,355                       | 280,209   |
| Improvements                                  | 2,036                         | 5,516     | 5,999                       | 8,234     |
| Sales                                         | (45,210 )                     | (13,028 ) | (82,054 )                   | (20,554 ) |
| Impairments                                   | (382 )                        | —         | (1,622 )                    | —         |
| Transfers to Lennar Homebuilding              | (3,904 )                      | (3,926 )  | (3,904 )                    | (3,926 )  |
| Transfers to/from held-and-used, net (1)      | 58,775                        | —         | 49,664                      | —         |
| REO - held-for-sale, end of period            | \$113,115                     | 514,249   | 113,115                     | 514,249   |
|                                               | Three Months Ended<br>May 31, |           | Six Months Ended<br>May 31, |           |
| (In thousands)                                | 2012                          | 2011      | 2012                        | 2011      |
| REO - held-and-used, net, beginning of period | \$630,570                     | 15,126    | 582,111                     | 7,818     |
| Additions                                     | 63,434                        | 1,391     | 109,675                     | 8,734     |
| Improvements                                  | 780                           | —         | 780                         | —         |
| Sales                                         | —                             | —         | (981 )                      | —         |
| Impairments                                   | (676 )                        | —         | (3,273 )                    | —         |
| Depreciation                                  | (932 )                        | (50 )     | (4,247 )                    | (85 )     |
| Transfers to/from held-for-sale (1)           | (58,775 )                     | —         | (49,664 )                   | —         |
| REO - held-and-used, net, end of period       | \$634,401                     | 16,467    | 634,401                     | 16,467    |

During the three and six months ended May 31, 2012, the Rialto segment transferred certain properties to/from (1) REO held-and-used, net to/from REO held-for-sale as a result of changes in the disposition strategy of the real estate assets.

For both the three and six months ended May 31, 2012, the Company recorded \$8.4 million of gains from sales of REO. For the three months ended May 31, 2011, there were no gains from sales of REO and for six months ended May 31, 2011 the Company recorded \$0.3 million of gains from sales of REO. For the three and six months ended May 31, 2012, the Company recorded gains (losses) of (\$2.1) million and \$3.7 million, respectively, from acquisitions

of REO through foreclosure. For the three and six months ended May 31, 2011, the Company recorded \$17.9 million and \$35.0 million, respectively, of gains from acquisitions of REO through foreclosure. These gains (losses) are recorded in Rialto Investments other income (expense), net.

## Investments

In 2010, the Rialto segment invested in approximately \$43 million of non-investment grade commercial mortgage-backed securities ("CMBS") for \$19.4 million, representing a 55% discount to par value. The CMBS have a stated and assumed final distribution date of November 2020 and a stated maturity date of October 2057. The Rialto segment reviews changes in estimated cash flows periodically, to determine if other-than-temporary impairment has occurred on its investment securities. Based on the Rialto segment's assessment, no impairment charges were recorded during both the three and six months ended May 31, 2012 and 2011. During the six months ended May 31, 2011, the Rialto segment sold a portion of its CMBS for \$11.1 million, resulting in a gain on sale of CMBS of \$4.7 million. The carrying value of the investment securities at May 31, 2012 and November 30, 2011, was \$14.5 million and \$14.1 million, respectively. The Rialto segment classified these securities as held-to-maturity based on its intent and ability to hold the securities until maturity.

In addition to the acquisition and management of the FDIC Portfolios and Bank Portfolios, an affiliate in the Rialto segment is a sub-advisor to the AllianceBernstein L.P. ("AB") fund formed under the Federal government's Public-Private Investment Program ("PPIP") to purchase real estate related securities from banks and other financial institutions. The sub-advisor receives management fees for sub-advisory services. The Company committed to invest \$75 million, of which the remaining outstanding commitment as of May 31, 2012 was \$5.6 million, of the total equity commitments of approximately \$1.2 billion made by private investors in this fund, and the U.S. Treasury has committed to a matching amount of approximately \$1.2 billion of equity in the fund, as well as agreed to extend up to approximately \$2.3 billion of debt financing. During both the three and six months ended May 31, 2012, the Company contributed \$1.9 million. As of May 31, 2012 and November 30, 2011, the carrying value of the Company's investment in the AB PPIP fund was \$76.7 million and \$65.2 million, respectively.

In 2010, the Rialto segment completed its first closing of a real estate investment fund (the "Fund") with initial equity commitments of approximately \$300 million (including \$75 million committed by the Company, of which the remaining outstanding commitment as of May 31, 2012 was \$23.7 million). The Fund was determined to have the attributes of an investment company in accordance with ASC 946, Financial Services – Investment Companies, the attributes of which are different from the attributes that would cause a company to be an investment company for purposes of the Investment Company Act of 1940. As a result, the Fund's assets and liabilities are recorded at fair value with increases/decreases in fair value recorded in the statement of operations of the Fund, the Company's share of which are recorded in the Rialto Investments equity in earnings from unconsolidated entities financial statement line item.

As of May 31, 2012, the equity commitments of the Fund were \$700 million (including the \$75 million committed by the Company). During the three and six months ended May 31, 2012, the Company contributed \$10.7 million and \$18.0 million, respectively, to the Fund. Of these amounts contributed, \$13.9 million was distributed back to the Company during the three months ended May 31, 2012 as a return of capital contributions due to a securitization within the Fund. As of May 31, 2012 and November 30, 2011, the carrying value of the Company's investment in the Fund was \$64.8 million and \$50.1 million, respectively. For the three and six months ended May 31, 2012, the Company's share of earnings from the Fund was \$3.0 million and \$10.6 million, respectively. For both the three and six months ended May 31, 2011, the Company's share of losses from the Fund was (\$0.4) million.

Additionally, another subsidiary in the Rialto segment has approximately a 5% investment in a service and infrastructure provider to the residential home loan market (the "Servicer Provider"), which provides services to the consolidated LLCs, among others. As of May 31, 2012 and November 30, 2011, the carrying value of the Company's investment in the Servicer Provider was \$8.6 million and \$8.8 million, respectively.

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

#### Balance Sheets

| (In thousands)                         | May 31,<br>2012 | November 30,<br>2011 |
|----------------------------------------|-----------------|----------------------|
| Assets:                                |                 |                      |
| Cash and cash equivalents              | \$ 137,104      | 60,936               |
| Loans receivable                       | 400,467         | 274,213              |
| Real estate owned                      | 107,363         | 47,204               |
| Investment securities                  | 4,081,846       | 4,336,418            |
| Other assets                           | 223,861         | 171,196              |
|                                        | \$4,950,641     | 4,889,967            |
| Liabilities and equity:                |                 |                      |
| Accounts payable and other liabilities | \$ 166,557      | 320,353              |
| Notes payable                          | 230,561         | 40,877               |
| Partner loans                          | 163,516         | 137,820              |
| Debt due to the U.S. Treasury          | 1,492,950       | 2,044,950            |
| Equity                                 | 2,897,057       | 2,345,967            |
|                                        | \$4,950,641     | 4,889,967            |

#### Statements of Operations

| (In thousands)                                                            | Three Months Ended<br>May 31, |            | Six Months Ended<br>May 31, |           |
|---------------------------------------------------------------------------|-------------------------------|------------|-----------------------------|-----------|
|                                                                           | 2012                          | 2011       | 2012                        | 2011      |
| Revenues                                                                  | \$ 119,123                    | 116,044    | 241,528                     | 232,932   |
| Costs and expenses                                                        | 51,996                        | 35,045     | 103,181                     | 86,516    |
| Other income (expense), net (1)                                           | 37,335                        | (165,918 ) | 303,775                     | (79,130 ) |
| Net earnings (loss) of unconsolidated entities                            | \$ 104,462                    | (84,919 )  | 442,122                     | 67,286    |
| Rialto Investments equity in earnings (loss) from unconsolidated entities | \$ 5,569                      | (2,973 )   | 24,027                      | 1,552     |

Other income (expense), net for the three and six months ended May 31, 2012 and 2011 includes the AB PPIP (1) Fund's mark-to-market unrealized gains and unrealized losses, of which the Company's portion is a small percentage.

#### (9) Lennar Homebuilding Cash and Cash Equivalents

Cash and cash equivalents as of May 31, 2012 and November 30, 2011 included \$118.5 million and \$26.1 million, respectively, of cash held in escrow for approximately three days.

#### (10) Lennar Homebuilding Restricted Cash

Restricted cash consists of customer deposits on home sales held in restricted accounts until title transfers to the homebuyer, as required by the state and local governments in which the homes were sold.

## (11)Lennar Homebuilding Senior Notes and Other Debts Payable

| (Dollars in thousands)                  | May 31,<br>2012 | November 30,<br>2011 |
|-----------------------------------------|-----------------|----------------------|
| 5.95% senior notes due 2013             | \$267,135       | 266,855              |
| 5.50% senior notes due 2014             | 249,128         | 248,967              |
| 5.60% senior notes due 2015             | 500,885         | 500,999              |
| 6.50% senior notes due 2016             | 249,835         | 249,819              |
| 12.25% senior notes due 2017            | 394,067         | 393,700              |
| 6.95% senior notes due 2018             | 247,733         | 247,598              |
| 2.00% convertible senior notes due 2020 | 276,500         | 276,500              |
| 2.75% convertible senior notes due 2020 | 395,066         | 388,417              |
| 3.25% convertible senior notes due 2021 | 400,000         | 350,000              |
| Mortgages notes on land and other debt  | 489,267         | 439,904              |
|                                         | \$3,469,616     | 3,362,759            |

At May 31, 2012, the Company had a \$150 million Letter of Credit and Reimbursement Agreement with certain financial institutions, which may be increased to \$200 million, but for which there are currently no commitments for the additional \$50 million. At May 31, 2012, the Company also had a \$50 million Letter of Credit and Reimbursement Agreement with certain financial institutions that had a \$50 million accordion feature for which there are currently no commitments, and a \$200 million Letter of Credit Facility with a financial institution. Additionally, in May 2012, the Company entered into a 3-year unsecured revolving credit facility (the "Credit Facility") with certain financial institutions that expires in May 2015. The maximum aggregate commitment under the Credit Facility is \$525 million, of which \$410 million is committed and \$115 million is available through an accordion feature, subject to additional commitments. As of May 31, 2012, the Company has no outstanding borrowings under the Credit Facility. The Company believes it was in compliance with its debt covenants at May 31, 2012.

The Company's performance letters of credit outstanding were \$82.8 million and \$68.0 million, respectively, at May 31, 2012 and November 30, 2011. The Company's financial letters of credit outstanding were \$198.1 million and \$199.3 million, respectively, at May 31, 2012 and November 30, 2011. Performance letters of credit are generally posted with regulatory bodies to guarantee the Company's performance of certain development and construction activities, and financial letters of credit are generally posted in lieu of cash deposits on option contracts, for insurance risks, credit enhancements and as other collateral. Additionally, at May 31, 2012, the Company had outstanding performance and surety bonds related to site improvements at various projects (including certain projects in the Company's joint ventures) of \$601.9 million. Although significant development and construction activities have been completed related to these site improvements, these bonds are generally not released until all development and construction activities are completed. As of May 31, 2012, there were approximately \$343.6 million, or 57%, of anticipated future costs to complete related to these site improvements. The Company does not presently anticipate any draws upon these bonds, but if any such draws occur, the Company does not believe they would have a material effect on its financial position, results of operations or cash flows.

In November 2011, the Company issued \$350.0 million aggregate principal amount of 3.25% convertible senior notes due 2021 (the "3.25% Convertible Senior Notes"). During the six months ended May 31, 2012, the initial purchasers of the 3.25% Convertible Senior Notes purchased an additional \$50 million aggregate principal amount to cover over-allotments. At May 31, 2012 and November 30, 2011, the carrying and principal amount of the 3.25% Convertible Senior Notes was \$400.0 million and \$350.0 million, respectively. The 3.25% Convertible Senior Notes are convertible into shares of Class A common stock at any time prior to maturity or redemption at the initial conversion rate of 42.5555 shares of Class A common stock per \$1,000 principal amount of the 3.25% Convertible Senior Notes or 17,022,200 Class A common shares if all the 3.25% Convertible Senior Notes are converted, which is equivalent to an initial conversion price of approximately \$23.50 per share of Class A common stock, subject to anti-dilution adjustments. The shares are included in the calculation of diluted earnings per share. Holders of the



3.25% Convertible Senior Notes have the right to require the Company to repurchase them for cash equal to 100% of their principal amount, plus accrued but unpaid interest on November 15, 2016. The Company has the right to redeem the 3.25% Convertible Senior Notes at any time on or after November 20, 2016 for 100% of their principal amount, plus accrued but unpaid interest.

The 2.75% convertible senior notes due 2020 (the “2.75% Convertible Senior Notes”) are convertible into cash, shares of Class A common stock or a combination of both, at the Company’s election. However, it is the Company’s intent to settle the

face value of the 2.75% Convertible Senior Notes in cash. The shares have not being historically included in the calculation of diluted earnings per share primarily because it is the Company's intent to settle the face value of the 2.75% Convertible Senior Notes in cash; however, the Company's volume weighted average stock price for the second quarter of 2012 was \$26.75, which exceeded the conversion price, thus 3.5 million shares were included in the calculation of diluted earnings per share. Holders may convert the 2.75% Convertible Senior Notes at the initial conversion rate of 45.1794 shares of Class A common stock per \$1,000 principal amount or 20,150,012 Class A common shares if all the 2.75% Convertible Senior Notes are converted, which is equivalent to an initial conversion price of approximately \$22.13 per share of Class A common stock. Holders of the 2.75% Convertible Senior Notes have the right to require the Company to repurchase them for cash equal to 100% of their principal amount, plus accrued but unpaid interest, on December 15, 2015. The Company has the right to redeem the 2.75% Convertible Senior Notes at any time on or after December 20, 2015 for 100% of their principal amount, plus accrued but unpaid interest.

Certain provisions under ASC 470, Debt, require the issuer of certain convertible debt instruments that may be settled in cash on conversion to separately account for the liability and equity components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. The Company has applied these provisions to its 2.75% Convertible Senior Notes. At both May 31, 2012 and November 30, 2011, the principal amount of the 2.75% Convertible Senior Notes was \$446.0 million. At May 31, 2012 and November 30, 2011, the carrying amount of the equity component included in stockholders' equity was \$50.9 million and \$57.6 million, respectively, and the net carrying amount of the 2.75% Convertible Senior Notes included in Lennar Homebuilding senior notes and other debts payable was \$395.1 million and \$388.4 million, respectively.

The 2.00% convertible senior notes due 2020 (the "2.00% Convertible Senior Notes") are convertible into shares of Class A common stock at the initial conversion rate of 36.1827 shares of Class A common stock per \$1,000 principal amount of the 2.00% Convertible Senior Notes or 10,004,517 Class A common shares if all the 2.00% Convertible Senior Notes are converted, which is equivalent to an initial conversion price of approximately \$27.64 per share of Class A common stock, subject to anti-dilution adjustments. The shares are included in the calculation of diluted earnings per share. At both May 31, 2012 and November 30, 2011, the carrying and principal amount of the 2.00% Convertible Senior Notes was \$276.5 million. Holders of the 2.00% Convertible Senior Notes have the right to require the Company to repurchase them for cash equal to 100% of their principal amount, plus accrued but unpaid interest, on each of December 1, 2013 and December 1, 2015. The Company has the right to redeem the 2.00% Convertible Senior Notes at any time on or after December 1, 2013 for 100% of their principal amount, plus accrued but unpaid interest.

#### (12)Product Warranty

Warranty and similar reserves for homes are established at an amount estimated to be adequate to cover potential costs for materials and labor with regard to warranty-type claims expected to be incurred subsequent to the delivery of a home. Reserves are determined based on historical data and trends with respect to similar product types and geographical areas. The Company regularly monitors the warranty reserve and makes adjustments to its pre-existing warranties in order to reflect changes in trends and historical data as information becomes available. Warranty reserves are included in other liabilities in the accompanying condensed consolidated balance sheets. The activity in the Company's warranty reserve was as follows:

|                                                                  | Three Months Ended<br>May 31, |          | Six Months Ended<br>May 31, |          |
|------------------------------------------------------------------|-------------------------------|----------|-----------------------------|----------|
| (In thousands)                                                   | 2012                          | 2011     | 2012                        | 2011     |
| Warranty reserve, beginning of period                            | \$85,717                      | 103,976  | 88,120                      | 109,179  |
| Warranties issued during the period                              | 8,106                         | 6,599    | 14,961                      | 11,338   |
| Adjustments to pre-existing warranties from changes in estimates | 3,680                         | 2,689    | 5,047                       | (38)     |
| Payments                                                         | (13,015)                      | (22,087) | (23,640)                    | (29,302) |
| Warranty reserve, end of period                                  | \$84,488                      | 91,177   | 84,488                      | 91,177   |

As of May 31, 2012, the Company has identified approximately 1,000 homes delivered in Florida primarily during its 2006 and 2007 fiscal years that are confirmed to have had defective Chinese drywall and resulting damage. This represents a small percentage of homes the Company delivered nationally (1.2%) during those fiscal years. Defective Chinese drywall is an industry-wide issue as other homebuilders have publicly disclosed that they have experienced similar issues with defective Chinese drywall.

Based on its efforts to date, the Company has not identified defective Chinese drywall in homes delivered by the Company outside of Florida. The Company is continuing its investigation of homes delivered during the relevant time period in order to determine whether there are additional homes, not yet inspected, with defective Chinese drywall and resulting damage. If the outcome of the Company's inspections identifies more homes than the Company has estimated to have defective Chinese drywall, it might require an increase in the Company's warranty reserve in the future. The Company has replaced defective Chinese drywall when it has been found in homes the Company has built.

Through May 31, 2012, the Company has accrued \$82.2 million of warranty reserves related to homes confirmed as having defective Chinese drywall, as well as an estimate for homes not yet inspected that may contain Chinese drywall. There were no additional amounts accrued during either the three or six months ended May 31, 2012. As of May 31, 2012 and November 30, 2011, the warranty reserve related to Chinese drywall, net of payments, was \$5.4 million and \$9.1 million, respectively. The Company has received, and continues to seek, reimbursement from its subcontractors, insurers and others for costs the Company has incurred or expects to incur to investigate and repair defective Chinese drywall and resulting damage. During both the three and six months ended May 31, 2012, the Company received \$0.3 million amount of payments through third party recoveries relative to the costs it has incurred and expects to incur remedying the homes confirmed and estimated to have defective Chinese drywall and resulting damage. During the three and six months ended May 31, 2011, the Company received payments of \$1.1 million and \$2.4 million respectively, through third party recoveries relative to the costs it has incurred and expects to incur remedying the homes confirmed and estimated to have defective Chinese drywall and resulting damage.

### (13) Share-Based Payment

During both the three and six months ended May 31, 2012 and 2011, the Company granted an immaterial number of stock options and nonvested shares. Compensation expense related to the Company's share-based payment awards was as follows:

|                                                   | Three Months Ended |       | Six Months Ended |        |
|---------------------------------------------------|--------------------|-------|------------------|--------|
|                                                   | May 31,            |       | May 31,          |        |
| (In thousands)                                    | 2012               | 2011  | 2012             | 2011   |
| Stock options                                     | \$915              | 932   | 1,800            | 2,294  |
| Nonvested shares                                  | 6,856              | 3,844 | 14,132           | 9,212  |
| Total compensation expense for share-based awards | \$7,771            | 4,776 | 15,932           | 11,506 |

## (14) Financial Instruments

GAAP provides a framework for measuring fair value, expands disclosures about fair value measurements and establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value summarized as follows:

Level 1 Fair value determined based on quoted prices in active markets for identical assets.

Level 2 Fair value determined using significant other observable inputs.

Level 3 Fair value determined using significant unobservable inputs.

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at May 31, 2012 and November 30, 2011, using available market information and what the Company believes to be appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts. The table excludes cash and cash equivalents, restricted cash, defeasance cash to retire notes payable, receivables, net and accounts payable, all of which had fair values approximating their carrying amounts due to the short maturities of these instruments.

| approximating their carrying amounts due to the short maturities of these instruments. |                      |                 |            |                   |            |
|----------------------------------------------------------------------------------------|----------------------|-----------------|------------|-------------------|------------|
|                                                                                        |                      | May 31, 2012    |            | November 30, 2011 |            |
| (In thousands)                                                                         | Fair Value Hierarchy | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
| ASSETS                                                                                 |                      |                 |            |                   |            |
| Rialto Investments:                                                                    |                      |                 |            |                   |            |
| Loans receivable, net                                                                  | Level 3              | \$578,375       | 599,707    | 713,354           | 749,382    |
| Investments held-to-maturity                                                           | Level 1              | \$14,538        | 14,430     | 14,096            | 13,996     |
| Lennar Financial Services:                                                             |                      |                 |            |                   |            |
| Loans held-for-investment, net                                                         | Level 3              | \$23,402        | 21,354     | 24,262            | 22,736     |
| Investments held-to-maturity                                                           | Level 1              | \$48,609        | 48,469     | 48,860            | 47,651     |
| LIABILITIES                                                                            |                      |                 |            |                   |            |
| Lennar Homebuilding:                                                                   |                      |                 |            |                   |            |
| Senior notes and other debts payable                                                   | Level 2              | \$3,469,616     | 4,033,054  | 3,362,759         | 3,491,212  |
| Rialto Investments:                                                                    |                      |                 |            |                   |            |
| Notes payable                                                                          | Level 2              | \$594,915       | 575,805    | 765,541           | 729,943    |
| Lennar Financial Services:                                                             |                      |                 |            |                   |            |
| Notes and other debts payable                                                          | Level 2              | \$263,472       | 263,472    | 410,134           | 410,134    |

The following methods and assumptions are used by the Company in estimating fair values:

Lennar Homebuilding—For senior notes and other debts payable, the fair value of fixed-rate borrowings is based on quoted market prices and the fair value of variable-rate borrowings is based on expected future cash flows calculated using current market forward rates.

Rialto Investments—The fair values for loans receivable is based on discounted cash flows, or the fair value of the collateral less estimated cost to sell. The fair value for investments held-to-maturity is based on discounted cash flows. For notes payable, the fair value of the zero percent interest notes guaranteed by the FDIC was calculated based on a 3-year treasury yield, and the fair value of other notes payable was calculated based on discounted cash flows using the Company's weighted average borrowing rate.

Lennar Financial Services—The fair values above are based on quoted market prices, if available. The fair values for instruments that do not have quoted market prices are estimated by the Company on the basis of discounted cash flows or other financial information.

The Company's financial instruments measured at fair value on a recurring basis are summarized below:

| Financial Instruments          | Fair Value Hierarchy | Fair Value at May 31, 2012 | Fair Value at November 30, 2011 |
|--------------------------------|----------------------|----------------------------|---------------------------------|
| (In thousands)                 |                      |                            |                                 |
| Lennar Financial Services:     |                      |                            |                                 |
| Loans held-for-sale (1)        | Level 2              | \$267,969                  | 303,780                         |
| Mortgage loan commitments      | Level 2              | \$11,377                   | 4,192                           |
| Forward contracts              | Level 2              | \$(5,434)                  | (1,404)                         |
| Lennar Homebuilding:           |                      |                            |                                 |
| Investments available-for-sale | Level 3              | \$24,306                   | 42,892                          |

The aggregate fair value of loans held-for-sale of \$268.0 million at May 31, 2012 exceeds their aggregate principal (1) balance of \$254.1 million by \$13.9 million. The aggregate fair value of loans held-for-sale of \$303.8 million at November 30, 2011 exceeds their aggregate principal balance of \$292.2 million by \$11.6 million.

The estimated fair values of the Company's financial instruments have been determined by using available market information and what the Company believes to be appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts. The following methods and assumptions are used by the Company in estimating fair values:

Loans held-for-sale— Fair value is based on independent quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. Management believes carrying loans held-for-sale at fair value improves financial reporting by mitigating volatility in reported earnings caused by measuring the fair value of the loans and the derivative instruments used to economically hedge them without having to apply complex hedge accounting provisions. In addition, the Company recognizes the fair value of its rights to service a mortgage loan as revenue upon entering into an interest rate lock loan commitment with a borrower. The fair value of these servicing rights is included in Lennar Financial Services' loans held-for-sale as of May 31, 2012 and November 30, 2011. Fair value of the servicing rights is determined based on value in the servicing sales contracts.

Mortgage loan commitments— Fair value of commitments to originate loans is based upon the difference between the current value of similar loans and the price at which the Lennar Financial Services segment has committed to originate the loans. The fair value of commitments to sell loan contracts is the estimated amount that the Lennar Financial Services segment would receive or pay to terminate the commitments at the reporting date based on market prices for similar financial instruments.

Forward contracts— Fair value is based on quoted market prices for similar financial instruments.

Investments available-for-sale— The fair value of these investments are based on third party valuations.

Gains and losses of Lennar Financial Services financial instruments measured at fair value from initial measurement and subsequent changes in fair value are recognized in the Lennar Financial Services segment's operating earnings. There were no gains or losses recognized for the Lennar Homebuilding investments available-for-sale during both the three and six months ended May 31, 2012 and 2011. The changes in fair values that are included in operating earnings are shown, by financial instrument and financial statement line item below:

| (In thousands)                                                        | Three Months Ended<br>May 31, |          | Six Months Ended<br>May 31, |          |
|-----------------------------------------------------------------------|-------------------------------|----------|-----------------------------|----------|
|                                                                       | 2012                          | 2011     | 2012                        | 2011     |
| Changes in fair value included in Lennar Financial Services revenues: |                               |          |                             |          |
| Loans held-for-sale                                                   | \$3,598                       | 2,841    | 2,291                       | 2,694    |
| Mortgage loan commitments                                             | \$5,743                       | 1,147    | 7,185                       | 3,664    |
| Forward contracts                                                     | \$(4,765 )                    | (1,705 ) | (4,030 )                    | (6,371 ) |

Interest income on loans held-for-sale measured at fair value is calculated based on the interest rate of the loan and recorded in interest income in the Lennar Financial Services' statement of operations.

The following table represents a reconciliation of the beginning and ending balance for the Company's Level 3 recurring fair value measurements (investments available-for-sale) included in the Lennar Homebuilding segment's other assets:

| (In thousands)                                      | Three Months<br>Ended<br>May 31, 2012 | Six Months<br>Ended |
|-----------------------------------------------------|---------------------------------------|---------------------|
|                                                     |                                       |                     |
| Investments available-for-sale, beginning of period | \$18,236                              | 42,892              |
| Purchases and other (1)                             | 6,070                                 | 20,998              |
| Sales                                               | —                                     | (6,436 )            |
| Settlements (2)                                     | —                                     | (33,148 )           |
| Investments available-for-sale, end of period       | \$24,306                              | 24,306              |

(1) Represents investments in community development district bonds that mature at various dates between 2022 and 2042.

The investments available-for-sale that were settled during both the three and six months ended May 31, 2012 related to investments in community development district bonds, which were in default by the borrower and regarding which the Company foreclosed on the underlying real estate collateral. Therefore, these investments were reclassified from other assets to land and land under development.

The Company's assets measured at fair value on a nonrecurring basis are those assets for which the Company has recorded valuation adjustments and write-offs and Rialto Investments real estate owned assets. The fair value included in the tables below represent only those assets whose carrying value were adjusted to fair value during the respective periods disclosed. The assets measured at fair value on a nonrecurring basis are summarized below:

|                                                 | Fair Value Hierarchy | Fair Value Three Months Ended May 31, 2012 | Total Gains (Losses) (1) |
|-------------------------------------------------|----------------------|--------------------------------------------|--------------------------|
| Non-financial assets                            |                      |                                            |                          |
| (In thousands)                                  |                      |                                            |                          |
| Lennar Homebuilding:                            |                      |                                            |                          |
| Finished homes and construction in progress (2) | Level 3              | \$1,213                                    | (2,404 )                 |
| Land and land under development (3)             | Level 3              | \$13,318                                   | (332 )                   |
| Rialto Investments:                             |                      |                                            |                          |
| REO - held-for-sale (4)                         | Level 3              | \$2,443                                    | (1,726 )                 |
| REO - held-and-used, net (5)                    | Level 3              | \$66,085                                   | (1,458 )                 |

(1) Represents total losses due to valuation adjustments and impairments, and total gains from acquisitions of real estate through foreclosure recorded during the three months ended May 31, 2012.

Finished homes and construction in progress with an aggregate carrying value of \$3.6 million were written down to their fair value of \$1.2 million, resulting in valuation adjustments of \$2.4 million, which were included in Lennar  
(2) Homebuilding costs and expenses in the Company's statement of operations for the three months ended May 31, 2012.

Land and land under development with an aggregate carrying value of \$13.6 million were written down to their fair  
(3) value of \$13.3 million, resulting in valuation adjustments of \$0.3 million, which were included in Lennar Homebuilding costs

and expenses in the Company's statement of operations for the three months ended May 31, 2012.

REO, held-for-sale, assets are initially recorded at fair value less estimated costs to sell at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-for-sale, had a carrying value of \$1.5 million and a fair value of \$0.2 million. The fair value of REO, held-for-sale, is based upon the appraised value at the time of foreclosure or management's best estimate. The losses upon acquisition of REO, held-for-sale, were (4)(\$1.3) million. As part of management's periodic valuations of its REO, held-for-sale, during the three months ended May 31, 2012, REO, held-for-sale, with an aggregate value of \$2.6 million were written down to their fair value of \$2.2 million, resulting in impairments of \$0.4 million. These losses and impairments are included within Rialto Investments other income (expense), net in the Company's statement of operations for the three months ended May 31, 2012.

REO, held-and-used, net, assets are initially recorded at fair value at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-and-used, net, had a carrying value of \$64.2 million and a fair value of \$63.4 million. The fair value of REO, held-and-used, net, is based upon the appraised value at the time of foreclosure or management's best estimate. The losses upon acquisition of REO, held-and-used, net, were (5)million. As part of management's periodic valuations of its REO, held-and-used, net, during the three months ended May 31, 2012, REO, held-and-used, net, with an aggregate value of \$3.3 million were written down to their fair value of \$2.6 million, resulting in impairments of \$0.7 million. These losses and impairments are included within Rialto Investments other income (expense), net in the Company's statement of operations for the three months ended May 31, 2012.

|                                                 | Fair Value Hierarchy | Fair Value Three Months Ended May 31, 2011 | Total Gains (Losses) (1) |
|-------------------------------------------------|----------------------|--------------------------------------------|--------------------------|
| Non-financial assets                            |                      |                                            |                          |
| (In thousands)                                  |                      |                                            |                          |
| Lennar Homebuilding:                            |                      |                                            |                          |
| Finished homes and construction in progress (2) | Level 3              | \$2,718                                    | (3,328 )                 |
| Investments in unconsolidated entities (3)      | Level 3              | \$29,682                                   | (150 )                   |
| Rialto Investments:                             |                      |                                            |                          |
| REO - held-for-sale (4)                         | Level 3              | \$94,568                                   | 17,550                   |
| REO - held-and-used, net (5)                    | Level 3              | \$1,391                                    | 381                      |

(1) Represents total losses due to valuation adjustments and total gains from acquisitions of real estate through foreclosure recorded during the three months ended May 31, 2011.

Finished homes and construction in progress with an aggregate carrying value of \$6.0 million were written down to their fair value of \$2.7 million, resulting in valuation adjustments of \$3.3 million, which were included in Lennar Homebuilding costs and expenses in the Company's statement of operations for the three months ended May 31, 2011.

Lennar Homebuilding investments in unconsolidated entities with an aggregate carrying value of \$29.9 million were written down to their fair value of \$29.7 million, resulting in valuation adjustments of \$0.2 million, which were included in Lennar Homebuilding other income, net in the Company's statement of operations for the three months ended May 31, 2011.

REO, held-for-sale, assets are initially recorded at fair value less estimated costs to sell at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-for-sale, had a carrying value of \$77.0 million and a fair value of \$94.6 million. The fair value of REO, held-for-sale, is based upon the appraised value at the time of foreclosure or management's best estimate. The gains upon acquisition of REO, held-for-sale, were \$17.6 million and are included within Rialto Investments other income (expense), net in the Company's statement of operations for the three months ended May 31, 2011.

(5)REO, held-and-used, net, assets are initially recorded at fair value at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-and-used, net, had a carrying value of \$1.0 million and a fair



value of \$1.4 million. The fair value of REO, held-and-used, net, is based upon the appraised value at the time of foreclosure or management's best estimate. The gains upon acquisition of REO, held-and-used, net, were \$0.4 million and are included within Rialto Investments other income (expense), net in the Company's statement of operations for the three months ended May 31, 2011.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Fair Value Hierarchy | Fair Value Six Months Ended May 31, 2012 | Total Gains (Losses) (1) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------|--------------------------|
| Non-financial assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                                          |                          |
| (In thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                      |                                          |                          |
| Lennar Homebuilding:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                                          |                          |
| Finished homes and construction in progress (2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Level 3              | \$2,761                                  | (4,429 )                 |
| Land and land under development (3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Level 3              | \$13,318                                 | (332 )                   |
| Rialto Investments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                      |                                          |                          |
| REO - held-for-sale (4)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Level 3              | \$13,866                                 | (2,188 )                 |
| REO - held-and-used, net (5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Level 3              | \$120,373                                | 955                      |
| <p>(1) Represents total losses due to valuation adjustments and impairments, and total gains from acquisitions of real estate through foreclosure recorded during the six months ended May 31, 2012.</p> <p>Finished homes and construction in progress with an aggregate carrying value of \$7.2 million were written down to their fair value of \$2.8 million, resulting in valuation adjustments of \$4.4 million, which were included in Lennar Homebuilding costs and expenses in the Company's statement of operations for the six months ended May 31, 2012.</p> <p>Land and land under development with an aggregate carrying value of \$13.6 million were written down to their fair value of \$13.3 million, resulting in valuation adjustments of (\$0.3) million, which were included in Lennar Homebuilding costs and expenses in the Company's statement of operations for the six months ended May 31, 2012.</p> <p>REO, held-for-sale, assets are initially recorded at fair value less estimated costs to sell at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-for-sale, had a carrying value of \$2.0 million and a fair value of \$1.4 million. The fair value of REO, held-for-sale, is based upon the appraised value at the time of foreclosure or management's best estimate. The losses upon acquisition of REO, held-for-sale, were (\$0.6) million. As part of management's periodic valuations of its REO, held-for-sale, during the six months ended May 31, 2012, REO, held-for-sale, with an aggregate value of \$14.1 million were written down to their fair value of \$12.5 million, resulting in impairments of \$1.6 million. These losses and impairments are included within Rialto Investments other income (expense), net in the Company's statement of operations for the six months ended May 31, 2012.</p> <p>REO, held-and-used, net, assets are initially recorded at fair value at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-and-used, net, had a carrying value of \$105.4 million and a fair value of \$109.7 million. The fair value of REO, held-and-used, net, is based upon the appraised value at the time of foreclosure or management's best estimate. The gains upon acquisition of REO, held-and-used, net, were \$4.3 million. As part of management's periodic valuations of its REO, held-and-used, net, during the six months ended May 31, 2012, REO, held-and-used, net, with an aggregate value of \$14.0 million were written down to their fair value of \$10.7 million, resulting in impairments of \$3.3 million. These gains and impairments are included within Rialto Investments other income (expense), net in the Company's statement of operations for the six months ended May 31, 2012.</p> |                      |                                          |                          |

|                                                 | Fair Value Hierarchy | Fair Value Six Months Ended May 31, 2011 | Total Gains (Losses) (1) |
|-------------------------------------------------|----------------------|------------------------------------------|--------------------------|
| Non-financial assets                            |                      |                                          |                          |
| (In thousands)                                  |                      |                                          |                          |
| Lennar Homebuilding:                            |                      |                                          |                          |
| Finished homes and construction in progress (2) | Level 3              | \$7,050                                  | (8,140 )                 |
| Investments in unconsolidated entities (3)      | Level 3              | \$30,211                                 | (8,412 )                 |

Rialto Investments:

|                              |         |           |        |
|------------------------------|---------|-----------|--------|
| REO - held-for-sale (4)      | Level 3 | \$280,209 | 34,490 |
| REO - held-and-used, net (5) | Level 3 | \$8,734   | 550    |

(1) Represents total losses due to valuation adjustments and total gains from acquisitions of real estate through foreclosure recorded during the six months ended May 31, 2011.

Finished homes and construction in progress with an aggregate carrying value of \$15.2 million were written down to their fair value of \$7.1 million, resulting in valuation adjustments of \$8.1 million, which were included in Lennar Homebuilding costs and expenses in the Company's statement of operations for the three months ended May 31, 2011.

(2) Lennar Homebuilding investments in unconsolidated entities with an aggregate carrying value of \$38.6 million were written down to their fair value of \$30.2 million, resulting in valuation adjustments \$8.4 million, which were included in Lennar Homebuilding other income, net in the Company's statement of operations for the six months ended May 31, 2011.

REO, held-for-sale, assets are initially recorded at fair value less estimated costs to sell at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-for-sale, had a carrying value of \$245.7 million and a fair value of \$280.2 million. The fair value of REO, held-for-sale, is based upon the appraised value at the time of foreclosure or management's best estimate. The gains upon acquisition of REO, held-for-sale, were \$34.5 million and are included within Rialto Investments other income (expense), net in the Company's statement of operations for the six months ended May 31, 2011.

REO, held-and-used, net, assets are initially recorded at fair value at the time of acquisition through, or in lieu of, loan foreclosure. Upon acquisition, the REO, held-and-used, net, had a carrying value of \$8.1 million and a fair value of \$8.7 million. The fair value of REO, held-and-used, net, is based upon the appraised value at the time of foreclosure or management's best estimate. The gains upon acquisition of REO, held-and-used, net, were \$0.6 million and are included within Rialto Investments other income (expense), net in the Company's statement of operations for the six months ended May 31, 2011.

Finished homes and construction in progress are included within inventories. Inventories are stated at cost unless the inventory within a community is determined to be impaired, in which case the impaired inventory is written down to fair value. Inventory costs include land, land development and home construction costs, real estate taxes, deposits on land purchase contracts and interest related to development and construction. Construction overhead and selling expenses are expensed as incurred. Homes held-for-sale are classified as inventories until delivered. Land, land development, amenities and other costs are accumulated by specific area and allocated to homes within the respective areas. The Company reviews its inventory for indicators of impairment by evaluating each community during each reporting period. The inventory within each community is categorized as finished homes and construction in progress or land under development based on the development state of the community. There were 438 and 449 active communities as of May 31, 2012 and 2011, respectively. If the undiscounted cash flows expected to be generated by a community are less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such community to its estimated fair value.

In conducting its review for indicators of impairment on a community level, the Company evaluates, among other things, the margins on homes that have been delivered, margins on homes under sales contracts in backlog, projected margins with regard to future home sales over the life of the community, projected margins with regard to future land sales and the estimated fair value of the land itself. The Company pays particular attention to communities in which inventory is moving at a slower than anticipated absorption pace and communities whose average sales price and/or margins are trending downward and are anticipated to continue to trend downward. From this review, the Company identifies communities whose carrying values exceed their undiscounted cash flows.

The Company estimates the fair value of its communities using a discounted cash flow model. The projected cash flows for each community are significantly impacted by estimates related to market supply and demand, product type by community, homesite sizes, sales pace, sales prices, sales incentives, construction costs, sales and marketing expenses, the local economy, competitive conditions, labor costs, costs of materials and other factors for that particular community. Every division evaluates the historical performance of each of its communities as well as current trends in the market and economy impacting the community and its surrounding areas. These trends are analyzed for each of the estimates listed above. For example, since the start of the downturn in the housing market, the Company has found ways to reduce its construction costs in many communities, and this reduction in construction costs in addition to change in product type in many communities has impacted future estimated cash flows.

Each of the homebuilding markets in which the Company operates is unique, as homebuilding has historically been a local business driven by local market conditions and demographics. Each of the Company's homebuilding markets has specific supply and demand relationships reflective of local economic conditions. The Company's projected cash flows are impacted by many assumptions. Some of the most critical assumptions in the Company's cash flow model are projected absorption pace for home sales, sales prices and costs to build and deliver homes on a community by community basis.

In order to arrive at the assumed absorption pace for home sales included in the Company's cash flow model, the Company analyzes its historical absorption pace in the community as well as other comparable communities in the geographical area. In addition, the Company considers internal and external market studies and trends, which

generally include, but are not limited to, statistics on population demographics, unemployment rates and availability of competing product in the geographic area where the community is located. When analyzing the Company's historical absorption pace for home sales and corresponding internal and external market studies, the Company places greater emphasis on more current metrics and trends such as the absorption pace realized in its most recent quarters as well as forecasted population demographics, unemployment rates and availability of competing product. Generally, if the Company notices a variation from historical results over a span of two fiscal quarters, the Company considers such variation to be the establishment of a trend and adjusts its historical information accordingly in order to develop assumptions on the projected absorption pace in the cash flow model for a community.

In order to determine the assumed sales prices included in its cash flow models, the Company analyzes the historical sales prices realized on homes it delivered in the community and other comparable communities in the geographical area as well as the sales prices included in its current backlog for such communities. In addition, the Company considers internal and external market studies and trends, which generally include, but are not limited to, statistics on sales prices in neighboring communities and sales prices on similar products in non-neighboring communities in the geographic area where the community is located. When analyzing its historical sales prices and corresponding market studies, the Company also places greater emphasis on more current metrics and trends such as future forecasted sales prices in neighboring communities as well as future forecasted sales prices for similar products in non-neighboring communities. Generally, if the Company notices a variation from historical results over a span of two fiscal quarters, the Company considers such variation to be the establishment of a trend and adjusts its historical information accordingly in order to develop assumptions on the projected sales prices in the cash flow model for a community.

In order to arrive at the Company's assumed costs to build and deliver homes, the Company generally assumes a cost structure reflecting contracts currently in place with its vendors adjusted for any anticipated cost reduction initiatives or increases in cost structure. Costs assumed in the cash flow model for the Company's communities are generally based on the rates the Company is currently obligated to pay under existing contracts with its vendors adjusted for any anticipated cost reduction initiatives or increases in cost structure.

Since the estimates and assumptions included in the Company's cash flow models are based upon historical results and projected trends, they do not anticipate unexpected changes in market conditions or strategies that may lead the Company to incur additional impairment charges in the future.

Using all available information, the Company calculates its best estimate of projected cash flows for each community. While many of the estimates are calculated based on historical and projected trends, all estimates are subjective and change from market to market and community to community as market and economic conditions change. The determination of fair value also requires discounting the estimated cash flows at a rate the Company believes a market participant would determine to be commensurate with the inherent risks associated with the assets and related estimated cash flow streams. The discount rate used in determining each asset's fair value depends on the community's projected life and development stage. The Company generally uses a discount rate of approximately 20%, subject to the perceived risks associated with the community's cash flow streams relative to its inventory.

The Company estimates the fair value of inventory evaluated for impairment based on market conditions and assumptions made by management at the time the inventory is evaluated, which may differ materially from actual results if market conditions or assumptions change. For example, further market deterioration or changes in assumptions may lead to the Company incurring additional impairment charges on previously impaired inventory, as well as on inventory not currently impaired but for which indicators of impairment may arise if further market deterioration occurs.

In the six months ended May 31, 2012, the Company reviewed each of its homebuilding communities for potential indicators and performed detailed impairment calculations on 13 communities. The table below summarizes the most significant unobservable inputs used in the Company's discounted cash flow model to determine the fair value of its communities for which the Company recorded valuation adjustments during the six months ended May 31, 2012:

| Unobservable inputs                 | Range                |
|-------------------------------------|----------------------|
| Average selling price               | \$83,000 - \$310,000 |
| Absorption rate per quarter (homes) | 1 - 13               |
| Discount rate                       | 20 %- 20%            |

The Company evaluates its investments in unconsolidated entities for indicators of impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in value of the Company's investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value.

The evaluation of the Company's investment in unconsolidated entities includes certain critical assumptions made by management: (1) projected future distributions from the unconsolidated entities, (2) discount rates applied to the future distributions and (3) various other factors.

The Company's assumptions on the projected future distributions from the unconsolidated entities are dependent on market conditions. Specifically, distributions are dependent on cash to be generated from the sale of inventory by the unconsolidated entities. Such inventory is also reviewed for potential impairment by the unconsolidated entities. The unconsolidated entities generally use a discount rate of approximately 20% in their reviews for impairment, subject to the

perceived risks associated with the community's cash flow streams relative to its inventory. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, the Company's proportionate share is reflected in the Company's homebuilding equity in earnings (loss) from unconsolidated entities with a corresponding decrease to its investment in unconsolidated entities. In certain instances, the Company may be required to record additional losses relating to its investment in unconsolidated entities, if the Company's investment in the unconsolidated entity, or a portion thereof, is deemed to be other than temporarily impaired. These losses are included in Lennar Homebuilding other income, net.

Additionally, the Company considers various qualitative factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include age of the venture, intent and ability for the Company to recover its investment in the entity, financial condition and long-term prospects of the entity, short-term liquidity needs of the unconsolidated entity, trends in the general economic environment of the land, entitlement status of the land held by the unconsolidated entity, overall projected returns on investment, defaults under contracts with third parties (including bank debt), recoverability of the investment through future cash flows and relationships with the other partners and banks. If the Company believes that the decline in the fair value of the investment is temporary, then no impairment is recorded.

REO represents real estate that the Rialto segment has taken control or has effective control of in partial or full satisfaction of loans receivable. At the time of acquisition of a property through foreclosure of a loan, REO is recorded at fair value less estimated costs to sell if classified as held-for-sale or at fair value if classified as held-and-used, which becomes the property's new basis. The fair values of these assets are determined in part by placing reliance on third party appraisals of the properties and/or internally prepared analyses of recent offers or prices on comparable properties in the proximate vicinity. The third party appraisals and internally developed analyses are significantly impacted by the local market economy, market supply and demand, competitive conditions and prices on comparable properties, adjusted for date of sale, location, property size, and other factors. Each REO is unique and is analyzed in the context of the particular market where the property is located. In order to establish the significant assumptions for a particular REO, the Company analyzes historical trends, including trends achieved by our local homebuilding operations, if applicable, and current trends in the market and economy impacting the REO. Using available trend information, the Company then calculates its best estimate of fair value, which can include projected cash flows discounted at a rate the Company believes a market participant would determine to be commensurate with the inherent risks associated with the assets and related estimated cash flow streams. These methods use unobservable inputs to develop fair value for the Company's REO. Due to the volume and variance of unobservable inputs, resulting from the uniqueness of each of the Company's REO, the Company does not use a standard range of unobservable inputs with respect to its evaluation of REO. However, for operating properties within REO, the Company may also use estimated cash flows multiplied by a capitalization rate to determine the fair value of the property. For the three and six months ended May 31, 2012, the capitalization rates used to estimate fair value ranged from 6% to 13% and varied based on the location of the asset, asset type and occupancy rates for the operating properties.

Changes in economic factors, consumer demand and market conditions, among other things, could materially impact estimates used in the third party appraisals and/or internally prepared analyses of recent offers or prices on comparable properties. Thus, estimates can differ significantly from the amounts ultimately realized by the Rialto segment from disposition of these assets. The amount by which the recorded investment in the loan is less than the REO's fair value (net of estimated cost to sell if held-for-sale), is recorded as an unrealized gain on foreclosure in the Company's statement of operations. The amount by which the recorded investment in the loan is greater than the REO's fair value (net of estimated cost to sell if held-for-sale) is initially recorded as an impairment in the Company's statement of operations.

#### (15) Consolidation of Variable Interest Entities

GAAP requires the consolidation of VIEs in which an enterprise has a controlling financial interest. A controlling financial interest will have both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be



significant to the VIE.

The Company's variable interest in VIEs may be in the form of (1) equity ownership, (2) contracts to purchase assets, (3) management and development agreements between the Company and a VIE, (4) loans provided by the Company to a VIE or other partner and/or (5) guarantees provided by members to banks and other third parties. The Company examines specific criteria and uses its judgment when determining if the Company is the primary beneficiary of a VIE. Factors considered in determining whether the Company is the primary beneficiary include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE's executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality, if any, between the Company and the other partner(s) and contracts to purchase assets from VIEs.

Generally, all major decision making in the Company's joint ventures is shared between all partners. In particular,

business plans and budgets are generally required to be unanimously approved by all partners. Usually, management and other fees earned by the Company are nominal and believed to be at market and there is no significant economic disproportionality between the Company and other partners. Generally, the Company purchases less than a majority of the joint venture's assets and the purchase prices under the Company's option contracts are believed to be at market. Generally, Lennar Homebuilding unconsolidated entities become VIEs and consolidate when the other partner(s) lack the intent and financial wherewithal to remain in the entity. As a result, the Company continues to fund operations and debt paydowns through partner loans or substituted capital contributions.

The Company evaluated the joint venture agreements of its joint ventures that had reconsideration events during the six months ended May 31, 2012. Based on the Company's evaluation, it consolidated an entity within its Lennar Homebuilding segment that at May 31, 2012 had total assets of \$7.3 million and an immaterial amount of liabilities. In addition, during the six months ended May 31, 2012, there were no VIEs that were deconsolidated.

At May 31, 2012 and November 30, 2011, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were \$566.6 million and \$545.8 million, respectively, and the Rialto segment's investments in unconsolidated entities as of May 31, 2012 and November 30, 2011 were \$150.7 million and \$124.7 million, respectively.

#### Consolidated VIEs

As of May 31, 2012, the carrying amounts of the VIEs' assets and non-recourse liabilities that consolidated were \$2.1 billion and \$0.7 billion, respectively. Those assets are owned by, and those liabilities are obligations of, the VIEs, not the Company.

A VIE's assets can only be used to settle obligations of that VIE. The VIEs are not guarantors of Company's senior notes or other debts payable. In addition, the assets held by a VIE usually are collateral for that VIE's debt. The Company and other partners do not generally have an obligation to make capital contributions to a VIE unless the Company and/or the other partner(s) have entered into debt guarantees with a VIE's banks. Other than debt guarantee agreements with a VIE's banks, there are no liquidity arrangements or agreements to fund capital or purchase assets that could require the Company to provide financial support to a VIE. While the Company has option contracts to purchase land from certain of its VIEs, the Company is not required to purchase the assets and could walk away from the contracts.

#### Unconsolidated VIEs

The Company's recorded investment in VIEs that are unconsolidated and its estimated maximum exposure to loss were as follows:

As of May 31, 2012

| (In thousands)          | Investments in<br>Unconsolidated<br>VIEs | Lennar's<br>Maximum<br>Exposure<br>to Loss |
|-------------------------|------------------------------------------|--------------------------------------------|
| Lennar Homebuilding (1) | \$95,094                                 | 120,569                                    |
| Rialto Investments (2)  | 99,845                                   | 105,470                                    |
|                         | \$194,939                                | 226,039                                    |

As of November 30, 2011

| (In thousands)          | Investments in<br>Unconsolidated<br>VIEs | Lennar's<br>Maximum<br>Exposure<br>to Loss |
|-------------------------|------------------------------------------|--------------------------------------------|
| Lennar Homebuilding (1) | \$94,517                                 | 123,038                                    |
| Rialto Investments (2)  | 88,076                                   | 95,576                                     |
|                         | \$182,593                                | 218,614                                    |

(1) At both May 31, 2012 and November 30, 2011, the maximum exposure to loss of Lennar Homebuilding's investments in unconsolidated VIEs is limited to its investment in the unconsolidated VIEs, except with regard to \$25.4 million and \$28.3 million, respectively, of recourse debt of one of the unconsolidated VIEs, which is

included in the Company's maximum recourse related to Lennar Homebuilding unconsolidated entities.

(2) For Rialto's investment in unconsolidated VIEs, the Company made a \$75 million commitment to fund capital in the AB

PPIP fund. As of May 31, 2012, the Company had contributed \$69.4 million of the \$75.0 million commitment, and it cannot walk away from its remaining commitment to fund capital. As of November 30, 2011, the Company had contributed \$67.5 million of the \$75.0 million commitment, and it cannot walk away from its remaining commitment to fund capital. Therefore, as of May 31, 2012 and November 30, 2011, the maximum exposure to loss for Rialto's unconsolidated VIEs was higher than the carrying amount of its investments. In addition, at May 31, 2012 and November 30, 2011, investments in unconsolidated VIEs and Lennar's maximum exposure to loss include \$14.5 million and \$14.1 million, respectively, related to Rialto's investments held-to-maturity.

While these entities are VIEs, the Company has determined that the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance is generally shared. While the Company generally manages the day-to-day operations of the VIEs, each of these VIEs has an executive committee made up of representatives from each partner. The members of the executive committee have equal votes and major decisions require unanimous consent and approval from all members. The Company does not have the unilateral ability to exercise participating voting rights without partner consent. Furthermore, the Company's economic interest is not significantly disproportionate to the point where it would indicate that the Company has the power to direct these activities.

The Company and other partners do not generally have an obligation to make capital contributions to the VIEs, except for the Company's \$5.6 million remaining commitment to the AB PPIP fund as of May 31, 2012 and \$25.4 million of recourse debt of one of the Lennar Homebuilding unconsolidated VIEs. The Company and the other partners did not guarantee any debt of these unconsolidated VIEs. There are no liquidity arrangements or agreements to fund capital or purchase assets that could require the Company to provide financial support to the VIEs. While the Company has option contracts to purchase land from certain of its unconsolidated VIEs, the Company is not required to purchase the assets and could walk away from the contracts.

#### Option Contracts

The Company has access to land through option contracts, which generally enables it to control portions of properties owned by third parties (including land funds) and unconsolidated entities until the Company has determined whether to exercise the option.

A majority of the Company's option contracts require a non-refundable cash deposit or irrevocable letter of credit based on a percentage of the purchase price of the land. The Company's option contracts sometimes include price adjustment provisions, which adjust the purchase price of the land to its approximate fair value at the time of acquisition or are based on the fair value at the time of takedown.

The Company's investments in option contracts are recorded at cost unless those investments are determined to be impaired, in which case the Company's investments are written down to fair value. The Company reviews option contracts for indicators of impairment during each reporting period. The most significant indicator of impairment is a decline in the fair value of the optioned property such that the purchase and development of the optioned property would no longer meet the Company's targeted return on investment with appropriate consideration given to the length of time available to exercise the option. Such declines could be caused by a variety of factors including increased competition, decreases in demand or changes in local regulations that adversely impact the cost of development. Changes in any of these factors would cause the Company to re-evaluate the likelihood of exercising its land options. Some option contracts contain a predetermined take-down schedule for the optioned land parcels. However, in almost all instances, the Company is not required to purchase land in accordance with those take-down schedules. In substantially all instances, the Company has the right and ability to not exercise its option and forfeit its deposit without further penalty, other than termination of the option and loss of any unapplied portion of its deposit and pre-acquisition costs. Therefore, in substantially all instances, the Company does not consider the take-down price to be a firm contractual obligation.

When the Company does not intend to exercise an option, it writes off any unapplied deposit and pre-acquisition costs associated with the option contract.

The Company evaluates all option contracts for land to determine whether they are VIEs and, if so, whether the Company is the primary beneficiary of certain of these option contracts. Although the Company does not have legal title to the optioned land, if the Company is deemed to be the primary beneficiary, it is required to consolidate the land under option at the purchase price of the optioned land. During the six months ended May 31, 2012, the effect of

consolidation of these option contracts was a net increase of \$2.9 million to consolidated inventory not owned with a corresponding increase to liabilities related to consolidated inventory not owned in the accompanying condensed consolidated balance sheet as of May 31, 2012. To reflect the purchase price of the inventory consolidated, the Company reclassified the related option deposits from land under development to consolidated inventory not owned in the accompanying condensed consolidated balance sheet as of May 31, 2012. The liabilities related to consolidated inventory not owned primarily represent the difference between the option exercise prices for the optioned land and the Company's cash deposits. The increase to consolidated inventory not owned was offset by

the Company exercising its options to acquire land under certain contracts previously consolidated resulting in a net decrease in consolidated inventory not owned of \$23.1 million for the six months ended May 31, 2012.

The Company's exposure to loss related to its option contracts with third parties and unconsolidated entities consisted of its non-refundable option deposits and pre-acquisition costs totaling \$136.5 million and \$156.8 million, respectively, at May 31, 2012 and November 30, 2011. Additionally, the Company had posted \$43.4 million and \$44.1 million, respectively, of letters of credit in lieu of cash deposits under certain option contracts as of May 31, 2012 and November 30, 2011.

#### (16) New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, Improving Disclosures about Fair Value Measurements, ("ASU 2010-06"), which requires additional disclosures about transfers between Levels 1 and 2 of the fair value hierarchy and disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. The Company adopted ASU 2010-06 for its second quarter ended May 31, 2010, except for the Level 3 activity disclosures which were effective for the Company's fiscal year beginning December 1, 2011. The adoption of this ASU did not have a material effect on the Company's condensed consolidated financial statements, but did require additional disclosures.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, ("ASU 2011-04"). ASU 2011-04 amends ASC 820, Fair Value Measurements, ("ASC 820"), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. The company adopted ASU 2011-04 for its second quarter ended May 31, 2012. The adoption of ASU 2011-04 did not have a material effect on the Company's condensed consolidated financial statements, but did require additional disclosures.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, ("ASU 2011-05"). ASU 2011-05 requires the presentation of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. ASU 2011-05 will be effective for the Company's quarter ending February 28, 2013. The adoption of ASU 2011-05 is not expected to have a material effect on the Company's condensed consolidated financial statements, but will require a change in the presentation of the Company's comprehensive income from the notes of the consolidated financial statements, where it is currently disclosed, to the face of the condensed consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment, ("ASU 2011-08"), which amends the guidance in ASC 350-20, Intangibles – Goodwill and Other – Goodwill. Under ASU 2011-08, entities have the option of performing a qualitative assessment before calculating the fair value of the reporting unit when testing goodwill for impairment. If the fair value of the reporting unit is determined, based on qualitative factors, to be more likely than not less than the carrying amount of the reporting unit, then entities are required to perform the two-step goodwill impairment test. ASU 2011-08 will be effective for the Company's fiscal year beginning December 1, 2012, with early adoption permitted. The adoption of ASU 2011-08 is not expected to have a material effect on the Company's condensed consolidated financial statements.

## (17) Supplemental Financial Information

The indentures governing the principal amounts of the Company's 5.95% senior notes due 2013, 5.50% senior notes due 2014, 5.60% senior notes due 2015, 6.50% senior notes due 2016, 12.25% senior notes due 2017, 6.95% senior notes due 2018, 2.00% convertible senior notes due 2020, 2.75% convertible senior notes due 2020 and 3.25% convertible senior notes due 2021 require that, if any of the Company's wholly owned subsidiaries, other than its finance company subsidiaries and foreign subsidiaries, directly or indirectly guarantee at least \$75 million principal amount of debt of Lennar Corporation, those subsidiaries must also guarantee Lennar Corporation's obligations with regard to its senior notes. The entities referred to as "guarantors" in the following tables are subsidiaries that were guaranteeing the senior notes because they were guaranteeing the \$150 million LC Agreement, the \$200 million Letter of Credit Facility and the Credit Facility at May 31, 2012. Supplemental information for the guarantors is as follows:

Condensed Consolidating Balance Sheet  
May 31, 2012

| (In thousands)                                                  | Lennar Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total     |
|-----------------------------------------------------------------|--------------------|------------------------|----------------------------|--------------|-----------|
| <b>ASSETS</b>                                                   |                    |                        |                            |              |           |
| Lennar Homebuilding:                                            |                    |                        |                            |              |           |
| Cash and cash equivalents, restricted cash and receivables, net | \$535,090          | 160,239                | 25,255                     | —            | 720,584   |
| Inventories                                                     | —                  | 4,272,037              | 527,261                    | —            | 4,799,298 |
| Investments in unconsolidated entities                          | —                  | 522,729                | 43,847                     | —            | 566,576   |
| Other assets                                                    | 47,332             | 620,270                | 218,906                    | —            | 886,508   |
| Investments in subsidiaries                                     | 3,377,167          | 688,791                | —                          | (4,065,958 ) | —         |
|                                                                 | 3,959,589          | 6,264,066              | 815,269                    | (4,065,958 ) | 6,972,966 |
| Rialto Investments                                              | —                  | —                      | 1,748,827                  | —            | 1,748,827 |
| Lennar Financial Services                                       | —                  | 76,573                 | 552,843                    | —            | 629,416   |
| Total assets                                                    | \$3,959,589        | 6,340,639              | 3,116,939                  | (4,065,958 ) | 9,351,209 |
| <b>LIABILITIES AND EQUITY</b>                                   |                    |                        |                            |              |           |
| Lennar Homebuilding:                                            |                    |                        |                            |              |           |
| Accounts payable and other liabilities                          | \$242,398          | 487,470                | 25,928                     | —            | 755,796   |
| Liabilities related to consolidated inventory not owned         | —                  | 302,853                | —                          | —            | 302,853   |
| Senior notes and other debts payable                            | 2,980,349          | 267,784                | 221,483                    | —            | 3,469,616 |
| Intercompany                                                    | (2,440,536 )       | 1,876,739              | 563,797                    | —            | —         |
|                                                                 | 782,211            | 2,934,846              | 811,208                    | —            | 4,528,265 |
| Rialto Investments                                              | —                  | —                      | 612,598                    | —            | 612,598   |
| Lennar Financial Services                                       | —                  | 28,626                 | 401,812                    | —            | 430,438   |
| Total liabilities                                               | 782,211            | 2,963,472              | 1,825,618                  | —            | 5,571,301 |
| Stockholders' equity                                            | 3,177,378          | 3,377,167              | 688,791                    | (4,065,958 ) | 3,177,378 |
| Noncontrolling interests                                        | —                  | —                      | 602,530                    | —            | 602,530   |
| Total equity                                                    | 3,177,378          | 3,377,167              | 1,291,321                  | (4,065,958 ) | 3,779,908 |
| Total liabilities and equity                                    | \$3,959,589        | 6,340,639              | 3,116,939                  | (4,065,958 ) | 9,351,209 |

## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Balance Sheet

November 30, 2011

| (In thousands)                                                  | Lennar Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total     |
|-----------------------------------------------------------------|--------------------|------------------------|----------------------------|--------------|-----------|
| <b>ASSETS</b>                                                   |                    |                        |                            |              |           |
| Lennar Homebuilding:                                            |                    |                        |                            |              |           |
| Cash and cash equivalents, restricted cash and receivables, net | \$871,376          | 190,483                | 24,920                     | —            | 1,086,779 |
| Inventories                                                     | —                  | 3,822,009              | 538,526                    | —            | 4,360,535 |
| Investments in unconsolidated entities                          | —                  | 502,363                | 43,397                     | —            | 545,760   |
| Other assets                                                    | 35,722             | 269,392                | 219,580                    | —            | 524,694   |
| Investments in subsidiaries                                     | 3,368,336          | 611,311                | —                          | (3,979,647 ) | —         |
|                                                                 | 4,275,434          | 5,395,558              | 826,423                    | (3,979,647 ) | 6,517,768 |
| Rialto Investments                                              | —                  | —                      | 1,897,148                  | —            | 1,897,148 |
| Lennar Financial Services                                       | —                  | 149,842                | 589,913                    | —            | 739,755   |
| Total assets                                                    | \$4,275,434        | 5,545,400              | 3,313,484                  | (3,979,647 ) | 9,154,671 |
| <b>LIABILITIES AND EQUITY</b>                                   |                    |                        |                            |              |           |
| Lennar Homebuilding:                                            |                    |                        |                            |              |           |
| Accounts payable and other liabilities                          | \$290,337          | 483,590                | 29,405                     | —            | 803,332   |
| Liabilities related to consolidated inventory not owned         | —                  | 326,200                | —                          | —            | 326,200   |
| Senior notes and other debts payable                            | 2,922,855          | 215,840                | 224,064                    | —            | 3,362,759 |
| Intercompany                                                    | (1,634,226 )       | 1,105,872              | 528,354                    | —            | —         |
|                                                                 | 1,578,966          | 2,131,502              | 781,823                    | —            | 4,492,291 |
| Rialto Investments                                              | —                  | —                      | 796,120                    | —            | 796,120   |
| Lennar Financial Services                                       | —                  | 45,562                 | 517,173                    | —            | 562,735   |
| Total liabilities                                               | 1,578,966          | 2,177,064              | 2,095,116                  | —            | 5,851,146 |
| Stockholders' equity                                            | 2,696,468          | 3,368,336              | 611,311                    | (3,979,647 ) | 2,696,468 |
| Noncontrolling interests                                        | —                  | —                      | 607,057                    | —            | 607,057   |
| Total equity                                                    | 2,696,468          | 3,368,336              | 1,218,368                  | (3,979,647 ) | 3,303,525 |
| Total liabilities and equity                                    | \$4,275,434        | 5,545,400              | 3,313,484                  | (3,979,647 ) | 9,154,671 |



## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Statement of Operations

Three Months Ended May 31, 2012

| (In thousands)                                                                 | Lennar<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total     |
|--------------------------------------------------------------------------------|-----------------------|---------------------------|-------------------------------|--------------|-----------|
| Revenues:                                                                      |                       |                           |                               |              |           |
| Lennar Homebuilding                                                            | \$—                   | 808,088                   | —                             | —            | 808,088   |
| Lennar Financial Services                                                      | —                     | 35,965                    | 57,080                        | (4,450 )     | 88,595    |
| Rialto Investments                                                             | —                     | —                         | 33,472                        | —            | 33,472    |
| Total revenues                                                                 | —                     | 844,053                   | 90,552                        | (4,450 )     | 930,155   |
| Cost and expenses:                                                             |                       |                           |                               |              |           |
| Lennar Homebuilding                                                            | —                     | 726,156                   | 3,479                         | 2,207        | 731,842   |
| Lennar Financial Services                                                      | —                     | 35,479                    | 41,411                        | (6,275 )     | 70,615    |
| Rialto Investments                                                             | —                     | (78 )                     | 30,198                        | 78           | 30,198    |
| Corporate general and administrative                                           | 27,980                | —                         | —                             | 1,188        | 29,168    |
| Total costs and expenses                                                       | 27,980                | 761,557                   | 75,088                        | (2,802 )     | 861,823   |
| Lennar Homebuilding equity in loss from unconsolidated entities                | —                     | (9,186 )                  | (195 )                        | —            | (9,381 )  |
| Lennar Homebuilding other income (expense), net                                | (205 )                | 12,767                    | —                             | 196          | 12,758    |
| Other interest expense                                                         | (1,452 )              | (23,803 )                 | —                             | 1,452        | (23,803 ) |
| Rialto Investments equity in earnings from unconsolidated entities             | —                     | —                         | 5,569                         | —            | 5,569     |
| Rialto Investments other expense, net                                          | —                     | —                         | (1,372 )                      | —            | (1,372 )  |
| Earnings (loss) before income taxes                                            | (29,637 )             | 62,274                    | 19,466                        | —            | 52,103    |
| Benefit (provision) for income taxes                                           | (1,848 )              | 411,101                   | (6,932 )                      | —            | 402,321   |
| Equity in earnings from subsidiaries                                           | 484,188               | 10,813                    | —                             | (495,001 )   | —         |
| Net earnings (including net earnings attributable to noncontrolling interests) | 452,703               | 484,188                   | 12,534                        | (495,001 )   | 454,424   |
| Less: Net earnings attributable to noncontrolling interests                    | —                     | —                         | 1,721                         | —            | 1,721     |
| Net earnings attributable to Lennar                                            | \$452,703             | 484,188                   | 10,813                        | (495,001 )   | 452,703   |

## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Statement of Operations

Three Months Ended May 31, 2011

| (In thousands)                                                                 | Lennar<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total    |
|--------------------------------------------------------------------------------|-----------------------|---------------------------|-------------------------------|--------------|----------|
| Revenues:                                                                      |                       |                           |                               |              |          |
| Lennar Homebuilding                                                            | \$—                   | 648,315                   | 14,161                        | —            | 662,476  |
| Lennar Financial Services                                                      | —                     | 32,701                    | 31,191                        | (4,470)      | 59,422   |
| Rialto Investments                                                             | —                     | —                         | 42,595                        | —            | 42,595   |
| Total revenues                                                                 | —                     | 681,016                   | 87,947                        | (4,470)      | 764,493  |
| Cost and expenses:                                                             |                       |                           |                               |              |          |
| Lennar Homebuilding                                                            | —                     | 614,224                   | 17,884                        | (1,397)      | 630,711  |
| Lennar Financial Services                                                      | —                     | 35,009                    | 24,420                        | (2,502)      | 56,927   |
| Rialto Investments                                                             | —                     | —                         | 32,273                        | —            | 32,273   |
| Corporate general and administrative                                           | 19,184                | —                         | —                             | 1,414        | 20,598   |
| Total costs and expenses                                                       | 19,184                | 649,233                   | 74,577                        | (2,485)      | 740,509  |
| Lennar Homebuilding equity in earnings (loss) from unconsolidated entities     | —                     | 2,629                     | (212)                         | —            | 2,417    |
| Lennar Homebuilding other income (expense), net                                | (522)                 | 9,501                     | —                             | 532          | 9,511    |
| Other interest expense                                                         | (1,453)               | (22,468)                  | —                             | 1,453        | (22,468) |
| Rialto Investments equity in loss from unconsolidated entities                 | —                     | —                         | (2,973)                       | —            | (2,973)  |
| Rialto Investments other income, net                                           | —                     | —                         | 15,329                        | —            | 15,329   |
| Earnings (loss) before income taxes                                            | (21,159)              | 21,445                    | 25,514                        | —            | 25,800   |
| Benefit (provision) for income taxes                                           | 10,598                | (6,759)                   | (4,792)                       | —            | (953)    |
| Equity in earnings from subsidiaries                                           | 24,346                | 9,660                     | —                             | (34,006)     | —        |
| Net earnings (including net earnings attributable to noncontrolling interests) | 13,785                | 24,346                    | 20,722                        | (34,006)     | 24,847   |
| Less: Net earnings attributable to noncontrolling interests                    | —                     | —                         | 11,062                        | —            | 11,062   |
| Net earnings attributable to Lennar                                            | \$13,785              | 24,346                    | 9,660                         | (34,006)     | 13,785   |

## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Statement of Operations

Six Months Ended May 31, 2012

|                                                                               | Lennar<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total       |
|-------------------------------------------------------------------------------|-----------------------|---------------------------|-------------------------------|--------------|-------------|
| Revenues:                                                                     |                       |                           |                               |              |             |
| Lennar Homebuilding                                                           | \$—                   | 1,432,116                 | 405                           | —            | 1,432,521   |
| Lennar Financial Services                                                     | —                     | 70,515                    | 95,062                        | (8,767)      | ) 156,810   |
| Rialto Investments                                                            | —                     | —                         | 65,680                        | —            | 65,680      |
| Total revenues                                                                | —                     | 1,502,631                 | 161,147                       | (8,767)      | ) 1,655,011 |
| Cost and expenses:                                                            |                       |                           |                               |              |             |
| Lennar Homebuilding                                                           | —                     | 1,306,666                 | 7,854                         | 2,067        | 1,316,587   |
| Lennar Financial Services                                                     | —                     | 70,445                    | 70,329                        | (10,194)     | ) 130,580   |
| Rialto Investments                                                            | —                     | —                         | 63,568                        | —            | 63,568      |
| Corporate general and administrative                                          | 53,479                | —                         | —                             | 2,531        | 56,010      |
| Total costs and expenses                                                      | 53,479                | 1,377,111                 | 141,751                       | (5,596)      | ) 1,566,745 |
| Lennar Homebuilding equity in loss from<br>unconsolidated entities            | —                     | (8,045)                   | ) (253)                       | ) —          | (8,298)     |
| Lennar Homebuilding other income<br>(expense), net                            | (282)                 | ) 16,825                  | —                             | 282          | 16,825      |
| Other interest expense                                                        | (2,889)               | ) (48,652)                | ) —                           | 2,889        | (48,652)    |
| Rialto Investments equity in earnings<br>from unconsolidated entities         | —                     | —                         | 24,027                        | —            | 24,027      |
| Rialto Investments other expense, net                                         | —                     | —                         | (13,612)                      | ) —          | (13,612)    |
| Earnings (loss) before income taxes                                           | (56,650)              | ) 85,648                  | 29,558                        | —            | 58,556      |
| Benefit (provision) for income taxes                                          | 10,761                | 405,067                   | (11,983)                      | ) —          | 403,845     |
| Equity in earnings from subsidiaries                                          | 513,560               | 22,845                    | —                             | (536,405)    | ) —         |
| Net earnings (including net loss<br>attributable to noncontrolling interests) | 467,671               | 513,560                   | 17,575                        | (536,405)    | ) 462,401   |
| Less: Net loss attributable to<br>noncontrolling interests                    | —                     | —                         | (5,270)                       | ) —          | (5,270)     |
| Net earnings attributable to Lennar                                           | \$467,671             | 513,560                   | 22,845                        | (536,405)    | ) 467,671   |

## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Statement of Operations

Six Months Ended May 31, 2011

|                                                                                   | Lennar<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total     |
|-----------------------------------------------------------------------------------|-----------------------|---------------------------|-------------------------------|--------------|-----------|
| Revenues:                                                                         |                       |                           |                               |              |           |
| Lennar Homebuilding                                                               | \$—                   | 1,107,272                 | 21,913                        | —            | 1,129,185 |
| Lennar Financial Services                                                         | —                     | 66,695                    | 69,556                        | (19,116 )    | 117,135   |
| Rialto Investments                                                                | —                     | —                         | 76,218                        | —            | 76,218    |
| Total revenues                                                                    | —                     | 1,173,967                 | 167,687                       | (19,116 )    | 1,322,538 |
| Cost and expenses:                                                                |                       |                           |                               |              |           |
| Lennar Homebuilding                                                               | —                     | 1,048,444                 | 33,519                        | (3,489 )     | 1,078,474 |
| Lennar Financial Services                                                         | —                     | 70,779                    | 56,757                        | (14,079 )    | 113,457   |
| Rialto Investments                                                                | —                     | —                         | 60,622                        | —            | 60,622    |
| Corporate general and administrative                                              | 41,415                | —                         | —                             | 2,535        | 43,950    |
| Total costs and expenses                                                          | 41,415                | 1,119,223                 | 150,898                       | (15,033 )    | 1,296,503 |
| Lennar Homebuilding equity in earnings<br>(loss) from unconsolidated entities     | —                     | 11,312                    | (234 )                        | —            | 11,078    |
| Lennar Homebuilding other income, net                                             | 9,154                 | 39,452                    | —                             | (9,135 )     | 39,471    |
| Other interest expense                                                            | (13,218 )             | (44,547 )                 | —                             | 13,218       | (44,547 ) |
| Rialto Investments equity in earnings<br>from unconsolidated entities             | —                     | —                         | 1,552                         | —            | 1,552     |
| Rialto Investments other income, net                                              | —                     | —                         | 28,532                        | —            | 28,532    |
| Earnings (loss) before income taxes                                               | (45,479 )             | 60,961                    | 46,639                        | —            | 62,121    |
| Benefit (provision) for income taxes                                              | 23,707                | (16,560 )                 | (5,695 )                      | —            | 1,452     |
| Equity in earnings from subsidiaries                                              | 62,963                | 18,562                    | —                             | (81,525 )    | —         |
| Net earnings (including net earnings<br>attributable to noncontrolling interests) | 41,191                | 62,963                    | 40,944                        | (81,525 )    | 63,573    |
| Less: Net earnings attributable to<br>noncontrolling interests                    | —                     | —                         | 22,382                        | —            | 22,382    |
| Net earnings attributable to Lennar                                               | \$41,191              | 62,963                    | 18,562                        | (81,525 )    | 41,191    |

## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Statement of Cash Flows

Six Months Ended May 31, 2012

| (In thousands)                                                                                                                                             | Lennar Corporation | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------|----------------------------|--------------|------------|
| Cash flows from operating activities:                                                                                                                      |                    |                        |                            |              |            |
| Net earnings (including net loss attributable to noncontrolling interests)                                                                                 | \$467,671          | 513,560                | 17,575                     | (536,405 )   | 462,401    |
| Adjustments to reconcile net earnings (including net loss attributable to noncontrolling interests) to net cash provided by (used in) operating activities | (24,046 )          | (1,234,944 )           | 46,377                     | 536,405      | (676,208 ) |
| Net cash provided by (used in) operating activities                                                                                                        | 443,625            | (721,384 )             | 63,952                     | —            | (213,807 ) |
| Cash flows from investing activities:                                                                                                                      |                    |                        |                            |              |            |
| Investments in and contributions to Lennar Homebuilding unconsolidated entities, net                                                                       | —                  | (22,873 )              | (790 )                     | —            | (23,663 )  |
| Investments in and contributions to Rialto Investments consolidated and unconsolidated entities, net                                                       | —                  | —                      | (5,875 )                   | —            | (5,875 )   |
| Decrease in Rialto Investments defeasance cash to retire notes payable                                                                                     | —                  | —                      | 80,721                     | —            | 80,721     |
| Receipts of principal payments on Rialto Investments loans receivable                                                                                      | —                  | —                      | 41,788                     | —            | 41,788     |
| Proceeds from sales of Rialto Investments real estate owned                                                                                                | —                  | —                      | 91,473                     | —            | 91,473     |
| Other                                                                                                                                                      | (208 )             | 466                    | (6,506 )                   | —            | (6,248 )   |
| Net cash provided by (used in) investing activities                                                                                                        | (208 )             | (22,407 )              | 200,811                    | —            | 178,196    |
| Cash flows from financing activities:                                                                                                                      |                    |                        |                            |              |            |
| Net repayments under Lennar Financial Services debt                                                                                                        | —                  | (79 )                  | (146,582 )                 | —            | (146,661 ) |
| Net proceeds from convertible senior notes                                                                                                                 | 48,965             | —                      | —                          | —            | 48,965     |
| Principal repayments on Rialto Investments notes payable                                                                                                   | —                  | —                      | (170,589 )                 | —            | (170,589 ) |
| Net repayments on other borrowings                                                                                                                         | —                  | (7,048 )               | (4,473 )                   | —            | (11,521 )  |
| Exercise of land option contracts from an unconsolidated land investment venture                                                                           | —                  | (16,490 )              | —                          | —            | (16,490 )  |
| Net receipts related to noncontrolling interests                                                                                                           | —                  | —                      | 743                        | —            | 743        |
| Common stock:                                                                                                                                              |                    |                        |                            |              |            |
| Issuances                                                                                                                                                  | 12,074             | —                      | —                          | —            | 12,074     |
| Dividends                                                                                                                                                  | (15,132 )          | —                      | —                          | —            | (15,132 )  |
| Intercompany                                                                                                                                               | (823,028 )         | 726,653                | 96,375                     | —            | —          |
| Net cash provided by (used in) financing activities                                                                                                        | (777,121 )         | 703,036                | (224,526 )                 | —            | (298,611 ) |
| Net increase (decrease) in cash and cash equivalents                                                                                                       | (333,704 )         | (40,755 )              | 40,237                     | —            | (334,222 ) |
|                                                                                                                                                            | 864,237            | 172,018                | 127,349                    | —            | 1,163,604  |

Cash and cash equivalents at beginning of  
period

|                                            |           |         |         |   |         |
|--------------------------------------------|-----------|---------|---------|---|---------|
| Cash and cash equivalents at end of period | \$530,533 | 131,263 | 167,586 | — | 829,382 |
|--------------------------------------------|-----------|---------|---------|---|---------|

## (17) Supplemental Financial Information – (Continued)

## Condensed Consolidating Statement of Cash Flows

Six Months Ended May 31, 2011

| (In thousands)                                                                                                                                                 | Lennar<br>Corporation | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------|-------------------------------|--------------|------------|
| Cash flows from operating activities:                                                                                                                          |                       |                           |                               |              |            |
| Net earnings (including net earnings attributable to noncontrolling interests)                                                                                 | \$41,191              | 62,963                    | 40,944                        | (81,525 )    | 63,573     |
| Adjustments to reconcile net earnings (including net earnings attributable to noncontrolling interests) to net cash provided by (used in) operating activities | 44,403                | (244,590 )                | 59,698                        | 81,525       | (58,964 )  |
| Net cash provided by (used in) operating activities                                                                                                            | 85,594                | (181,627 )                | 100,642                       | —            | 4,609      |
| Cash flows from investing activities:                                                                                                                          |                       |                           |                               |              |            |
| Investments in and contributions to Lennar Homebuilding unconsolidated entities, net                                                                           | —                     | (59,659 )                 | (2,401 )                      | —            | (62,060 )  |
| Investments in and contributions to Rialto Investments consolidated and unconsolidated entities, net                                                           | —                     | —                         | (29,708 )                     | —            | (29,708 )  |
| Increase in Rialto Investments defeasance cash to retire notes payable                                                                                         | —                     | —                         | (58,300 )                     | —            | (58,300 )  |
| Receipts of principal payments on Rialto Investments loans receivable                                                                                          | —                     | —                         | 38,079                        | —            | 38,079     |
| Proceeds from sales of Rialto Investments real estate owned                                                                                                    | —                     | —                         | 20,851                        | —            | 20,851     |
| Other                                                                                                                                                          | —                     | (919 )                    | (3,507 )                      | —            | (4,426 )   |
| Net cash used in investing activities                                                                                                                          | —                     | (60,578 )                 | (34,986 )                     | —            | (95,564 )  |
| Cash flows from financing activities:                                                                                                                          |                       |                           |                               |              |            |
| Net repayments under Lennar Financial Services debt                                                                                                            | —                     | (9 )                      | (82,166 )                     | —            | (82,175 )  |
| Net repayments on other borrowings                                                                                                                             | —                     | (36,157 )                 | (25,346 )                     | —            | (61,503 )  |
| Exercise of land option contracts from an unconsolidated land investment venture                                                                               | —                     | (17,264 )                 | —                             | —            | (17,264 )  |
| Net payments related to noncontrolling interests                                                                                                               | —                     | —                         | (942 )                        | —            | (942 )     |
| Excess tax benefits from share-based awards                                                                                                                    | 261                   | —                         | —                             | —            | 261        |
| Common stock:                                                                                                                                                  |                       |                           |                               |              |            |
| Issuances                                                                                                                                                      | 4,853                 | —                         | —                             | —            | 4,853      |
| Repurchases                                                                                                                                                    | (10 )                 | —                         | —                             | —            | (10 )      |
| Dividends                                                                                                                                                      | (14,946 )             | —                         | —                             | —            | (14,946 )  |
| Intercompany                                                                                                                                                   | (340,143 )            | 290,384                   | 49,759                        | —            | —          |
| Net cash provided by (used in) financing activities                                                                                                            | (349,985 )            | 236,954                   | (58,695 )                     | —            | (171,726 ) |
| Net increase (decrease) in cash and cash equivalents                                                                                                           | (264,391 )            | (5,251 )                  | 6,961                         | —            | (262,681 ) |
| Cash and cash equivalents at beginning of period                                                                                                               | 1,071,542             | 179,215                   | 143,378                       | —            | 1,394,135  |

|                                            |           |         |         |   |           |
|--------------------------------------------|-----------|---------|---------|---|-----------|
| Cash and cash equivalents at end of period | \$807,151 | 173,964 | 150,339 | — | 1,131,454 |
|--------------------------------------------|-----------|---------|---------|---|-----------|



## Item 2. 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 our unaudited condensed consolidated financial statements and accompanying notes included under Item 1 of this Report and our audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for our fiscal year ended November 30, 2011.

Some of the statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this Quarterly Report on Form 10-Q, are "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements may 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" included in Item 1A of our Annual Report on Form 10-K for our fiscal year ended November 30, 2011. We do not undertake any obligation to update forward-looking statements, except as required by Federal securities laws.

### Outlook

Our diluted earnings per share of \$2.06 during the second quarter of 2012, consisting of \$0.21 per share related to our improving fundamental business and \$1.85 per share related to the partial reversal of the valuation allowance against our deferred tax assets, marks our ninth consecutive quarter of earnings. The partial reversal of the valuation allowance against our deferred tax assets was supported by our consistent earnings, the expectation of continued earnings and the housing recovery we are experiencing in our markets.

Our continued effort to manage our homebuilding business carefully with tight controls over our costs and an intense focus on improving our gross margins, along with the ability to increase sales per community, raise prices and lower incentives, has resulted in our highest operating margins since our second quarter of 2006. Although conservative lending practices and challenging appraisals continue to exist in the marketplace, our company is experiencing net positive price and volume trends in most of our markets. This was evidenced during our second quarter of 2012, as deliveries increased 20%, new orders increased 40%, backlog increased 61% and our operating margins increased over 100% to 9.2% compared to last year.

As we look forward, the combination of low home prices and low interest rates continues to make the decision to purchase a new home more attractive for consumers than the heated rental market. As a company, we will continue to focus our strategy on making carefully underwritten strategic asset acquisitions in well-positioned markets in order to maximize our operating leverage as demand for new homes grows. In addition, we expect our financial services segment to continue to leverage our core homebuilding business and our Rialto Investment segment to be a contributor of cash and source of valuable homebuilding land deals for our company.

Our strong balance and liquidity, which was enhanced this quarter by our new \$525 million unsecured revolving credit facility, puts us in an excellent position to capitalize on opportunities as we believe that the strategic investments we have made in all of our segments position us well for a third consecutive profitable year in 2012.

## (1) Results of Operations

## Overview

We historically have experienced, and expect to continue to experience, variability in quarterly results. Our results of operations for the three and six months ended May 31, 2012 are not necessarily indicative of the results to be expected for the full year.

Our net earnings attributable to Lennar were \$452.7 million, or \$2.39 per basic and \$2.06 per diluted share, in the second quarter of 2012, which included a partial reversal of our deferred tax asset valuation allowance of \$403.0 million, or \$1.85 per diluted share, compared to net earnings attributable to Lennar of \$13.8 million, or \$0.07 per basic and diluted share, in the second quarter of 2011. Our net earnings attributable to Lennar were \$467.7 million, or \$2.47 per basic and \$2.16 per diluted share, in the six months ended May 31, 2012, compared to \$41.2 million, or \$0.22 per basic and diluted share, which included \$37.5 million, or \$0.19 per diluted share, related to the receipt of a non-recurring litigation settlement. During both the three and six months ended May 31, 2012, there was an increase in operating earnings primarily due to an increase in the number of home deliveries and in the average sales price of homes delivered in our homebuilding operations. In addition, there was an increase in the operating earnings of our Lennar Financial Services segment primarily due to increased volume, partially offset by a decrease in the operating earnings of our Rialto segment.

Financial information relating to our operations was as follows:

| (In thousands)                                                             | Three Months Ended |            | Six Months Ended |             |
|----------------------------------------------------------------------------|--------------------|------------|------------------|-------------|
|                                                                            | May 31,<br>2012    | 2011       | May 31,<br>2012  | 2011        |
| Lennar Homebuilding revenues:                                              |                    |            |                  |             |
| Sales of homes                                                             | \$796,445          | 649,782    | \$1,407,145      | \$1,107,651 |
| Sales of land                                                              | 11,643             | 12,694     | 25,376           | 21,534      |
| Total Lennar Homebuilding revenues                                         | 808,088            | 662,476    | 1,432,521        | 1,129,185   |
| Lennar Homebuilding costs and expenses:                                    |                    |            |                  |             |
| Costs of homes sold                                                        | 617,495            | 524,036    | 1,100,317        | 890,235     |
| Cost of land sold                                                          | 8,959              | 9,793      | 19,795           | 16,182      |
| Selling, general and administrative                                        | 105,388            | 96,882     | 196,475          | 172,057     |
| Total Lennar Homebuilding costs and expenses                               | 731,842            | 630,711    | 1,316,587        | 1,078,474   |
| Lennar Homebuilding operating margins                                      | 76,246             | 31,765     | 115,934          | 50,711      |
| Lennar Homebuilding equity in earnings (loss) from unconsolidated entities | (9,381)            | ) 2,417    | (8,298)          | ) 11,078    |
| Lennar Homebuilding other income, net                                      | 12,758             | 9,511      | 16,825           | 39,471      |
| Other interest expense                                                     | (23,803)           | ) (22,468) | ) (48,652)       | ) (44,547)  |
| Lennar Homebuilding operating earnings                                     | \$55,820           | 21,225     | 75,809           | 56,713      |
| Lennar Financial Services revenues                                         | \$88,595           | 59,422     | 156,810          | 117,135     |
| Lennar Financial Services costs and expenses                               | 70,615             | 56,927     | 130,580          | 113,457     |
| Lennar Financial Services operating earnings                               | \$17,980           | 2,495      | 26,230           | 3,678       |
| Rialto Investments revenues                                                | \$33,472           | 42,595     | 65,680           | 76,218      |
| Rialto Investments costs and expenses                                      | 30,198             | 32,273     | 63,568           | 60,622      |
| Rialto Investments equity in earnings (loss) from unconsolidated entities  | 5,569              | (2,973)    | ) 24,027         | 1,552       |
| Rialto Investments other income (expense), net                             | (1,372)            | ) 15,329   | (13,612)         | ) 28,532    |
| Rialto Investments operating earnings                                      | \$7,471            | 22,678     | 12,527           | 45,680      |
| Total operating earnings                                                   | \$81,271           | 46,398     | 114,566          | 106,071     |
| Corporate general administrative expenses                                  | (29,168)           | ) (20,598) | ) (56,010)       | ) (43,950)  |
| Earnings before income taxes                                               | \$52,103           | 25,800     | 58,556           | 62,121      |



Three Months Ended May 31, 2012 versus Three Months Ended May 31, 2011

Revenues from home sales increased 23% in the second quarter of 2012 to \$796.4 million from \$649.8 million in 2011. Revenues were higher primarily due to a 20% increase in the number of home deliveries, excluding unconsolidated entities, and a 2% increase in the average sales price of homes delivered. New home deliveries, excluding unconsolidated entities, increased to 3,192 homes in the second quarter of 2012 from 2,652 homes last year. There was an increase in home deliveries in all our Homebuilding segments and Homebuilding Other. The average sales price of homes delivered increased to \$250,000 in the second quarter of 2012 from \$245,000 in the same period last year. Sales incentives offered to homebuyers were \$29,800 per home delivered in the second quarter of 2012, or 10.7% as a percentage of home sales revenue, compared to \$33,900 per home delivered in the same period last year, or 12.1% as a percentage of home sales revenue, and \$34,200 per home delivered in the first quarter of 2012, or 12.2% as a percentage of home sales revenue.

Gross margins on home sales were \$179.0 million, or 22.5%, in the second quarter of 2012, compared to \$125.7 million, or 19.4%, in the second quarter of 2011. Gross margin percentage on home sales improved compared to last year, primarily due to a greater percentage of deliveries from our new higher margin communities, a decrease in sales incentives offered to homebuyers as a percentage of revenue from home sales, an increase in the average sales price of homes delivered and lower valuation adjustments. Gross profits on land sales totaled \$2.7 million in the second quarter of 2012, compared to \$2.9 million in the second quarter of 2011.

Selling, general and administrative expenses were \$105.4 million in the second quarter of 2012, compared to \$96.9 million in the second quarter of 2011. As a percentage of revenues from home sales, selling, general and administrative expenses improved to 13.2% in the second quarter of 2012, from 14.9% in the second quarter of 2011, due to improved operating leverage.

Lennar Homebuilding equity in earnings (loss) from unconsolidated entities was (\$9.4) million in the second quarter of 2012, which included \$5.4 million of valuation adjustments related to strategic asset sales at Lennar Homebuilding's unconsolidated entities, compared to Lennar Homebuilding equity in earnings (loss) of \$2.4 million in the second quarter of 2011.

Lennar Homebuilding other income, net, totaled \$12.8 million in the second quarter of 2012, primarily due to a \$15.0 million gain on the sale of an operating property, compared to Lennar Homebuilding other income, net, of \$9.5 million in the second quarter of 2011, of which \$5.1 million related to the favorable resolution of a joint venture. Homebuilding interest expense was \$44.8 million in the second quarter of 2012 (\$20.4 million was included in cost of homes sold, \$0.6 million in cost of land sold and \$23.8 million in other interest expense), compared to \$41.5 million in the second quarter of 2011 (\$18.5 million was included in cost of homes sold, \$0.5 million in cost of land sold and \$22.5 million in other interest expense). Interest expense increased due to an increase in our outstanding debt compared to the same period last year.

Operating earnings for the Lennar Financial Services segment were \$18.0 million in the second quarter of 2012, compared to \$2.5 million in the second quarter of 2011. The increase in profitability was primarily due to increased volume and margins in the segment's mortgage operations and increased volume in the segment's title operations.

In the second quarter of 2012, operating earnings for the Rialto Investments segment were \$4.3 million, or \$7.5 million (which included \$3.2 million of net earnings attributable to noncontrolling interests), compared to operating earnings of \$9.8 million, or \$22.7 million (which included \$12.9 million of net earnings attributable to noncontrolling interests) in the same period last year. In the second quarter of 2012, revenues in this segment were \$33.5 million, which consisted primarily of accretable interest income associated with the segment's portfolio of real estate loans and fees for managing and servicing assets, compared to revenues of \$42.6 million in the same period last year. In the second quarter of 2012, Rialto Investments other income (expense), net, was (\$1.4) million, which consisted primarily of expenses related to owning and maintaining real estate owned ("REO") and impairments on REO, partially offset by gains from sales of REO and rental income. In the second quarter of 2011, Rialto Investments other income (expense), net was \$15.3 million, which consisted primarily of gains from acquisition of REO through foreclosure and a \$4.7 million gain on the sale of investment securities.

The segment also had equity in earnings (loss) from unconsolidated entities of \$5.6 million during the second quarter of 2012, which primarily included \$2.5 million of interest income earned by the AllianceBernstein L.P. ("AB") fund

formed under the Federal government's Public-Private Investment Program ("PPIP") and \$3.0 million of equity in earnings related to our share of earnings from the Rialto Investments Real Estate Fund (the "Fund"). This compares to equity in earnings (loss) from unconsolidated entities of (\$3.0) million in the second quarter of 2011, which included (\$4.8) million of net losses primarily related to unrealized losses for our share of the mark-to-market adjustments of the investment portfolio underlying the AB PPIP fund, partially offset by \$2.6 million of interest income earned by the AB PPIP fund. In the second quarter of 2012, expenses in this segment were \$30.2 million, which consisted primarily of costs related to its portfolio operations, due diligence expenses

related to both completed and abandoned transactions, and other general and administrative expenses, compared to expenses of \$32.3 million in the same period last year.

Corporate general and administrative expenses were \$29.2 million, or 3.1% as a percentage of total revenues, in the second quarter of 2012, compared to \$20.6 million, or 2.7% as a percentage of total revenues, in the second quarter of 2011. The increase in corporate general and administrative expenses was primarily due to an increase in personnel related expenses as a result of an increase in share-based and variable compensation expense.

Net earnings attributable to noncontrolling interests were \$1.7 million and \$11.1 million, respectively, in the second quarter of 2012 and 2011. Net earnings attributable to noncontrolling interests during the second quarter of 2012 and 2011 were primarily related to the FDIC's interest in the portfolio of real estate loans that we acquired in partnership with the FDIC, partially offset by a net loss attributable to noncontrolling interests in our homebuilding operations. A reduction of the carrying amounts of deferred tax assets by a valuation allowance is required if, based on available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the more-likely-than-not realization threshold criterion. In the assessment for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, the Company's experience with loss carryforwards not expiring unused and tax planning alternatives.

During the second quarter of 2012, we concluded that it was more likely than not that the majority of the valuation allowance against its deferred tax assets would be utilized. This conclusion was based on a detailed evaluation of all relevant evidence, both positive and negative, including an analysis of the overall housing market conditions, local market conditions and the company's actual results and financial projections. Some of the factors considered in our analysis included nine consecutive quarters of earnings with the expectation of future profitability, profitability across all of our businesses, continued improvement in operating leverage, deliveries, new orders, and backlog, as well as the housing recovery we are experiencing in the markets we operate in. Additionally, housing starts have increased and new home inventory is at an all-time low. We project to use our net operating losses in the allowable carryforward periods, and we have had no history of net operating losses expiring unutilized. Accordingly, we reversed \$403.0 million of our valuation allowance against our deferred tax assets. After the reversal, we had a valuation allowance of \$177.3 million against our deferred tax assets as of May 31, 2012, most of which is expected to reverse between the third quarter of 2012 and the fourth quarter of 2013 once additional sufficient positive evidence is present indicating that it is more likely than not that such assets would be realized. The valuation allowance against our deferred tax assets was \$576.9 million at November 30, 2011.

Our overall effective income tax rates were (798.54%) and 6.47%, respectively, for the three months ended May 31, 2012 and 2011. The change in the effective tax rate, compared with the same period during 2011, primarily related to the reversal of our valuation allowance.

#### Six Months Ended May 31, 2012 versus Six Months Ended May 31, 2011

Revenues from home sales increased 27% in the six months ended May 31, 2012 to \$1,407.1 million from \$1,107.7 million in 2011. Revenues were higher primarily due to a 24% increase in the number of home deliveries, excluding unconsolidated entities, and a 2% increase in the average sales price of homes delivered. New home deliveries, excluding unconsolidated entities, increased to 5,664 homes in the six months ended May 31, 2012 from 4,555 homes last year. There was an increase in home deliveries in all of our Homebuilding segments and Homebuilding Other. The average sales price of homes delivered increased to \$248,000 in the six months ended May 31, 2012 from \$243,000 in the same period last year. Sales incentives offered to homebuyers were \$31,700 per home delivered in the six months ended May 31, 2012, or 11.3% as a percentage of home sales revenue, compared to \$33,500 per home delivered in the same period last year, or 12.1% as a percentage of home sales revenue.

Gross margins on home sales were \$306.8 million, or 21.8%, in the six months ended May 31, 2012, compared to \$217.4 million, or 19.6%, in the six months ended May 31, 2011. Gross margin percentage on home sales improved compared to last year, primarily due to a greater percentage of deliveries from our new higher margin communities, a decrease in sales incentives offered to homebuyers as a percentage of revenue from home sales, an increase in the

average sales price of homes delivered and lower valuation adjustments. Gross profits on land sales totaled \$5.6 million in the six months ended May 31, 2012, compared to \$5.4 million in the six months ended May 31, 2011. Selling, general and administrative expenses were \$196.5 million in the six months ended May 31, 2012, compared to \$172.1 million in the same period last year. As a percentage of revenues from home sales, selling, general and administrative expenses improved to 14.0% in the six months ended May 31, 2012, from 15.5% in six months ended May 31, 2011, due to improved operating leverage.

In the six months ended May 31, 2012, Lennar Homebuilding equity in earnings (loss) from unconsolidated entities was (\$8.3) million, which included \$5.4 million of valuation adjustments related to asset sales at Lennar Homebuilding's unconsolidated entities, compared to Lennar Homebuilding equity in earnings (loss) of \$11.1 million in the six months ended May 31, 2011, which included our share of a gain on debt extinguishment at one of Lennar Homebuilding's unconsolidated entities totaling \$15.4 million, partially offset by \$4.5 million of valuation adjustments related to assets of Lennar Homebuilding's unconsolidated entities.

Lennar Homebuilding other income, net, totaled \$16.8 million in the six months ended May 31, 2012, primarily due to a \$15.0 million gain on the sale of an operating property, compared to Lennar Homebuilding other income, net, of \$39.5 million in the six months ended May 31, 2011, which included \$29.5 million related to the receipt of a litigation settlement, \$5.1 million related to the favorable resolution of a joint venture and the recognition of \$10.0 million of deferred management fees related to management services previously performed for one of Lennar Homebuilding's unconsolidated entities. These amounts were partially offset by \$8.4 million of valuation adjustments to our investments in Lennar Homebuilding's unconsolidated entities in the six months ended May 31, 2011.

Homebuilding interest expense was \$86.1 million in the six months ended May 31, 2012 (\$36.5 million was included in cost of homes sold, \$1.0 million in cost of land sold and \$48.6 million in other interest expense), compared to \$77.3 million in the six months ended May 31, 2011 (\$32.0 million was included in cost of homes sold, \$0.7 million in cost of land sold and \$44.5 million in other interest expense). Interest expense increased due to an increase in our outstanding debt compared to the same period last year.

Operating earnings for the Lennar Financial Services segment were \$26.2 million in the six months ended May 31, 2012, compared to \$3.7 million in the same period last year. The increase in profitability was primarily due to increased volume in the segment's mortgage and title operations.

In the six months ended May 31, 2012, operating earnings for the Rialto Investments segment were \$13.7 million, or \$12.5 million (net of \$1.2 million of net loss attributable to noncontrolling interests), compared to operating earnings of \$20.9 million, or \$45.7 million (which included \$24.8 million of net earnings attributable to noncontrolling interests) in the same period last year. In the six months ended May 31, 2012, revenues in this segment were \$65.7 million, which consisted primarily of accretable interest income associated with the segment's portfolio of real estate loans and fees for managing and servicing assets, compared to revenues of \$76.2 million in the same period last year. In the six months ended May 31, 2012, Rialto Investments other income (expense), net, was (\$13.6) million, which consisted primarily of expenses related to owning and maintaining REO and impairments on REO, partially offset by gains from sales of REO, gains from acquisition of REO through foreclosure and rental income. In the six months ended May 31, 2011, Rialto Investments other income (expense), net was \$28.5 million, which consisted primarily of gains from acquisition of REO through foreclosure and a \$4.7 million gain on the sale of investment securities.

The segment also had equity in earnings (loss) from unconsolidated entities of \$24.0 million during the six months ended May 31, 2012, which included \$8.9 million of net gains primarily related to unrealized gains for our share of the mark-to-market adjustments of the investment portfolio underlying the AB PPIP fund, \$5.1 million of interest income earned by the AB PPIP fund and \$10.6 million of equity in earnings related to our share of earnings from the Fund. This compares to equity in earnings (loss) from unconsolidated entities of \$1.6 million in the six months ended May 31, 2011, which included \$5.4 million of interest income earned by the AB PPIP fund, partially offset by \$2.8 million of net losses primarily related to unrealized losses for our share of the mark-to-market adjustments of the investment portfolio underlying the AB PPIP fund. In the six months ended May 31, 2012, expenses in this segment were \$63.6 million, which consisted primarily of costs related to its portfolio operations, due diligence expenses related to both completed and abandoned transactions, and other general and administrative expenses, compared to expenses of \$60.6 million in the same period last year.

Corporate general and administrative expenses were \$56.0 million, or 3.4% as a percentage of total revenues, in the six months ended May 31, 2012, compared to \$44.0 million, or 3.3% as a percentage of total revenues, in the six months ended May 31, 2011. The increase in corporate general and administrative expenses was primarily due to an increase in personnel related expenses as a result of an increase in share-based compensation expense.

Net earnings (loss) attributable to noncontrolling interests were (\$5.3) million and \$22.4 million, respectively, in the six months ended May 31, 2012 and 2011. Net loss attributable to noncontrolling interests during the six months



ended May 31, 2012 was attributable to noncontrolling interests related to our homebuilding and Rialto Investments operations. Net earnings attributable to noncontrolling interests during the six months ended May 31, 2011 were primarily related to the FDIC's interest in the portfolio of real estate loans that we acquired in partnership with the FDIC, partially offset by a net loss attributable to noncontrolling interests in the our homebuilding operations. Our overall effective income tax rates were (632.73%) and (3.65%), respectively, for the six months ended May 31, 2012 and 2011. The change in the effective tax rate, compared with the same period during 2011, primarily related to the reversal of our valuation allowance.

## Homebuilding Segments

We have grouped our homebuilding activities into five reportable segments, which we refer to as Homebuilding East, Homebuilding Central, Homebuilding West, Homebuilding Southeast Florida and Homebuilding Houston, based primarily upon similar economic characteristics, geography and product type. 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," which is not a reportable segment. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to homebuilding segments are to those reportable segments.

At May 31, 2012, our reportable homebuilding segments and Homebuilding Other consisted of homebuilding divisions located in:

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

Central: Arizona, Colorado and Texas<sup>(2)</sup>

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.

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

## Selected Financial and Operational Data

| (In thousands)              | Three Months Ended |           | Six Months Ended |           |
|-----------------------------|--------------------|-----------|------------------|-----------|
|                             | May 31,<br>2012    | 2011      | May 31,<br>2012  | 2011      |
| East:                       |                    |           |                  |           |
| Sales of homes              | \$306,805          | \$262,516 | \$543,069        | 441,278   |
| Sales of land               | 3,344              | 2,858     | 11,913           | 6,467     |
| Total East                  | 310,149            | 265,374   | 554,982          | 447,745   |
| Central:                    |                    |           |                  |           |
| Sales of homes              | 112,460            | 89,555    | 197,387          | 155,619   |
| Sales of land               | 2,104              | 2,600     | 2,890            | 3,542     |
| Total Central               | 114,564            | 92,155    | 200,277          | 159,161   |
| West:                       |                    |           |                  |           |
| Sales of homes              | 157,422            | 119,543   | 280,272          | 215,925   |
| Sales of land               | 288                | 1,354     | 523              | 1,354     |
| Total West                  | 157,710            | 120,897   | 280,795          | 217,279   |
| Southeast Florida:          |                    |           |                  |           |
| Sales of homes              | 70,878             | 51,930    | 120,667          | 87,021    |
| Total Southeast Florida     | 70,878             | 51,930    | 120,667          | 87,021    |
| Houston:                    |                    |           |                  |           |
| Sales of homes              | 96,626             | 76,565    | 177,394          | 125,229   |
| Sales of land               | 5,829              | 5,321     | 9,895            | 9,610     |
| Total Houston               | 102,455            | 81,886    | 187,289          | 134,839   |
| Other:                      |                    |           |                  |           |
| Sales of homes              | 52,254             | 49,673    | 88,356           | 82,579    |
| Sales of land               | 78                 | 561       | 155              | 561       |
| Total Other                 | 52,332             | 50,234    | 88,511           | 83,140    |
| Total homebuilding revenues | \$808,088          | 662,476   | 1,432,521        | 1,129,185 |



|                                                            | Three Months Ended<br>May 31, |          | Six Months Ended<br>May 31, |          |
|------------------------------------------------------------|-------------------------------|----------|-----------------------------|----------|
| (In thousands)                                             | 2012                          | 2011     | 2012                        | 2011     |
| Operating earnings (loss):                                 |                               |          |                             |          |
| East:                                                      |                               |          |                             |          |
| Sales of homes                                             | \$31,315                      | \$23,765 | \$48,942                    | 39,876   |
| Sales of land                                              | 642                           | 269      | 2,442                       | 1,191    |
| Equity in earnings (loss) from unconsolidated entities     | 928                           | (206)    | 959                         | (265)    |
| Other income, net (1)                                      | 14                            | 5,799    | 1,445                       | 224      |
| Other interest expense                                     | (6,608)                       | (4,493)  | (13,550)                    | (10,231) |
| Total East                                                 | 26,291                        | 25,134   | 40,238                      | 30,795   |
| Central:                                                   |                               |          |                             |          |
| Sales of homes (2)                                         | 8,702                         | (163)    | 12,741                      | (11,880) |
| Sales of land                                              | 616                           | 964      | 708                         | 1,700    |
| Equity in loss from unconsolidated entities                | (128)                         | (135)    | (164)                       | (537)    |
| Other income (expense), net                                | (1,478)                       | 19       | (769)                       | 140      |
| Other interest expense                                     | (3,394)                       | (4,035)  | (7,134)                     | (7,897)  |
| Total Central                                              | 4,318                         | (3,350)  | 5,382                       | (18,474) |
| West:                                                      |                               |          |                             |          |
| Sales of homes (2)                                         | 9,232                         | (7,366)  | 7,005                       | (3,359)  |
| Sales of land                                              | 155                           | 207      | 82                          | 220      |
| Equity in earnings (loss) from unconsolidated entities (3) | (9,722)                       | 3,152    | (8,382)                     | 15,211   |
| Other income (expense), net (4)                            | (1,235)                       | 3,689    | 588                         | 44,695   |
| Other interest expense                                     | (7,835)                       | (8,537)  | (16,271)                    | (16,277) |
| Total West                                                 | (9,405)                       | (8,855)  | (16,978)                    | 40,490   |
| Southeast Florida:                                         |                               |          |                             |          |
| Sales of homes                                             | 11,820                        | 7,790    | 20,400                      | 13,978   |
| Sales of land                                              | (332)                         | —        | (332)                       | —        |
| Equity in loss from unconsolidated entities                | (330)                         | (352)    | (575)                       | (670)    |
| Other income, net (5)                                      | 15,482                        | 238      | 15,926                      | 112      |
| Other interest expense                                     | (2,464)                       | (1,879)  | (4,609)                     | (3,449)  |
| Total Southeast Florida                                    | 24,176                        | 5,797    | 30,810                      | 9,971    |
| Houston:                                                   |                               |          |                             |          |
| Sales of homes                                             | 8,436                         | 2,347    | 13,122                      | 2,395    |
| Sales of land                                              | 1,733                         | 1,303    | 2,790                       | 2,083    |
| Equity in earnings (loss) from unconsolidated entities     | (12)                          | 75       | (19)                        | 65       |
| Other income, net                                          | 1,211                         | 430      | 1,161                       | 597      |
| Other interest expense                                     | (1,106)                       | (1,189)  | (2,276)                     | (2,215)  |
| Total Houston                                              | 10,262                        | 2,966    | 14,778                      | 2,925    |
| Other:                                                     |                               |          |                             |          |
| Sales of homes                                             | 4,057                         | 2,491    | 8,143                       | 4,349    |
| Sales of land                                              | (130)                         | 158      | (109)                       | 158      |
| Equity in loss from unconsolidated entities                | (117)                         | (117)    | (117)                       | (2,726)  |
| Other expense, net                                         | (1,236)                       | (664)    | (1,526)                     | (6,297)  |
| Other interest expense                                     | (2,396)                       | (2,335)  | (4,812)                     | (4,478)  |
| Total Other                                                | 178                           | (467)    | 1,579                       | (8,994)  |
| Total homebuilding operating earnings                      | \$55,820                      | 21,225   | 75,809                      | 56,713   |

(1) Other income (expense), net, for both the three and six months ended May 31, 2011 includes \$5.1 million of income related to the favorable resolution of a joint venture.



- Operating loss on the sales of homes in Homebuilding Central for both the three and six months ended May 31, 2011 was impacted by \$1.0 million and \$7.6 million, respectively, of expenses associated with remedying (2) pre-existing liabilities of a previously acquired company. Operating earnings on the sales of homes in Homebuilding West for the six months ended May 31, 2011 included \$8.0 million related to the receipt of a non-recurring litigation settlement.
- (3) Equity in earnings from unconsolidated entities for the six months ended May 31, 2011 included our \$15.4 million share of a gain on debt extinguishment at one of our Lennar Homebuilding unconsolidated entities.
- Other income, net, for the six months ended May 31, 2011 included \$29.5 million related to the receipt of a (4) litigation settlement discussed previously in the Overview section and the recognition of \$10.0 million of previously deferred management fee income related to one of Lennar Homebuilding's unconsolidated entities.
- (5) Other income, net for both the three and six months ended May 31, 2012, includes a \$15.0 million gain on the sale of an operating property.

#### Summary of Homebuilding Data

##### Deliveries:

|                   | Three Months Ended |              | Dollar Value (In thousands) |              | Average Sales Price |              |
|-------------------|--------------------|--------------|-----------------------------|--------------|---------------------|--------------|
|                   | Homes              |              |                             |              |                     |              |
|                   | May 31, 2012       | May 31, 2011 | May 31, 2012                | May 31, 2011 | May 31, 2012        | May 31, 2011 |
| East              | 1,350              | 1,178        | \$312,239                   | 262,516      | \$231,000           | 223,000      |
| Central           | 493                | 429          | 112,460                     | 89,555       | 228,000             | 209,000      |
| West              | 532                | 419          | 164,363                     | 140,172      | 309,000             | 335,000      |
| Southeast Florida | 262                | 197          | 70,879                      | 51,930       | 271,000             | 264,000      |
| Houston           | 422                | 331          | 96,626                      | 76,565       | 229,000             | 231,000      |
| Other             | 163                | 128          | 52,253                      | 49,673       | 321,000             | 388,000      |
| Total             | 3,222              | 2,682        | \$808,820                   | 670,411      | \$251,000           | 250,000      |

Of the total homes delivered listed above, 30 homes with a dollar value of \$12.4 million and an average sales price of \$412,000 represent home deliveries from unconsolidated entities for the three months ended May 31, 2012, compared to 30 home deliveries with a dollar value of \$20.6 million and an average sales price of \$688,000 for the three months ended May 31, 2011.

|                   | Six Months Ended |              | Dollar Value (In thousands) |              | Average Sales Price |              |
|-------------------|------------------|--------------|-----------------------------|--------------|---------------------|--------------|
|                   | Homes            |              |                             |              |                     |              |
|                   | May 31, 2012     | May 31, 2011 | May 31, 2012                | May 31, 2011 | May 31, 2012        | May 31, 2011 |
| East              | 2,412            | 2,009        | \$549,260                   | 441,279      | \$228,000           | 220,000      |
| Central           | 880              | 741          | 197,387                     | 155,619      | 224,000             | 210,000      |
| West              | 926              | 760          | 290,378                     | 251,164      | 314,000             | 330,000      |
| Southeast Florida | 449              | 331          | 120,667                     | 87,021       | 269,000             | 263,000      |
| Houston           | 774              | 550          | 177,394                     | 125,229      | 229,000             | 228,000      |
| Other             | 263              | 214          | 88,356                      | 82,578       | 336,000             | 386,000      |
| Total             | 5,704            | 4,605        | \$1,423,442                 | 1,142,890    | \$250,000           | 248,000      |

Of the total homes delivered listed above, 40 homes with a dollar value of \$16.3 million and an average sales price of \$407,000 represent home deliveries from unconsolidated entities for the six months ended May 31, 2012, compared to 50 home deliveries with a dollar value of \$35.2 million and an average sales price of \$705,000 for the six months ended May 31, 2011.

## Sales Incentives (1):

|                   | Three Months Ended              |              | Average Sales Incentives Per Home Delivered |              | Sales Incentives as a % of Revenue |              |   |
|-------------------|---------------------------------|--------------|---------------------------------------------|--------------|------------------------------------|--------------|---|
|                   | Sales Incentives (In thousands) |              |                                             |              |                                    |              |   |
|                   | May 31, 2012                    | May 31, 2011 | May 31, 2012                                | May 31, 2011 | May 31, 2012                       | May 31, 2011 |   |
| East              | \$41,098                        | 37,706       | \$30,800                                    | 32,000       | 11.8                               | % 12.6       | % |
| Central           | 12,886                          | 13,117       | 26,100                                      | 30,600       | 10.3                               | % 12.8       | % |
| West              | 13,328                          | 12,243       | 25,700                                      | 31,500       | 7.8                                | % 9.3        | % |
| Southeast Florida | 9,211                           | 7,563        | 35,200                                      | 38,400       | 11.7                               | % 12.7       | % |
| Houston           | 13,660                          | 13,303       | 32,400                                      | 40,200       | 12.4                               | % 14.8       | % |
| Other             | 5,081                           | 5,926        | 31,200                                      | 46,300       | 8.9                                | % 10.7       | % |
| Total             | \$95,264                        | 89,858       | \$29,800                                    | 33,900       | 10.7                               | % 12.1       | % |
|                   | Six Months Ended                |              | Average Sales Incentives Per Home Delivered |              | Sales Incentives as a % of Revenue |              |   |
|                   | Sales Incentives (In thousands) |              |                                             |              |                                    |              |   |
|                   | May 31, 2012                    | May 31, 2011 | May 31, 2012                                | May 31, 2011 | May 31, 2012                       | May 31, 2011 |   |
| East              | \$77,175                        | 63,853       | \$32,300                                    | 31,800       | 12.5                               | % 12.7       | % |
| Central           | 25,877                          | 22,845       | 29,400                                      | 30,800       | 11.6                               | % 12.8       | % |
| West              | 25,313                          | 21,638       | 28,000                                      | 30,500       | 8.3                                | % 9.1        | % |
| Southeast Florida | 16,031                          | 12,230       | 35,700                                      | 36,900       | 11.9                               | % 12.3       | % |
| Houston           | 26,268                          | 22,224       | 33,900                                      | 40,400       | 12.9                               | % 15.1       | % |
| Other             | 9,054                           | 10,012       | 34,400                                      | 46,800       | 9.3                                | % 10.8       | % |
| Total             | \$179,718                       | 152,802      | \$31,700                                    | 33,500       | 11.3                               | % 12.1       | % |

(1) Sales incentives relate to home deliveries during the period, excluding deliveries by unconsolidated entities.

## New Orders (2):

|                   | Three Months Ended |              | Dollar Value (In thousands) |              | Average Sales Price |              |
|-------------------|--------------------|--------------|-----------------------------|--------------|---------------------|--------------|
|                   | Homes              |              |                             |              |                     |              |
|                   | May 31, 2012       | May 31, 2011 | May 31, 2012                | May 31, 2011 | May 31, 2012        | May 31, 2011 |
| East              | 1,605              | 1,351        | \$391,825                   | 301,584      | \$244,000           | 223,000      |
| Central           | 798                | 513          | 184,843                     | 110,754      | 232,000             | 216,000      |
| West              | 767                | 530          | 225,099                     | 178,178      | 293,000             | 336,000      |
| Southeast Florida | 446                | 247          | 113,002                     | 69,186       | 253,000             | 280,000      |
| Houston           | 626                | 419          | 155,091                     | 94,049       | 248,000             | 224,000      |
| Other             | 239                | 144          | 89,112                      | 53,100       | 373,000             | 369,000      |
| Total             | 4,481              | 3,204        | \$1,158,972                 | 806,851      | \$259,000           | 252,000      |

Of the total new orders listed above, 26 homes with a dollar value of \$11.3 million and an average sales price of \$433,000 represent new orders from unconsolidated entities for the three months ended May 31, 2012, compared to 35 new orders with a dollar value of \$21.6 million and an average sales price of \$617,000 for the three months ended May 31, 2011.

|                   | Six Months Ended |              | Dollar Value (In thousands) |              | Average Sales Price |              |
|-------------------|------------------|--------------|-----------------------------|--------------|---------------------|--------------|
|                   | Homes            |              |                             |              |                     |              |
|                   | May 31, 2012     | May 31, 2011 | May 31, 2012                | May 31, 2011 | May 31, 2012        | May 31, 2011 |
| East              | 2,851            | 2,333        | \$684,315                   | 509,175      | \$240,000           | 218,000      |
| Central           | 1,279            | 854          | 288,894                     | 181,874      | 226,000             | 213,000      |
| West              | 1,282            | 918          | 382,697                     | 306,157      | 299,000             | 334,000      |
| Southeast Florida | 671              | 423          | 175,464                     | 119,084      | 261,000             | 282,000      |
| Houston           | 1,050            | 685          | 253,038                     | 153,702      | 241,000             | 224,000      |
| Other             | 370              | 258          | 137,898                     | 98,399       | 373,000             | 381,000      |
| Total             | 7,503            | 5,471        | \$1,922,306                 | 1,368,391    | \$256,000           | 250,000      |

Of the total new orders listed above, 49 homes with a dollar value of \$20.2 million and an average sales price of \$411,000 represent new orders from unconsolidated entities for the six months ended May 31, 2012, compared to 56 new orders with a dollar value of \$38.5 million and an average sales price of \$688,000 for the six months ended May 31, 2011.

(2) New orders represent the number of new sales contracts executed with homebuyers, net of cancellations, during both the three and six months ended May 31, 2012 and 2011.

Backlog:

|                   | Homes        |              | Dollar Value (In thousands) |              | Average Sales Price |              |
|-------------------|--------------|--------------|-----------------------------|--------------|---------------------|--------------|
|                   |              |              |                             |              |                     |              |
|                   | May 31, 2012 | May 31, 2011 | May 31, 2012                | May 31, 2011 | May 31, 2012        | May 31, 2011 |
| East              | 1,387        | 1,079        | \$356,879                   | 245,568      | \$257,000           | 228,000      |
| Central           | 708          | 367          | 156,407                     | 79,397       | 221,000             | 216,000      |
| West              | 654          | 337          | 189,645                     | 112,571      | 290,000             | 334,000      |
| Southeast Florida | 388          | 215          | 108,294                     | 71,098       | 279,000             | 331,000      |
| Houston           | 631          | 380          | 155,357                     | 87,385       | 246,000             | 230,000      |
| Other             | 202          | 92           | 94,866                      | 37,672       | 470,000             | 409,000      |
| Total             | 3,970        | 2,470        | \$1,061,448                 | 633,691      | \$267,000           | 257,000      |

Of the total homes in backlog listed above, 11 homes with a backlog dollar value of \$4.9 million and an average sales price of \$443,000 represent the backlog from unconsolidated entities at May 31, 2012, compared with backlog from unconsolidated entities of 9 homes with a backlog dollar value of \$5.4 million and an average sales price of \$603,000 at May 31, 2011.

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 if they fail to qualify for financing or under certain other circumstances. The cancellation rates for both the three and six months ended May 31, 2012 was within a range that is consistent with our historical cancellation rates. We experienced cancellation rates in our homebuilding segments and Homebuilding Other as follows:

|                   | Three Months Ended |              | Six Months Ended |              |   |
|-------------------|--------------------|--------------|------------------|--------------|---|
|                   | May 31, 2012       | May 31, 2011 | May 31, 2012     | May 31, 2011 |   |
| East              | 18                 | % 17         | % 18             | % 17         | % |
| Central           | 15                 | % 19         | % 17             | % 20         | % |
| West              | 18                 | % 19         | % 17             | % 17         | % |
| Southeast Florida | 8                  | % 13         | % 10             | % 14         | % |
| Houston           | 19                 | % 19         | % 20             | % 21         | % |
| Other             | 5                  | % 5          | % 6              | % 4          | % |
| Total             | 16                 | % 17         | % 17             | % 17         | % |





### Three Months Ended May 31, 2012 versus Three Months Ended May 31, 2011

Homebuilding East: Homebuilding revenues increased for the three months ended May 31, 2012, compared to the three months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states in the segment, except Maryland and Virginia and an increase in the average sales price of homes delivered in all of the states in the segment, except Maryland and Virginia, in which the average sales price of homes delivered was the same for the three months ended May 31, 2012, compared to the same period last year. The increase in the number of deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. The increase in the average sales price of homes delivered was primarily because we have been able to increase the sales price of homes delivered and/or reduce sales incentives in certain of our communities as the market continues to stabilize and begins to recover in certain areas. Gross margins on home sales were \$71.5 million, or 23.3%, for the three months ended May 31, 2012, compared to gross margins on home sales of \$58.5 million, or 22.3%, for the three months ended May 31, 2011. Gross margin percentage on homes increased compared to last year primarily due to a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (11.8% in 2012, compared to 12.6% in 2011) and a greater percentage of deliveries from our new higher margin communities.

Homebuilding Central: Homebuilding revenues increased for the three months ended May 31, 2012 compared to the three months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states in the segment and an increase in the average sales price of homes delivered in all states in the segment, except Colorado. The increase in the number of deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. The increase in the average sales price of homes delivered was primarily because we have been able to increase the sales price of homes delivered and/or reduce sales incentives in certain of our communities as the market continues to stabilize and begins to recover in certain areas. Gross margins on home sales were \$22.2 million, or 19.7%, for the three months ended May 31, 2012, compared to gross margins on home sales of \$13.0 million, or 14.5%, for the three months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due to a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (10.3% in 2012, compared to 12.8% in 2011) and because gross margin on homes sales for the three months ended May 31, 2011 included \$1.0 million of expenses associated with pre-existing home warranties in Texas, excluding Houston.

Homebuilding West: Homebuilding revenues increased for the three months ended May 31, 2012, compared to the three months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states in the segment. The increase in the number of deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$34.3 million, or 21.8%, for the three months ended May 31, 2012, compared to gross margins on home sales of \$19.7 million, or 16.5%, for the three months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due to a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (7.8% in 2012, compared to 9.3% in 2011) and a greater percentage of deliveries from our new higher margin communities.

Homebuilding Southeast Florida: Homebuilding revenues increased for the three months ended May 31, 2012, compared to the three months ended May 31, 2011, primarily due to an increase in the number of home deliveries in this segment driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$19.1 million, or 26.9%, for the three months ended May 31, 2012, compared to gross margins on home sales of \$13.1 million, or 25.2%, for the three months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due to a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (11.7% in 2012, compared to 12.7% 2011).

Homebuilding Houston: Homebuilding revenues increased for the three months ended May 31, 2012, compared to the three months ended May 31, 2011, primarily due to an increase in the number of home deliveries in this segment driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the

same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$20.3 million, or 21.0%, for the three months ended May 31, 2012, compared to gross margins on home sales of \$13.1 million, or 17.2%, for the three months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due to a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (12.4% in 2012, compared to 14.8% in 2011).

Homebuilding Other: Homebuilding revenues increased for the three months ended May 31, 2012, compared to the three months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states of Homebuilding Other. The increase in deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some

of our communities, compared to the same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$11.5 million, or 22.1%, for the three months ended May 31, 2012, compared to gross margins on home sales of \$8.3 million, or 16.8%, for the three months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (8.9% in 2012, compared to 10.7% in 2011) and lower impairments.

#### Six Months Ended May 31, 2012 versus Six Months Ended May 31, 2011

Homebuilding East: Homebuilding revenues increased for the six months ended May 31, 2012, compared to the six months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states in the segment, except Maryland and Virginia, and an increase in the average sales price of homes delivered in all of the states in the segment. The increase in the number of deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. The increase in the average sales price of homes delivered was primarily because we have been able to increase the sales price of homes delivered and/or reduce sales incentives in certain of our communities as the market continues to stabilize and begins to recover in certain areas. Gross margins on home sales were \$122.3 million, or 22.5%, for the six months ended May 31, 2012, compared to gross margins on home sales of \$98.1 million, or 22.2%, for the six months ended May 31, 2011.

Homebuilding Central: Homebuilding revenues increased for the six months ended May 31, 2012 compared to the six months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states in the segment and an increase in the average sales price of homes delivered in all states in the segment, except Colorado. The increase in the number of deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. The increase in the average sales price of homes delivered was primarily because we have been able to increase the sales price of homes delivered and/or reduce sales incentives in certain of our communities as the market continues to stabilize and begins to recover in certain areas. Gross margins on home sales were \$37.2 million, or 18.8%, for the six months ended May 31, 2012, compared to gross margins on home sales of \$18.8 million, or 12.1%, for the six months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due to a decrease in valuation adjustments and a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (11.6% in 2012, compared to 12.8% in 2011).

Homebuilding West: Homebuilding revenues increased for the six months ended May 31, 2012 compared to the six months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all of the states in the segment and an increase in the average sales price of homes delivered in Nevada. The average sales price of homes delivered in California was the same for the six months ended May 31, 2012, compared to the same period last year. The increase in the number of deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. The increase in the average sales price of homes delivered was primarily because we have been able to increase the sales price of homes delivered and/or reduce sales incentives in certain of our communities as the market continues to stabilize and begins to recover in certain areas. Gross margins on home sales were \$57.3 million, or 20.4%, for the six months ended May 31, 2012, compared to gross margins on home sales of \$41.1 million, or 19.0%, for the six months ended May 31, 2011. Gross margin percentage on homes sales slightly improved compared to last year primarily due to a decrease in valuation adjustments and a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (8.3% in 2012, compared to 9.1% in 2011). In addition, gross margin on home sales for the six months ended May 31, 2011 included \$8.0 million related to the receipt of a non-recurring litigation settlement.

Homebuilding Southeast Florida: Homebuilding revenues increased for the six months ended May 31, 2012, compared to the six months ended May 31, 2011, primarily due to an increase in the number of home deliveries in this segment driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$33.4 million, or 27.7%, for the six months ended May 31, 2012, compared to gross margins on

home sales of \$23.0 million, or 26.4%, for the six months ended May 31, 2011. Gross margin percentage on homes sales slightly improved compared to last year primarily due to a decrease in valuation adjustments and a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (11.9% in 2012, compared to 12.3% in 2011).

Homebuilding Houston: Homebuilding revenues increased for the six months ended May 31, 2012, compared to the six months ended May 31, 2011, primarily due to an increase in the number of home deliveries driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$35.5 million, or 20.0%, for the six months ended May 31, 2012, compared to gross margins on home sales of \$21.5 million, or 17.2%, for the six months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due to a decrease in sales incentives offered to

homebuyers as a percentage of revenues from home sales (12.9% in 2012, compared to 15.1% in 2011).

Homebuilding Other: Homebuilding revenues increased for the six months ended May 31, 2012, compared to the six months ended May 31, 2011, primarily due to an increase in the number of home deliveries in all the states of Homebuilding Other. The increase in deliveries was primarily driven by an increase in demand as evidenced by higher traffic volume in some of our communities, compared to the same period last year, resulting in an increase in our home sales per community. Gross margins on home sales were \$21.1 million, or 23.9%, for the six months ended May 31, 2012, compared to gross margins on home sales of \$15.0 million, or 18.1%, for the six months ended May 31, 2011. Gross margin percentage on homes sales improved compared to last year primarily due a decrease in sales incentives offered to homebuyers as a percentage of revenues from home sales (9.3% in 2012, compared to 10.8% in 2011).

At May 31, 2012 and 2011, we owned 101,646 homesites and 91,123 homesites, respectively, and had access to an additional 19,871 homesites and 16,847 homesites, respectively, through either option contracts with third parties or agreements with unconsolidated entities in which we have investments. At November 30, 2011, we owned 94,684 homesites and had access to an additional 16,702 homesites through either option contracts with third parties or agreements with unconsolidated entities in which we have investments. At May 31, 2012, 3.5% of the homesites we owned were subject to home purchase contracts. At May 31, 2012 and 2011, our backlog of sales contracts was 3,970 homes (\$1,061.4 million) and 2,470 homes (\$633.7 million), respectively. The increase in backlog was primarily attributable to an increase in new orders in the six months ended May 31, 2012, compared to the six months ended May 31, 2011.

#### Lennar Financial Services Segment

Our Lennar Financial Services reportable segment provides mortgage financing, title insurance and closing services for both buyers of our 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, we retain potential liability for possible claims by purchasers that we breached certain limited industry-standard representations and warranties in the loan sale agreements. The following table sets forth selected financial and operation information related to our Lennar Financial Services segment:

|                                                  | Three Months Ended |         | Six Months Ended |           |
|--------------------------------------------------|--------------------|---------|------------------|-----------|
|                                                  | May 31,            |         | May 31,          |           |
| (Dollars in thousands)                           | 2012               | 2011    | 2012             | 2011      |
| Revenues                                         | \$88,595           | 59,422  | 156,810          | 117,135   |
| Costs and expenses                               | 70,615             | 56,927  | 130,580          | 113,457   |
| Operating earnings                               | \$17,980           | \$2,495 | 26,230           | 3,678     |
| Dollar value of mortgages originated             | \$976,000          | 652,000 | 1,719,000        | 1,209,000 |
| Number of mortgages originated                   | 4,500              | 3,200   | 8,000            | 5,900     |
| Mortgage capture rate of Lennar homebuyers       | 77                 | % 79    | % 77             | % 78      |
| Number of title and closing service transactions | 26,900             | 19,400  | 49,500           | 42,200    |
| Number of title policies issued                  | 34,300             | 30,800  | 61,600           | 63,400    |

#### Rialto Investments Segment

Rialto's objective is to generate superior, risk-adjusted returns by focusing on commercial and residential real estate opportunities arising from dislocations in the United States real estate markets and the eventual restructure and recapitalization of those markets. Rialto believes it will be able to deliver these returns through its abilities to source, underwrite, price, manage and ultimately monetize real estate assets, as well as providing similar services to others in markets across the country.

The following table presents the results of operations of our Rialto segment for the periods indicated:

| (In thousands)                                                            | Three Months Ended |          | Six Months Ended |        |
|---------------------------------------------------------------------------|--------------------|----------|------------------|--------|
|                                                                           | May 31,            |          | May 31,          |        |
|                                                                           | 2012               | 2011     | 2012             | 2011   |
| Revenues                                                                  | \$33,472           | 42,595   | 65,680           | 76,218 |
| Costs and expenses                                                        | 30,198             | 32,273   | 63,568           | 60,622 |
| Rialto Investments equity in earnings (loss) from unconsolidated entities | 5,569              | (2,973 ) | 24,027           | 1,552  |
| Rialto Investments other income (expense), net                            | (1,372 )           | 15,329   | (13,612 )        | 28,532 |
| Operating earnings (1)                                                    | \$7,471            | 22,678   | 12,527           | 45,680 |

Operating earnings for the three and six months ended May 31, 2012 include net earnings (loss) attributable to noncontrolling interests of \$3.2 million and \$(1.2) million, respectively. Operating earnings for the three and six months ended May 31, 2011 include net earnings attributable to noncontrolling interests of \$12.9 million and \$24.8 million, respectively.

#### Distressed Asset Portfolios

In February 2010, the Rialto segment acquired indirectly 40% managing member equity interests in two limited liability companies (“LLCs”), in partnership with the FDIC. The LLCs hold performing and non-performing loans formerly owned by 22 failed financial institutions and when the Rialto segment acquired its interests in the LLCs, the two portfolios consisted of approximately 5,500 distressed residential and commercial real estate loans. The FDIC retained 60% equity interests in the LLCs and provided \$626.9 million of financing with 0% interest, which is non-recourse to us and the LLCs. As of May 31, 2012, and November 30, 2011, the notes payable balance was \$470.0 million and \$626.9 million, respectively; however, as of May 31, 2012 and November 30, 2011, \$138.7 million and \$219.4 million, respectively, of cash collections on loans in excess of expenses had been deposited in a defeasance account, established for the repayment of the notes payable, under the agreement with the FDIC. The funds in the defeasance account will be used to retire the notes payable upon their maturity. During the six months ended May 31, 2012, the LLCs retired \$156.9 million principal amount of the notes payable under the agreement with the FDIC through the defeasance account.

The LLCs met the accounting definition of variable interest entities (“VIEs”) and since we were determined to be the primary beneficiary, we consolidated the LLCs. At May 31, 2012, these consolidated LLCs had total combined assets and liabilities of \$1.3 billion and \$0.5 billion, respectively. At November 30, 2011, these consolidated LLCs had total combined assets and liabilities of \$1.4 billion and \$0.7 billion, respectively.

In September 2010, the Rialto segment acquired approximately 400 distressed residential and commercial real estate loans and over 300 REO properties from three financial institutions. We paid \$310 million for the distressed real estate and real estate related assets of which, \$124 million was financed through a 5-year senior unsecured note provided by one of the selling institutions. During the six months ended May 31, 2012, we retired \$13 million principal amount of the 5-year senior unsecured note, thus as of May 31, 2012, there was \$111 million outstanding.

#### Investments

An affiliate in the Rialto segment is a sub-advisor to the AB PPIP fund and receives management fees for sub-advisory services. We also made a commitment of \$75 million to purchase an interest in the AB PPIP fund of which our remaining outstanding commitment as of May 31, 2012 was \$5.6 million. During both the three and six months ended May 31, 2012, the Company contributed \$1.9 million to the AB PPIP fund. As of May 31, 2012 and November 30, 2011, the carrying value of our investment in the AB PPIP fund was \$76.7 million and \$65.2 million, respectively.

In 2010, the Rialto segment completed the first closing of its Fund with initial equity commitments of approximately \$300 million (including \$75 million committed by us, of which our remaining outstanding commitment as of May 31, 2012 was \$23.7 million). As of May 31, 2012, the equity commitments of the Fund were \$700 million (including the \$75 million committed by us). The Fund’s objective during its three-year investment period is to invest in distressed real estate assets and other related investments that fit within the Fund’s investment parameters. During the three and six months ended May 31, 2012, we contributed \$10.7 million and \$18.0 million, respectively, to the Fund. Of these

amounts contributed, \$13.9 million was distributed back to us during the three months ended May 31, 2012 as a return of capital contributions due to a securitization within the Fund. Total investor contributions to the Fund for the three and six months ended May 31, 2012 were \$100 million and \$160 million, respectively. Of these amounts contributed, \$130 million was distributed back to investors during the three months ended May 31, 2012 as a return of excess capital contributions due to a securitization within the Fund.



Total investor contributions to the Fund since inception, including allocated income and net of the \$130 million distribution were \$614 million. Since inception, the Fund has acquired distressed real estate asset portfolios and has invested in commercial mortgage backed securities (“CMBS”) at a discount to par value. As of May 31, 2012 and November 30, 2011, the carrying value of our investment in the Fund was \$64.8 million and \$50.1 million, respectively. For the three and six months ended May 31, 2012, our share of earnings from the Fund was \$3.0 million and \$10.6 million, respectively. For both the three and six months ended May 31, 2011, our share of losses from the Fund was (\$0.4) million.

In addition, in 2010, the Rialto segment also invested in approximately \$43 million of non-investment grade CMBS for \$19.4 million, representing a 55% discount to par value. As of May 31, 2012 and November 30, 2011, the carrying value of the investment securities was \$14.5 million and \$14.1 million million, respectively.

Additionally, another subsidiary in the Rialto segment has approximately a 5% investment in a service and infrastructure provider to the residential home loan market (the “Servicer Provider”), which provides services to the consolidated LLCs, among others. As of May 31, 2012 and November 30, 2011, the carrying value of our investment in the Servicer Provider was \$8.6 million and \$8.8 million, respectively.

## (2) Financial Condition and Capital Resources

At May 31, 2012, we had cash and cash equivalents related to our homebuilding, financial services and Rialto operations of \$829.4 million, compared to \$1,131.5 million at May 31, 2011. The decrease in cash and cash equivalents is primarily due to a \$329.9 million increase in inventories.

We finance our land acquisition and development activities, construction activities, financial services activities, Rialto activities and general operating needs primarily with cash generated from our operations, debt issuances and equity offerings, as well as cash borrowed under our warehouse lines of credit and our credit facility.

### Operating Cash Flow Activities

During the six months ended May 31, 2012 and May 31, 2011, cash provided by (used in) operating activities totaled (\$213.8) million and \$4.6 million, respectively. During the six months ended May 31, 2012, cash used in operating activities were impacted by our net earnings (net of our deferred income tax benefit), a decrease in receivables and a decrease in Lennar Financial Services loans held-for-sale, offset by a decrease in accounts payable and other liabilities and an increase in inventories due to strategic land purchases.

During the six months ended May 31, 2011, cash provided by operating activities was positively impacted by our net earnings, a decrease in Financial Services loans held-for-sale and a decrease in receivables. This was partially offset by an increase in other assets, a decrease in accounts payable and other liabilities and an increase in inventories due to strategic land purchases.

### Investing Cash Flow Activities

During the six months ended May 31, 2012 and 2011, cash provided by (used in) investing activities totaled \$178.2 million and (\$95.6) million, respectively. During the six months ended May 31, 2012, we received \$41.8 million of principal payments on Rialto Investments loans receivable and \$91.5 million of proceeds from the sales of REO. In addition, cash increased due to a \$80.7 million decrease in Rialto Investments defeasance cash, \$21.2 million of distributions of capital from Lennar Homebuilding unconsolidated entities and \$14.0 million of distributions of capital from the Fund, a Rialto Investments unconsolidated entity. This was partially offset by (\$44.8) million of cash contributions to Lennar Homebuilding unconsolidated entities primarily for working capital and debt reduction and (\$19.9) million of cash contributions to the Fund.

During the six months ended May 31, 2011, we received \$38.1 million of principal payments on Rialto Investments loans receivable, \$20.9 million of proceeds from the sale of REO and \$13.8 million of distributions of capital from Lennar Homebuilding unconsolidated entities. This was offset by \$75.9 million of cash contributions to Lennar Homebuilding unconsolidated entities primarily for working capital and debt reduction, \$29.7 million of cash contributions to the Fund, which is a Rialto Investments unconsolidated entity, and a \$58.3 million increase in Rialto Investments defeasance cash.

We are always evaluating the possibility of acquiring homebuilders and other companies. However, at May 31, 2012, we had no agreements or understandings regarding any significant transactions.

Financing Cash Flow Activities

During the six months ended May 31, 2012, our cash used in financing activities of (\$298.6) million was primarily attributed to principal repayments on Rialto Investments notes payable, net repayments under our Lennar Financial Services'

364-day warehouse repurchase facilities and principal payments on other borrowings, partially offset by the receipt of proceeds of the sale of an additional \$50 million aggregate principal amount of our 3.25% convertible senior notes due 2021 that the initial purchasers acquired to cover over-allotments. During the six months ended May 31, 2011, our cash used in financing activities of \$171.7 million was primarily attributed to principal payments on other borrowings and net repayments under our Lennar Financial Services' warehouse repurchase facilities.

Debt to total capital ratios are financial measures commonly used in the homebuilding industry and are presented to assist in understanding the leverage of our Lennar Homebuilding operations. Management believes providing this measure of leverage of our Lennar Homebuilding operations enables management and readers of our financial statements to better understand our financial position and performance. Lennar Homebuilding debt to total capital and net Lennar Homebuilding debt to total capital are calculated as follows:

| (Dollars in thousands)                              | May 31,<br>2012 | November 30,<br>2011 | May 31,<br>2011 |   |  |
|-----------------------------------------------------|-----------------|----------------------|-----------------|---|--|
| Lennar Homebuilding debt                            | \$3,469,616     | 3,362,759            | 3,104,317       |   |  |
| Stockholders' equity                                | 3,177,378       | 2,696,468            | 2,651,845       |   |  |
| Total capital                                       | \$6,646,994     | 6,059,227            | 5,756,162       |   |  |
| Lennar Homebuilding debt to total capital           | 52.2            | % 55.5               | % 53.9          | % |  |
| Lennar Homebuilding debt                            | \$3,469,616     | 3,362,759            | 3,104,317       |   |  |
| Less: Lennar Homebuilding cash and cash equivalents | 667,111         | 1,024,212            | 945,155         |   |  |
| Net Lennar Homebuilding debt                        | \$2,802,505     | 2,338,547            | 2,159,162       |   |  |
| Net Lennar Homebuilding debt to total capital (1)   | 46.9            | % 46.4               | % 44.9          | % |  |

Net Lennar Homebuilding debt to total capital consists of net Lennar Homebuilding debt (Lennar Homebuilding (1) debt less Lennar Homebuilding cash and cash equivalents) divided by total capital (net Lennar Homebuilding debt plus stockholders' equity).

At May 31, 2012, Lennar Homebuilding debt to total capital was lower compared to May 31, 2011, due to an increase in stockholder's equity primarily related to our net earnings, which included the partial reversal of our deferred tax asset valuation allowance of \$403.0 million, partially offset by the increase in Lennar Homebuilding debt as a result of an increase in senior notes.

Our Lennar Homebuilding average debt outstanding was \$3.5 billion for the six months ended May 31, 2012, compared to \$3.1 billion for the six months ended May 31, 2011. The average rate for interest incurred was 5.5% for the six months ended May 31, 2012 compared to 5.7% for the six months ended May 31, 2011. Interest incurred related to homebuilding debt for the six months ended May 31, 2012 was \$107.1 million, compared to \$100.1 million in the same period last year. The majority of our short-term financing needs, including financings for land acquisition and development activities and general operating needs, are met with cash generated from operations and proceeds from debt issuances.

At May 31, 2012, we had a \$150 million Letter of Credit and Reimbursement Agreement with certain financial institutions, which may be increased to \$200 million, but for which there are currently no commitments for the additional \$50 million. In addition, at May 31, 2012, we had a \$50 million Letter of Credit and Reimbursement Agreement with certain financial institutions that had a \$50 million accordion feature for which there are currently no commitments, and a \$200 million Letter of Credit Facility with a financial institution. Additionally, in May 2012, we entered into a 3-year unsecured revolving credit facility (the "Credit Facility") with certain financial institutions that expires in May 2015. The maximum aggregate commitment under the Credit Facility is \$525 million, of which \$410 million is committed and \$115 million is available through an accordion feature, subject to additional commitments. As of May 31, 2012, we have no outstanding borrowings under the Credit Facility. We believe we were in compliance with our debt covenants at May 31, 2012.

Our performance letters of credit outstanding were \$82.8 million and \$68.0 million, respectively, at May 31, 2012 and November 30, 2011. Our financial letters of credit outstanding were \$198.1 million and \$199.3 million, respectively, at May 31, 2012 and November 30, 2011. Performance letters of credit are generally posted with regulatory bodies to guarantee our performance of certain development and construction activities, and financial letters of credit are generally posted in lieu of cash deposits on option contracts, for insurance risks, credit enhancements and as other

collateral.

Under the Credit Facility agreement (the "Agreement"), as of the end of each fiscal quarter, we are required to maintain minimum consolidated tangible net worth of approximately \$1.5 billion plus the sum of 50% of the cumulative consolidated net income from February 29, 2012, if positive, and 50% of the net cash proceeds from any equity offerings from and after February 29, 2012. We are required to maintain a leverage ratio of 67% or less at the end of each fiscal quarter during our 2012 fiscal year, starting with our second fiscal quarter of 2012, and through the first two fiscal quarters of our 2013 fiscal year; a

61

---

leverage ratio of 65% or less at the end of the last two fiscal quarters of our 2013 fiscal year and through the first two fiscal quarters of our 2014 fiscal year; and a leverage ratio of 60% or less at the end of the last two fiscal quarters of our 2014 fiscal year through the maturity of the Agreement in May 2015. As of the end of each fiscal quarter, we are also required to maintain either (1) liquidity in an amount equal to or greater than 1.00x consolidated interest incurred for the last twelve months then ended or (2) an interest coverage ratio of equal to or greater than 1.50:1.00 for the last twelve months then ended.

The following are computations of the minimum net worth test, maximum leverage ratio, and liquidity test, as calculated per the Agreement as of May 31, 2012:

| (Dollars in thousands)     | Covenant Level | Level Achieved as of May 31, 2012 |
|----------------------------|----------------|-----------------------------------|
| Minimum net worth test (1) | \$1,678,597    | 2,274,911                         |
| Maximum leverage ratio (2) | 67.0           | % 49.3 %                          |
| Liquidity test (3)         | 1.00           | 3.33                              |

The terms minimum net worth test, maximum leverage ratio and liquidity test used in the Agreement are specifically calculated per the Agreement and differ in specified ways from comparable GAAP or common usage terms. Our minimum net worth test, maximum leverage ratio and liquidity test were calculated for purposes of the Agreement as of May 31, 2012 as follows:

- (1) The minimum consolidated tangible net worth and the consolidated tangible net worth as calculated per the Agreement are as follows:

Minimum consolidated tangible net worth

| (Dollars in thousands)                                                                       | As of May 31, 2012 |
|----------------------------------------------------------------------------------------------|--------------------|
| Stated minimum consolidated tangible net worth per the Agreement                             | \$1,459,657        |
| Plus: 50% of cumulative consolidated net income as calculated per the Agreement, if positive | 218,940            |
| Required minimum consolidated tangible net worth per the Agreement                           | \$1,678,597        |

Consolidated tangible net worth

| (Dollars in thousands)                                                                      | As of May 31, 2012 |
|---------------------------------------------------------------------------------------------|--------------------|
| Total equity                                                                                | \$3,779,908        |
| Less: Intangible assets (a)                                                                 | (34,046 )          |
| Tangible net worth as calculated per the Agreement                                          | 3,745,862          |
| Less: Consolidated equity of mortgage banking, Rialto and other designated subsidiaries (b) | (1,331,901 )       |
| Less: Lennar Homebuilding noncontrolling interests                                          | (139,050 )         |
| Consolidated tangible net worth as calculated per the Agreement                             | \$2,274,911        |

- (a) Intangible assets represent the Financial Services' title operations goodwill.

Consolidated equity of mortgage banking subsidiaries represents the equity of the Lennar Financial Services segment's mortgage banking operations. Consolidated equity of other designated subsidiaries represents the equity of certain subsidiaries included within the Lennar Financial Services segment's title operations that are prohibited

- (b) from being guarantors under this Agreement. The consolidated equity of Rialto, as calculated per the Agreement, represents Rialto total assets minus Rialto total liabilities as disclosed in Note 8 of the notes to our condensed consolidated financial statements as of May 31, 2012. The consolidated equity of mortgage banking subsidiaries, Rialto and other designated subsidiaries are included in equity in our condensed consolidated balance sheet as of May 31, 2012.

(2) The leverage ratio as calculated per the Agreement is as follows:

Leverage ratio:

|                                                                                                               |                    |
|---------------------------------------------------------------------------------------------------------------|--------------------|
| (Dollars in thousands)                                                                                        | As of May 31, 2012 |
| Lennar Homebuilding senior notes and other debts payable                                                      | \$3,469,616        |
| Less: Debt of Lennar Homebuilding consolidated entities (a)                                                   | (221,483 )         |
| Funded debt as calculated per the Agreement                                                                   | 3,248,133          |
| Plus: Financial letters of credit (b)                                                                         | 198,663            |
| Plus: Lennar's recourse exposure related to Lennar Homebuilding unconsolidated/consolidated entities, net (c) | 98,256             |
| Consolidated indebtedness as calculated per the Agreement                                                     | 3,545,052          |
| Less: Unrestricted cash and cash equivalents in excess of required liquidity per the Agreement (d)            | (673,925 )         |
| Numerator as calculated per the Agreement                                                                     | \$2,871,127        |
| Denominator as calculated per the Agreement                                                                   | \$5,819,963        |
| Leverage ratio (e)                                                                                            | 49.3 %             |

(a) Debt of our Lennar Homebuilding consolidated entities is included in Lennar Homebuilding senior notes and other debts payable in our condensed consolidated balance sheet as of May 31, 2012.

Our financial letters of credit outstanding include \$198.1 million disclosed in Note 11 of the notes to our (b) condensed consolidated financial statements as of May 31, 2012 and \$0.6 million of financial letters of credit related to the Financial Services segment's title operations.

Lennar's recourse exposure related to the Lennar Homebuilding unconsolidated and consolidated entities, net includes \$48.7 million of net recourse exposure related to Lennar Homebuilding unconsolidated entities and \$49.5 (c) million of recourse exposure related to Lennar Homebuilding consolidated entities, which is included in Lennar Homebuilding senior notes and other debts payable in our condensed consolidated balance sheet as of May 31, 2012.

Unrestricted cash and cash equivalents include \$667.1 million of Lennar Homebuilding cash and cash equivalents and \$16.8 million of Lennar Financial Services cash and cash equivalents, excluding cash and cash equivalents (d) from mortgage banking subsidiaries and other designated subsidiaries within the Lennar Financial Services segment.

Leverage ratio consists of the numerator as calculated per the Agreement divided by the denominator as calculated (e) per the Agreement (consolidated indebtedness as calculated per the Agreement, plus consolidated tangible net worth as calculated per the Agreement).

(3) Liquidity as calculated per the Agreement is as follows:

Liquidity test

|                                                                            |                    |
|----------------------------------------------------------------------------|--------------------|
| (Dollars in thousands)                                                     | As of May 31, 2012 |
| Unrestricted cash and cash equivalents as calculated per the Agreement (a) | \$666,845          |
| Consolidated interest incurred as calculated per the Agreement (b)         | \$200,304          |
| Liquidity (c)                                                              | 3.33               |

Unrestricted cash and cash and cash equivalents at May 31, 2012 for the liquidity test calculation includes \$667.1 million of Lennar Homebuilding cash and cash equivalents plus \$16.8 million of Lennar Financial Services cash (a) and cash equivalents, excluding cash and cash equivalents from mortgage banking subsidiaries and other designated subsidiaries within the Lennar Financial Services segment, minus \$17.1 million of cash and cash equivalents of Lennar Homebuilding consolidated joint ventures.

Consolidated interest incurred as calculated per the Agreement for the last twelve months ended May 31, 2012 includes Lennar Homebuilding interest incurred of \$208.5 million, minus (1) interest incurred related to our (b) partner's share of Lennar Homebuilding consolidated joint ventures included within Lennar Homebuilding interest incurred, (2) Lennar Homebuilding interest income included within Lennar Homebuilding other income, net, and (3) Lennar Financial Services interest income, excluding interest income from mortgage banking subsidiaries and other designated subsidiaries within the Lennar Financial Services operations.

(c) Since we are only required to maintain either (1) liquidity in an amount equal to or greater than 1.00x

63

---

consolidated interest incurred for the last twelve months then ended or (2) an interest coverage ratio of equal to or greater than 1.50:1.00 for the last twelve months then ended. Although we are in compliance with our debt covenants for both calculations, we have only disclosed the detailed calculation of our liquidity test.

At May 31, 2012, our Lennar Financial Services segment had a 364-day warehouse repurchase facility with a maximum aggregate commitment of \$100 million and an additional uncommitted amount of \$52 million that matures in February 2013, and another 364-day warehouse repurchase facility with a maximum aggregate commitment of \$175 million that matures in July 2012. The maximum aggregate commitment and uncommitted amount under these facilities totaled \$275 million and \$52 million, respectively, as of May 31, 2012. Subsequent to May 31, 2012, our Lennar Financial Services segment entered into an additional 364-day warehouse repurchase facility with a maximum aggregate commitment of \$75 million and an additional uncommitted amount of \$75 million that matures in June 2013.

Our Lennar Financial Services segment uses these facilities to finance its lending activities until the mortgage loans are sold to investors and expects the facilities to be renewed or replaced with other facilities when they mature.

Borrowings under the facilities were \$263.5 million and \$410.1 million, respectively, at May 31, 2012 and November 30, 2011, and were collateralized by mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of \$275.6 million and \$431.6 million, respectively, at May 31, 2012 and November 30, 2011.

Since our Lennar Financial Services segment's borrowings under the warehouse repurchase facilities are generally repaid with the proceeds from the sale of mortgage loans and receivables on loans that secure those borrowings, the facilities are not likely to be a call on our current cash or future cash resources. If the facilities are not renewed, the borrowings under the lines of credit will be paid off by selling mortgage loans held-for-sale and by collecting on receivables on loans sold to investors but not yet paid. Without the facilities, our Lennar Financial Services segment would have to use cash from operations and other funding sources to finance its lending activities.

#### Changes in Capital Structure

We have a stock repurchase program which permits the purchase of up to 20 million shares of our outstanding common stock. During both the six months ended May 31, 2012 and 2011, there were no repurchases of common stock under the stock repurchase program. As of May 31, 2012, 6.2 million shares of common stock can be repurchased in the future under the program.

During three months ended May 31, 2012, treasury stock had no change in Class A common shares. During the six months ended May 31, 2012, treasury stock decreased by 0.3 million Class A common shares due to activity related to our equity compensation plan.

On May 9, 2012, we paid cash dividends of \$0.04 per share for both our Class A and Class B common stock to holders of record at the close of business on April 25, 2012, as declared by our Board of Directors on April 11, 2012. On June 26, 2012, our Board of Directors declared a quarterly cash dividend of \$0.04 per share on both our Class A and Class B common stock, payable on July 25, 2012 to holders of record at the close of business on July 11, 2012. Based on our current financial condition and credit relationships, we believe that our operations and borrowing resources will provide for our current and long-term capital requirements at our anticipated levels of activity.

#### Off-Balance Sheet Arrangements

##### Lennar Homebuilding: Investments in Unconsolidated Entities

At May 31, 2012, we had equity investments in 36 homebuilding and land unconsolidated entities (of which 8 had recourse debt, 7 non-recourse debt and 21 had no debt), compared to 35 homebuilding and land unconsolidated entities at November 30, 2011. Historically, we invested in unconsolidated entities that acquired and developed land (1) for our homebuilding operations or for sale to third parties or (2) for the construction of homes for sale to third-party homebuyers. Through these entities, we primarily sought to reduce and share our risk by limiting the amount of our capital invested in land, while obtaining access to potential future homesites and allowing us to participate in strategic ventures. The use of these entities also, in some instances, enabled us to acquire land to which we could not otherwise obtain access, or could not obtain access on as favorable terms, without the participation of a strategic partner. Participants in these joint ventures have been land owners/developers, other homebuilders and financial or strategic partners. Joint ventures with land owners/developers have given us access to homesites owned or



controlled by our partners. Joint ventures with other homebuilders have provided us with the ability to bid jointly with our partners for large land parcels. Joint ventures with financial partners have allowed us to combine our homebuilding expertise with access to our partners' capital. Joint ventures with strategic partners have allowed us to combine our homebuilding expertise with the specific expertise (e.g. commercial or infill experience) of our partner. Each joint venture is governed by an executive committee consisting of members from the partners.

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 and Selected Information

|                                                                                                | Three Months Ended |        | At or for the Six Months Ended |           |
|------------------------------------------------------------------------------------------------|--------------------|--------|--------------------------------|-----------|
| (Dollars in thousands)                                                                         | May 31,            |        | May 31,                        |           |
|                                                                                                | 2012               | 2011   | 2012                           | 2011      |
| Revenues                                                                                       | \$70,869           | 83,251 | 153,513                        | 150,314   |
| Costs and expenses                                                                             | 94,288             | 63,894 | 177,710                        | 152,474   |
| Other income                                                                                   | —                  | —      | —                              | 123,007   |
| Net earnings (loss) of unconsolidated entities                                                 | \$(23,419 )        | 19,357 | (24,197 )                      | 120,847   |
| Our share of net earnings (loss)                                                               | \$(10,363 )        | 6,738  | (9,756 )                       | 29,738    |
| Lennar Homebuilding equity in earnings (loss) from unconsolidated entities                     | \$(9,381 )         | 2,417  | (8,298 )                       | 11,078    |
| Our cumulative share of net earnings - deferred at May 31, 2012 and May 31, 2011, respectively |                    |        | \$2,081                        | 7,494     |
| Our investments in unconsolidated entities                                                     |                    |        | \$566,576                      | 652,973   |
| Equity of the unconsolidated entities                                                          |                    |        | \$2,110,908                    | 2,275,585 |
| Our investment % in the unconsolidated entities                                                |                    |        | 27 %                           | 29 %      |

For both the three and six months ended May 31, 2012, Lennar Homebuilding equity in earnings (loss) includes \$5.4 million of valuation adjustments related to strategic asset sales at Lennar Homebuilding's unconsolidated entities. For the six months ended May 31, 2011, Lennar Homebuilding equity in earnings includes a \$15.4 million gain related to the Company's share of a \$123.0 million gain on debt extinguishment at a Lennar Homebuilding unconsolidated entity, partially offset by \$4.5 million of valuation adjustments related to assets of Lennar Homebuilding's unconsolidated entities.

#### Balance Sheets

| (In thousands)                        | May 31,<br>2012 | November 30,<br>2011 |
|---------------------------------------|-----------------|----------------------|
| Assets:                               |                 |                      |
| Cash and cash equivalents             | \$113,225       | 90,584               |
| Inventories                           | 2,905,970       | 2,895,241            |
| Other assets                          | 237,225         | 277,152              |
|                                       | \$3,256,420     | 3,262,977            |
| Liabilities and equity:               |                 |                      |
| Account payable and other liabilities | \$276,793       | 246,384              |
| Debt                                  | 868,719         | 960,627              |
| Equity                                | 2,110,908       | 2,055,966            |
|                                       | \$3,256,420     | 3,262,977            |

As of May 31, 2012, our recorded investments in Lennar Homebuilding unconsolidated entities were \$566.6 million while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets was \$672.8 million, primarily as a result of us buying at a discount a partner's equity in a Lennar Homebuilding unconsolidated entity. As of November 30, 2011, our recorded investments in Lennar Homebuilding unconsolidated entities were \$545.8 million while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets was \$628.1 million, primarily as a result of us buying at a discount a partner's equity in a Lennar Homebuilding unconsolidated entity.

In fiscal 2007, we 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 we have approximately a 20% ownership interest and 50% voting rights. Due to our continuing involvement, the transaction did not qualify as a sale by us under GAAP; thus, the inventory has remained on our condensed consolidated balance sheets in consolidated inventory not

owned. As of May 31, 2012 and November 30, 2011, the portfolio of land (including land development costs) of \$350.0 million and \$372.0 million, respectively, is also reflected as inventory in the summarized condensed financial information related to Lennar Homebuilding's unconsolidated entities.

Debt to total capital of the Lennar Homebuilding unconsolidated entities in which we have investments was calculated as follows:

| (Dollars in thousands)                               | May 31,<br>2012 | November 30,<br>2011 |
|------------------------------------------------------|-----------------|----------------------|
| Debt                                                 | \$868,719       | 960,627              |
| Equity                                               | 2,110,908       | 2,055,966            |
| Total capital                                        | \$2,979,627     | 3,016,593            |
| Debt to total capital of our unconsolidated entities | 29.2            | % 31.8 %             |

Our investments in Lennar Homebuilding unconsolidated entities by type of venture were as follows:

| (In thousands)    | May 31,<br>2012 | November 30,<br>2011 |
|-------------------|-----------------|----------------------|
| Land development  | \$483,907       | 461,077              |
| Homebuilding      | 82,669          | 84,683               |
| Total investments | \$566,576       | 545,760              |

The summary of our net recourse exposure related to the Lennar Homebuilding unconsolidated entities in which we have investments was as follows:

| (In thousands)                                                     | May 31,<br>2012 | November 30,<br>2011 |
|--------------------------------------------------------------------|-----------------|----------------------|
| Several recourse debt - repayment                                  | \$44,889        | 62,408               |
| Joint and several recourse debt - repayment                        | 26,650          | 46,292               |
| Lennar's maximum recourse exposure                                 | 71,539          | 108,700              |
| Less: joint and several reimbursement agreements with our partners | (22,820)        | (33,795)             |
| Lennar's net recourse exposure                                     | \$48,719        | 74,905               |

During the six months ended May 31, 2012, our maximum recourse exposure related to indebtedness of Lennar Homebuilding unconsolidated entities decreased by \$37.2 million, as a result of \$3.4 million paid by us primarily through capital contributions to unconsolidated entities and \$33.8 million primarily related to the joint ventures selling assets and other transactions.

As of May 31, 2012 and November 30, 2011, we had no obligation guarantees accrued. The obligation guarantees, if any, are estimated based on current facts and circumstances and any unexpected changes may lead us to incur obligation guarantees in the future.

Indebtedness of an unconsolidated entity is secured by its own assets. Some unconsolidated entities own multiple properties and other assets. There is no cross collateralization of debt to different unconsolidated entities. We also do not use our investment in one unconsolidated entity as collateral for the debt in another unconsolidated entity or commingle funds among Lennar Homebuilding unconsolidated entities.

In connection with a loan to a Lennar Homebuilding unconsolidated entity, we and our partners often guarantee to a lender either jointly and severally or on a several basis, any or all of the following: (i) the completion of the development, in whole or in part, (ii) indemnification of the lender from environmental issues, (iii) indemnification of the lender from "bad boy acts" of the unconsolidated entity (or full recourse liability in the event of unauthorized transfer or bankruptcy) and (iv) that the loan to value and/or loan to cost will not exceed a certain percentage (maintenance or remargining guarantee) or that a percentage of the outstanding loan will be repaid (repayment guarantee).

In connection with loans to an unconsolidated entity where there is a joint and several guarantee, we generally have a reimbursement agreement with our partner. The reimbursement agreement provides that neither party is responsible for more than its proportionate share of the guarantee. However, if our joint venture partner does not have adequate financial resources to meet its obligations under the reimbursement agreement, we may be liable for more than our proportionate share, up to our maximum exposure, which is the full amount covered by the joint and several guarantee.



The recourse debt exposure in the previous table represents our maximum 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 debt or to reimburse us for any payments on our guarantees. The Lennar Homebuilding unconsolidated entities that have recourse debt have a significant amount of assets and equity. The summarized balance sheets of the Lennar Homebuilding unconsolidated entities with recourse debt were as follows.

| (In thousands) | May 31,<br>2012 | November 30,<br>2011 |
|----------------|-----------------|----------------------|
| Assets         | \$1,824,741     | 1,865,144            |
| Liabilities    | \$777,650       | 815,815              |
| Equity         | \$1,047,091     | 1,049,329            |

In addition, in most instances in which we have guaranteed debt of a Lennar Homebuilding unconsolidated entity, our partners have also guaranteed that debt and are required to contribute their share of the guarantee payment. Some of our guarantees are repayment guarantees and some are maintenance guarantees. In a repayment guarantee, we and our venture partners guarantee repayment of a portion or all of the debt in the event of a default before the lender would have to exercise its rights against the collateral. In the event of default, if our venture partner does not have adequate financial resources to meet its obligation under our reimbursement agreement, we may be liable for more than our proportionate share, up to our maximum recourse exposure, which is the full amount covered by the joint and several guarantee. The maintenance guarantees only apply if the value of the collateral (generally land and improvements) is less than a specified percentage of the loan balance. If we are required to make a payment under a maintenance guarantee to bring the value of the collateral above the specified percentage of the loan balance, the payment would generally constitute a capital contribution or loan to the Lennar Homebuilding unconsolidated entity and increase our share of any funds the unconsolidated entity distributes. As of May 31, 2012, we do not have maintenance guarantees related to our Lennar Homebuilding unconsolidated entities.

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

During the three months ended May 31, 2012, there were other loan paydowns of \$0.5 million. During the three months ended May 31, 2011, there were: (1) no payments under our maintenance guarantees and (2) other loan paydowns of \$12.4 million, a portion of which related to amounts paid under our repayment guarantees. During both the three months ended May 31, 2012 and 2011, there were no payments under completion guarantees.

During the six months ended May 31, 2012, there were other loan paydowns of \$3.9 million. During the six months ended May 31, 2011, there were: (1) payments of \$1.7 million under our maintenance guarantees and (2) other loan paydowns of \$13.0 million, a portion of which related to amounts paid under our repayment guarantees. During both the six months ended May 31, 2012 and 2011, there were no payments under completion guarantees.

As of May 31, 2012, the fair values of the repayment guarantees and completion guarantees were not material. We believe that as of May 31, 2012, in the event we become legally obligated to perform under a guarantee of the obligation of a Lennar Homebuilding unconsolidated entity due to a triggering event under a guarantee, most of the time the collateral should be sufficient to repay at least a significant portion of the obligation or we and our partners would contribute additional capital into the venture. In certain instances, we have placed performance letters of credit and surety bonds with municipalities for our joint ventures (see Note 11).

The total debt of Lennar Homebuilding unconsolidated entities in which we have investments was as follows:

| (In thousands)                                                              | May 31,<br>2012 | November 30,<br>2011 |
|-----------------------------------------------------------------------------|-----------------|----------------------|
| Lennar's net recourse exposure                                              | \$48,719        | 74,905               |
| Reimbursement agreements from partners                                      | 22,820          | 33,795               |
| Lennar's maximum recourse exposure                                          | \$71,539        | 108,700              |
| Non-recourse bank debt and other debt (partner's share of several recourse) | \$105,156       | 149,937              |
| Non-recourse land seller debt or other debt                                 | 26,343          | 26,391               |
| Non-recourse debt with completion guarantees                                | 490,250         | 441,770              |
| Non-recourse debt without completion guarantees                             | 175,431         | 233,829              |
| Non-recourse debt to Lennar                                                 | 797,180         | 851,927              |
| Total debt                                                                  | \$868,719       | 960,627              |
| Lennar's maximum recourse exposure as a % of total JV debt                  | 8               | % 11                 |

In view of current credit market conditions, it is not uncommon for lenders to real estate developers, including joint ventures in which we have interests, to assert non-monetary defaults (such as failure to meet construction completion deadlines or declines in the market value of collateral below required amounts) or technical monetary defaults against the real estate developers. In most instances, those asserted defaults are resolved by modifications of the loan terms, additional equity investments or other concessions by the borrowers. In addition, in some instances, real estate developers, including joint ventures in which we have interests, are forced to request temporary waivers of covenants in loan documents or modifications of loan terms, which are often, but not always obtained. However, in some instances developers, including joint ventures in which we have interests, are not able to meet their monetary obligations to lenders, and are thus declared in default. Because we sometimes guarantee all or portions of the obligations to lenders of joint ventures in which we have interests, when these joint ventures default on their obligations, lenders may or may not have claims against us. Normally, we do not make payments with regard to guarantees of joint venture obligations while the joint ventures are contesting assertions regarding sums due to their lenders. When it is determined that a joint venture is obligated to make a payment that we have guaranteed and the joint venture will not be able to make that payment, we accrue the amounts probable to be paid by us as a liability. Although we generally fulfill our guarantee obligations within a reasonable time after we determine that we are obligated with regard to them, at any point in time it is likely that we will have some balance of unpaid guarantee liability. At both May 31, 2012 and November 30, 2011, we had no liabilities accrued for unpaid guarantees of joint venture indebtedness on our condensed consolidated balance sheets.

The following table summarizes the principal maturities of our Lennar Homebuilding unconsolidated entities ("JVs") debt as per current debt arrangements as of May 31, 2012 and does not represent estimates of future cash payments that will be made to reduce debt balances. Many JV loans have extension options in the loan agreements that would allow the loans to be extended into future years.

| Principal Maturities of Unconsolidated JVs by Period |                        |                  |         |        |        |            |                   |
|------------------------------------------------------|------------------------|------------------|---------|--------|--------|------------|-------------------|
| (In thousands)                                       | Total JV<br>Assets (1) | Total JV<br>Debt | 2012    | 2013   | 2014   | Thereafter | Other<br>Debt (2) |
| Net recourse debt to Lennar\$                        |                        | 48,719           | 1,295   | 16,631 | 4,628  | 26,165     | —                 |
| Reimbursement agreements                             |                        | 22,820           | —       | —      | —      | 22,820     | —                 |
| Maximum recourse debt exposure to Lennar             | 1,824,741              | 71,539           | 1,295   | 16,631 | 4,628  | 48,985     | —                 |
| Debt without recourse to Lennar                      | 1,018,245              | 797,180          | 128,591 | 52,974 | 27,160 | 558,597    | 29,858            |
| Total                                                | \$2,842,986            | 868,719          | 129,886 | 69,605 | 31,788 | 607,582    | 29,858            |

(1) Excludes unconsolidated joint venture assets where the joint venture has no debt.

(2) Represents land seller debt and other debt.





The following table is a breakdown of the assets, debt and equity of the Lennar Homebuilding unconsolidated joint ventures by partner type as of May 31, 2012:

| (Dollars in thousands)          | Total JV Assets | Maximum Recourse Debt Exposure to Lennar | Reimbursement Agreements | Net Recourse Debt to Lennar | Total Debt Without Recourse to Lennar | Total JV Debt | Total JV Equity | JV Debt to Total Capital Ratio | Remaining Homes/Homesites in JV |
|---------------------------------|-----------------|------------------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------|-----------------|--------------------------------|---------------------------------|
| Partner Type:                   |                 |                                          |                          |                             |                                       |               |                 |                                |                                 |
| Financial                       | \$2,452,011     | 47,355                                   | 22,820                   | 24,535                      | 618,261                               | 665,616       | 1,505,939       | 31 %                           | 40,182                          |
| Land Owners/Developers          | 405,983         | 19,556                                   | —                        | 19,556                      | 93,435                                | 112,991       | 277,156         | 29 %                           | 14,504                          |
| Strategic                       | 114,746         | 2,128                                    | —                        | 2,128                       | 21,654                                | 23,782        | 88,867          | 21 %                           | 3,323                           |
| Other Builders                  | 283,680         | 2,500                                    | —                        | 2,500                       | 33,972                                | 36,472        | 238,946         | 13 %                           | 4,966                           |
| Total                           | \$3,256,420     | 71,539                                   | 22,820                   | 48,719                      | 767,322                               | 838,861       | 2,110,908       | 28 %                           | 62,975                          |
| Land seller debt and other debt | \$ —            | —                                        | —                        | —                           | 29,858                                | 29,858        |                 |                                |                                 |
| Total JV debt                   | \$ —            | 71,539                                   | 22,820                   | 48,719                      | 797,180                               | 868,719       |                 |                                |                                 |

The table below indicates the assets, debt and equity of our 10 largest Lennar Homebuilding unconsolidated joint venture investments as of May 31, 2012:

| (Dollars in thousands)                | Lennar's Investment | Total JV Assets | Maximum Recourse Debt Exposure to Lennar | Reimbursement Agreements | Net Recourse Debt to Lennar | Total Debt Without Recourse to Lennar | Total JV Debt | Total JV Equity | JV Debt to Total Capital Ratio |
|---------------------------------------|---------------------|-----------------|------------------------------------------|--------------------------|-----------------------------|---------------------------------------|---------------|-----------------|--------------------------------|
| Top Ten JVs (1):                      |                     |                 |                                          |                          |                             |                                       |               |                 |                                |
| Heritage Fields El Toro               | \$134,236           | 1,440,351       | 22,000                                   | —                        | 22,000                      | 480,184                               | 502,184       | 860,337         | 37 %                           |
| Central Park West Holdings            | 63,856              | 152,097         | 25,355                                   | 22,820                   | 2,535                       | 76,066                                | 101,421       | 49,516          | 67 %                           |
| Newhall Land Development              | 44,474              | 445,442         | —                                        | —                        | —                           | —                                     | —             | 256,796         | —                              |
| Ballpark Village                      | 38,635              | 130,503         | —                                        | —                        | —                           | 52,910                                | 52,910        | 77,270          | 41 %                           |
| Runkle Canyon                         | 38,250              | 77,732          | —                                        | —                        | —                           | —                                     | —             | 76,500          | —                              |
| MS Rialto                             |                     |                 |                                          |                          |                             |                                       |               |                 |                                |
| Residential Holdings                  | 34,722              | 358,075         | —                                        | —                        | —                           | 62,012                                | 62,012        | 287,556         | 18 %                           |
| LS College Park                       | 32,289              | 66,913          | —                                        | —                        | —                           | —                                     | —             | 63,212          | —                              |
| Treasure Island Community Development | 27,267              | 55,217          | —                                        | —                        | —                           | —                                     | —             | 54,566          | —                              |
| Rocking Horse Partners                | 20,714              | 49,142          | —                                        | —                        | —                           | 7,038                                 | 7,038         | 41,415          | 15 %                           |
| Willow Springs Properties             | 18,885              | 33,965          | —                                        | —                        | —                           | —                                     | —             | 32,038          | —                              |
| 10 largest JV investments             | 453,328             | 2,809,437       | 47,355                                   | 22,820                   | 24,535                      | 678,210                               | 725,565       | 1,799,206       | 29 %                           |
| Other JVs                             | 113,248             | 446,983         | 24,184                                   | —                        | 24,184                      | 89,112                                | 113,296       | 311,702         | 27 %                           |

Edgar Filing: LENNAR CORP /NEW/ - Form 10-Q

|                                 |           |           |        |        |        |         |         |           |    |   |
|---------------------------------|-----------|-----------|--------|--------|--------|---------|---------|-----------|----|---|
| Total                           | \$566,576 | 3,256,420 | 71,539 | 22,820 | 48,719 | 767,322 | 838,861 | 2,110,908 | 28 | % |
| Land seller debt and other debt | \$        |           |        |        |        | 29,858  | 29,858  |           |    |   |
| Total JV debt                   | \$        |           | 71,539 | 22,820 | 48,719 | 797,180 | 868,719 |           |    |   |

All of the joint ventures presented in the table above operate in our Homebuilding West segment except for (1) Rocking Horse Partners and Willow Springs Properties, which operates in our Homebuilding Central segment and MS Rialto Residential Holdings, which operates in all of our homebuilding segments and Homebuilding Other.

The table below indicates the percentage of assets, debt and equity of our 10 largest Lennar Homebuilding unconsolidated joint venture investments, as of May 31, 2012:

|                | % of<br>Total JV<br>Assets | % of<br>Maximum<br>Recourse<br>Debt<br>Exposure<br>to Lennar | % of Net<br>Recourse<br>Debt to<br>Lennar | % of Total<br>Debt<br>Without<br>Recourse to<br>Lennar | % of<br>Total JV<br>Equity |   |
|----------------|----------------------------|--------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------|----------------------------|---|
| 10 largest JVs | 86                         | % 66                                                         | % 50                                      | % 88                                                   | % 85                       | % |
| Other JVs      | 14                         | % 34                                                         | % 50                                      | % 12                                                   | % 15                       | % |
| Total          | 100                        | % 100                                                        | % 100                                     | % 100                                                  | % 100                      | % |

#### Rialto Investments: Investments in Unconsolidated Entities

An affiliate of our Rialto segment is a sub-advisor to the AB PPIP fund and receives management fees for sub-advisory services. As of May 31, 2012, approximately 93% of committed capital has been called of which we have contributed \$69.4 million of the \$75.0 million we committed to invest. As of May 31, 2012, the AB PPIP fund has invested approximately \$3.4 billion to purchase \$5.3 billion in face amount of non-agency residential mortgage-backed securities and commercial mortgage-backed securities and this investment is included in the investment securities reflected in the summarized condensed balance sheets of Rialto's unconsolidated entities. The gross yield of the fund since its inception has totaled approximately 45%. As of May 31, 2012 and November 30, 2011, the carrying value of our investment in the AB PPIP fund was \$76.7 million and \$65.2 million, respectively. During 2010, we committed to invest \$75 million in the Rialto segment's Fund, of which our remaining outstanding commitment as of May 31, 2012 was \$23.7 million. As of May 31, 2012, the equity commitments of the Fund were \$700 million (including the \$75 million committed by us). During the three and six months ended May 31, 2012, the Company contributed \$10.7 million and \$18.0 million, respectively, to the Fund. Of these amounts contributed, \$13.9 million was distributed back to us during the three months ended May 31, 2012 as a return of excess capital contributions due to a securitization within the Fund. Total investor contributions to the Fund for the three and six months ended May 31, 2012 were \$100 million and \$160 million, respectively. Of these amounts contributed, \$130 million was distributed back to investors during the three months ended May 31, 2012 as a return of capital contributions due to a securitization within the Fund. Total investor contributions to the Fund since inception, including allocated income and net of the \$130 million distribution were \$614 million. As of May 31, 2012 and November 30, 2011, the carrying value of our investment in the Fund was \$64.8 million and \$50.1 million, respectively. For the three and six months ended May 31, 2012, our share of earnings from the Fund was \$3.0 million and \$10.6 million, respectively. For both the three and six months ended May 31, 2011, our share of losses from the Fund was (\$0.4) million.

Additionally, another subsidiary in our Rialto segment also has approximately a 5% investment in the Servicer Provider, which provides services to the consolidated LLCs, among others. As of May 31, 2012 and November 30, 2011, the carrying value of our investment in the Servicer Provider was \$8.6 million and \$8.8 million, respectively.

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

# Balance Sheets

| (In thousands)                         | May 31,<br>2012 | November 30,<br>2011 |
|----------------------------------------|-----------------|----------------------|
| Assets:                                |                 |                      |
| Cash and cash equivalents              | \$ 137,104      | 60,936               |
| Loans receivable                       | 400,467         | 274,213              |
| Real estate owned                      | 107,363         | 47,204               |
| Investment securities                  | 4,081,846       | 4,336,418            |
| Other assets                           | 223,861         | 171,196              |
|                                        | \$4,950,641     | 4,889,967            |
| Liabilities and equity:                |                 |                      |
| Accounts payable and other liabilities | \$ 166,557      | 320,353              |
| Notes payable                          | 230,561         | 40,877               |
| Partner loans                          | 163,516         | 137,820              |
| Debt due to the U.S. Treasury          | 1,492,950       | 2,044,950            |
| Equity                                 | 2,897,057       | 2,345,967            |
|                                        | \$4,950,641     | 4,889,967            |

# Statements of Operations

| (In thousands)                                                            | Three Months Ended<br>May 31, |            | Six Months Ended<br>May 31, |           |
|---------------------------------------------------------------------------|-------------------------------|------------|-----------------------------|-----------|
|                                                                           | 2012                          | 2011       | 2012                        | 2011      |
| Revenues                                                                  | \$ 119,123                    | 116,044    | 241,528                     | 232,932   |
| Costs and expenses                                                        | 51,996                        | 35,045     | 103,181                     | 86,516    |
| Other income (expense), net (1)                                           | 37,335                        | (165,918 ) | 303,775                     | (79,130 ) |
| Net earnings (loss) of unconsolidated entities                            | \$ 104,462                    | (84,919 )  | 442,122                     | 67,286    |
| Rialto Investments equity in earnings (loss) from unconsolidated entities | \$ 5,569                      | (2,973 )   | 24,027                      | 1,552     |

(1) Other income (expense), net for the three and six months ended May 31, 2012 and 2011 includes the AB PPIP Fund's mark-to-market unrealized gains and unrealized losses, of which our portion is a small percentage.

## Option Contracts

We have access to land through option contracts, which generally enables us to control portions of properties owned by third parties (including land funds) and unconsolidated entities until we have determined whether to exercise the options.

The table below indicates the number of homesites owned and homesites to which we had access through option contracts with third parties (“optioned”) or unconsolidated joint ventures (“JVs”) (i.e., controlled homesites) at May 31, 2012 and 2011:

|                   | Controlled Homesites |       |        | Owned Homesites | Total Homesites |
|-------------------|----------------------|-------|--------|-----------------|-----------------|
|                   | Optioned             | JVs   | Total  |                 |                 |
| May 31, 2012      |                      |       |        |                 |                 |
| East              | 3,614                | 339   | 3,953  | 33,886          | 37,839          |
| Central           | 1,560                | 1,191 | 2,751  | 16,270          | 19,021          |
| West              | 1,055                | 6,240 | 7,295  | 27,943          | 35,238          |
| Southeast Florida | 791                  | 396   | 1,187  | 8,334           | 9,521           |
| Houston           | 4,236                | 292   | 4,528  | 9,814           | 14,342          |
| Other             | 90                   | 67    | 157    | 5,399           | 5,556           |
| Total homesites   | 11,346               | 8,525 | 19,871 | 101,646         | 121,517         |
|                   | Controlled Homesites |       |        |                 |                 |
| May 31, 2011      |                      |       |        |                 |                 |
| East              | 3,492                | 529   | 4,021  | 26,787          | 30,808          |
| Central           | 768                  | 1,581 | 2,349  | 15,876          | 18,225          |
| West              | 630                  | 6,423 | 7,053  | 28,431          | 35,484          |
| Southeast Florida | 1,395                | 323   | 1,718  | 4,697           | 6,415           |
| Houston           | 936                  | 297   | 1,233  | 10,183          | 11,416          |
| Other             | 400                  | 73    | 473    | 5,149           | 5,622           |
| Total homesites   | 7,621                | 9,226 | 16,847 | 91,123          | 107,970         |

We evaluate all option contracts for land to determine whether they are VIEs and, if so, whether we are the primary beneficiary of certain of these option contracts. Although we do not have legal title to the optioned land, if we are deemed to be the primary beneficiary, we are required to consolidate the land under option at the purchase price of the optioned land. During the six months ended May 31, 2012, the effect of consolidation of these option contracts was a net increase of \$2.9 million to consolidated inventory not owned with a corresponding increase to liabilities related to consolidated inventory not owned in our condensed consolidated balance sheet as of May 31, 2012. To reflect the purchase price of the inventory consolidated, we reclassified the related option deposits from land under development to consolidated inventory not owned in the accompanying condensed consolidated balance sheet as of May 31, 2012. The liabilities related to consolidated inventory not owned primarily represent the difference between the option exercise prices for the optioned land and our cash deposits. The increase to consolidated inventory not owned was offset by our exercise of options to acquire land under certain contracts previously consolidated, resulting in a net decrease in consolidated inventory not owned of \$23.1 million for the six months ended May 31, 2012.

Our exposure to loss related to our option contracts with third parties and unconsolidated entities consisted of our non-refundable option deposits and pre-acquisitions costs totaling \$136.5 million and \$156.8 million, respectively, at May 31, 2012 and November 30, 2011. Additionally, we had posted \$43.4 million and \$44.1 million, respectively, of letters of credit in lieu of cash deposits under certain option contracts as of May 31, 2012 and November 30, 2011.

## Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments have not changed materially from those reported in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended November 30, 2011.

We are subject to the usual obligations associated with entering into contracts (including option contracts) for the purchase, development and sale of real estate in the routine conduct of our business. Option contracts for the purchase

of land generally enable us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our options. This reduces our financial risk associated with land holdings. At May 31, 2012, we had access to 19,871 homesites through option contracts with third parties and unconsolidated entities in which we have

investments. At May 31, 2012, we had \$136.5 million of non-refundable option deposits and pre-acquisition costs related to certain of these homesites and \$43.4 million of letters of credit posted in lieu of cash deposits under certain option contracts.

At May 31, 2012, we had letters of credit outstanding in the amount of \$280.9 million (which included the \$43.4 million of letters of credit discussed above). These letters of credit are generally posted either with regulatory bodies to guarantee our performance of certain development and construction activities, or in lieu of cash deposits on option contracts, for insurance risks, credit enhancements and as other collateral. Additionally, at May 31, 2012, we had outstanding performance and surety bonds related to site improvements at various projects (including certain projects in our joint ventures) of \$601.9 million. Although significant development and construction activities have been completed related to these site improvements, these bonds are generally not released until all of the development and construction activities are completed. As of May 31, 2012, there were approximately \$343.6 million, or 57%, of anticipated future costs to complete related to these site improvements. We do not presently anticipate any draws upon these bonds, but if any such draws occur, we do not believe they would have a material effect on our financial position, results of operations or cash flows.

Our Lennar Financial Services segment had a pipeline of loan applications in process of \$1.0 billion at May 31, 2012. Loans in process for which interest rates were committed to the borrowers and builder commitments for loan programs totaled approximately \$404.0 million as of May 31, 2012. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments is expected to expire without being exercised by the borrowers or because borrowers may not meet certain criteria at the time of closing, the total commitments do not necessarily represent future cash requirements.

Our Lennar Financial Services segment uses mandatory mortgage-backed securities ("MBS") forward commitments, option contracts and investor commitments to hedge our mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk associated with MBS forward commitments, option contracts and loan sales transactions is managed by limiting our counterparties to investment banks, federally regulated bank affiliates and other investors meeting our credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At May 31, 2012, we had open commitments amounting to \$500.7 million to sell MBS with varying settlement dates through August 2012.

### (3) New Accounting Pronouncements

See Note 16 of our condensed consolidated financial statements included under Item 1 of this Report for a discussion of new accounting pronouncements applicable to our Company.

### (4) Critical Accounting Policies

We believe that there have been no significant changes to our critical accounting policies during the six months ended May 31, 2012 as compared to those we disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended November 30, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks related to fluctuations in interest rates on our investments, debt obligations, loans held-for-sale and loans held-for-investment. We utilize forward commitments and option contracts to mitigate the risks associated with our mortgage loan portfolio.

Our Annual Report on Form 10-K for the year ended November 30, 2011 contains information about market risk under “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.” There have been no material changes in our exposure to market risks during the six months ended May 31, 2012.

Item 4. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures as of the end of our fiscal quarter that ended on May 31, 2012. Based on their participation in that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of May 31, 2012 to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to ensure that information required to be disclosed in our reports filed or furnished under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Our CEO and CFO also participated in an evaluation by our management of any changes in our internal control over financial reporting that occurred during the quarter ended May 31, 2012. That evaluation did not identify any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1 - 5. Not Applicable

Item 6. Exhibits

- 31.1. Rule 13a-14(a) certification by Stuart A. Miller, Chief Executive Officer.
- 31.2. Rule 13a-14(a) certification by Bruce E. Gross, Vice President and Chief Financial Officer.
- 32. Section 1350 certifications by Stuart A. Miller, Chief Executive Officer, and Bruce E. Gross, Vice President and Chief Financial Officer.  
The following financial statements from Lennar Corporation Quarterly Report on Form 10-Q for the quarter ended May 31, 2012, filed on July 10, 2012, were formatted in XBRL (Extensible Business Reporting Language); (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows and (iv) the Notes to Consolidated Financial Statements.\*
- 101.

\* In accordance with Rule 406T of Regulation S-T, the XBRL related to information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.



SIGNATURES

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

Lennar Corporation  
(Registrant)

Date: July 10, 2012

/s/ Bruce E. Gross  
Bruce E. Gross  
Vice President and Chief Financial Officer

Date: July 10, 2012

/s/ David M. Collins  
David M. Collins  
Controller