LENNAR CORP /NEW/
Form 10-Q
July 02, 2015

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, 2015
Commission File Number: 1-11749

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

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

700 Northwest 107th Avenue, Miami, Florida 33172
(Address of principal executive offices) (Zip Code)
(305) 559-4000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý 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 ý 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 ý | Accelerated filer ¨ |
| Non-accelerated filer ¨ | Smaller reporting company ¨ |

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

Common stock outstanding as of May 31, 2015:
Class A 173,937,387
Class B 31,303,195

Part I. Financial Information
Item 1. Financial Statements

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

| | May 31, 2015 (1) | November 30, 2014 (1) |
|---|---|---|
| ASSETS | | |
| Lennar Homebuilding: | | |
| Cash and cash equivalents | $638,992 | 885,729 |
| Restricted cash | 12,373 | 9,849 |
| Receivables, net | 70,443 | 93,444 |
| Inventories: | | |
| Finished homes and construction in progress | 3,717,543 | 3,082,345 |
| Land and land under development | 4,984,978 | 4,601,802 |
| Consolidated inventory not owned | 51,255 | 52,453 |
| Total inventories | 8,753,776 | 7,736,600 |
| Investments in unconsolidated entities | 688,467 | 656,837 |
| Other assets | 591,082 | 672,589 |
| | 10,755,133 | 10,055,048 |
| Rialto | 1,364,682 | 1,458,152 |
| Lennar Financial Services | 1,413,388 | 1,177,053 |
| Lennar Multifamily | 362,256 | 268,014 |
| Total assets | $13,895,459 | 12,958,267 |

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

As of May 31, 2015, total assets include $709.3 million related to consolidated VIEs of which $14.4 million is included in Lennar Homebuilding cash and cash equivalents, $0.7 million in Lennar Homebuilding receivables, net, $0.4 million in Lennar Homebuilding finished homes and construction in progress, $174.5 million in Lennar Homebuilding land and land under development, $51.3 million in Lennar Homebuilding consolidated inventory not owned, $31.1 million in Lennar Homebuilding investments in unconsolidated entities, $25.1 million in Lennar Homebuilding other assets, $402.1 million in Rialto assets and $9.8 million in Lennar Multifamily assets.

As of November 30, 2014, total assets include $929.1 million related to consolidated VIEs of which $11.7 million is included in Lennar Homebuilding cash and cash equivalents, $0.3 million in Lennar Homebuilding restricted cash, $0.2 million in Lennar Homebuilding receivables, net, $0.2 million in Lennar Homebuilding finished homes and construction in progress, $208.2 million in Lennar Homebuilding land and land under development, $52.5 million in Lennar Homebuilding consolidated inventory not owned, $23.9 million in Lennar Homebuilding investments in unconsolidated entities, $104.6 million in Lennar Homebuilding other assets, $508.4 million in Rialto assets and $19.2 million in Lennar Multifamily assets.

See accompanying notes to condensed consolidated financial statements.

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

| | May 31, 2015 (2) | November 30, 2014 (2) |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Lennar Homebuilding: | | |
| Accounts payable | $441,990 | 412,558 |
| Liabilities related to consolidated inventory not owned | 43,897 | 45,028 |
| Senior notes and other debts payable | 5,291,136 | 4,690,213 |
| Other liabilities | 802,665 | 863,236 |
| | 6,579,688 | 6,011,035 |
| Rialto | 712,744 | 747,044 |
| Lennar Financial Services | 1,075,515 | 896,643 |
| Lennar Multifamily | 51,793 | 52,243 |
| Total liabilities | 8,419,740 | 7,706,965 |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Class A common stock of $0.10 par value; Authorized: May 31, 2015 and November 30, 2014 - 300,000,000 shares; Issued: May 31, 2015 - 174,286,658 shares and November 30, 2014 - 174,241,570 shares | 17,429 | 17,424 |
| Class B common stock of $0.10 par value; Authorized: May 31, 2015 and November 30, 2014 - 90,000,000 shares; Issued: May 31, 2015 - 32,982,815 shares and November 30, 2014 - 32,982,815 shares | 3,298 | 3,298 |
| Additional paid-in capital | 2,261,951 | 2,239,704 |
| Retained earnings | 2,941,595 | 2,660,034 |
| Treasury stock, at cost; May 31, 2015 - 349,271 shares of Class A common stock and 1,679,620 shares of Class B common stock; November 30, 2014 - 505,420 shares of Class A common stock and 1,679,620 shares of Class B common stock | (85,535) | (93,440) |
| Total stockholders' equity | 5,138,738 | 4,827,020 |
| Noncontrolling interests | 336,981 | 424,282 |
| Total equity | 5,475,719 | 5,251,302 |
| Total liabilities and equity | $13,895,459 | 12,958,267 |

(2) As of May 31, 2015, total liabilities include $84.2 million related to consolidated VIEs as to which there was no recourse against the Company, of which $8.1 million is included in Lennar Homebuilding accounts payable, $43.9 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, $14.6 million in Lennar Homebuilding other liabilities, $13.6 million in Rialto liabilities and $4.0 million in Lennar Multifamily liabilities.

As of November 30, 2014, total liabilities include $149.8 million related to consolidated VIEs as to which there was no recourse against the Company, of which $6.8 million is included in Lennar Homebuilding accounts payable, $45.0 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, $61.6 million in Lennar Homebuilding senior notes and other debts payable, $14.8 million in Lennar Homebuilding other liabilities and $21.5 million in Rialto liabilities.

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| Lennar Homebuilding | $2,115,812 | 1,634,785 | 3,557,470 | 2,866,170 |
| Lennar Financial Services | 169,885 | 111,016 | 294,712 | 187,968 |
| Rialto | 67,931 | 54,393 | 109,128 | 101,348 |
| Lennar Multifamily | 38,976 | 18,551 | 75,433 | 26,354 |
| Total revenues | 2,392,604 | 1,818,745 | 4,036,743 | 3,181,840 |
| Costs and expenses: | | | | |
| Lennar Homebuilding | 1,825,482 | 1,392,643 | 3,090,657 | 2,456,998 |
| Lennar Financial Services | 130,832 | 92,723 | 240,132 | 165,210 |
| Rialto | 67,506 | 79,604 | 108,287 | 127,180 |
| Lennar Multifamily | 47,260 | 25,549 | 89,221 | 39,476 |
| Corporate general and administrative | 50,207 | 38,317 | 93,861 | 76,429 |
| Total costs and expenses | 2,121,287 | 1,628,836 | 3,622,158 | 2,865,293 |
| Lennar Homebuilding equity in earnings from unconsolidated entities | 6,494 | 394 | 35,393 | 5,384 |
| Lennar Homebuilding other income (expense), net | (217) | 2,262 | 6,116 | 5,151 |
| Other interest expense | (3,818) | (10,287) | (7,889) | (22,978) |
| Rialto equity in earnings from unconsolidated entities | 7,328 | 17,939 | 9,992 | 23,293 |
| Rialto other income (expense), net | (872) | 3,595 | (1,144) | 2,366 |
| Lennar Multifamily equity in loss from unconsolidated entities | (422) | (182) | (600) | (257) |
| Earnings before income taxes | 279,810 | 203,630 | 456,453 | 329,506 |
| Provision for income taxes | (95,226) | (81,013) | (154,952) | (126,924) |
| Net earnings (including net earnings (loss) attributable to noncontrolling interests) | 184,584 | 122,617 | 301,501 | 202,582 |
| Less: Net earnings (loss) attributable to noncontrolling interests | 1,568 | (15,102) | 3,522 | (13,254) |
| Net earnings attributable to Lennar | $183,016 | 137,719 | 297,979 | 215,836 |
| Basic earnings per share | $0.89 | 0.67 | 1.45 | 1.06 |
| Diluted earnings per share | $0.79 | 0.61 | 1.30 | 0.95 |
| Cash dividends per each Class A and Class B common share | $0.04 | 0.04 | 0.08 | 0.08 |
| Comprehensive earnings attributable to Lennar | $183,016 | 137,719 | 297,979 | 215,836 |
| Comprehensive earnings (loss) attributable to noncontrolling interests | $1,568 | (15,102) | 3,522 | (13,254) |

See accompanying notes to condensed consolidated financial statements.

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

| | Six Months Ended May 31, 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net earnings (including net earnings (loss) attributable to noncontrolling interests) | $301,501 | 202,582 |
| Adjustments to reconcile net earnings to net cash used in operating activities: | | |
| Depreciation and amortization | 18,906 | 16,645 |
| Amortization of discount/premium and accretion on debt, net | 9,628 | 10,577 |
| Lennar Homebuilding equity in earnings from unconsolidated entities | (35,393) | (5,384) |
| Distributions of earnings from Lennar Homebuilding unconsolidated entities | 26,308 | 4,051 |
| Rialto equity in earnings from unconsolidated entities | (9,992) | (23,293) |
| Distributions of earnings from Rialto unconsolidated entities | 8,426 | — |
| Lennar Multifamily equity in loss from unconsolidated entities | 600 | 257 |
| Share based compensation expense | 20,650 | 17,291 |
| Excess tax benefits from share-based awards | (113) | (282) |
| Deferred income tax expense | 2,409 | 99,683 |
| Gain on retirement of Rialto notes payable | (83) | (2,627) |
| Gain on sale of operating properties and equipment | (5,945) | — |
| Unrealized and realized gains on Rialto real estate owned | (8,691) | (16,635) |
| Impairments of Rialto loans receivable and real estate owned | 8,594 | 44,126 |
| Valuation adjustments and write-offs of option deposits and pre-acquisition costs and other assets | 10,695 | 2,357 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in restricted cash | 23,135 | (13,193) |
| Decrease (increase) in receivables | 15,291 | (63,071) |
| Increase in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs | (1,118,791) | (981,096) |
| Increase in other assets | (30,068) | (24,262) |
| Increase in Rialto loans held-for-sale | (206,698) | (368) |
| Increase in Lennar Financial Services loans held-for-sale | (53,905) | (55,069) |
| Increase in accounts payable and other liabilities | 29,003 | 66,015 |
| Net cash used in operating activities | (994,533) | (721,696) |
| Cash flows from investing activities: | | |
| Increase (decrease) in restricted cash related to LOCs | 101 | (478) |
| Net additions of operating properties and equipment | (50,729) | (8,212) |
| Proceeds from the sale of operating properties and equipment | 73,732 | — |
| Investments in and contributions to Lennar Homebuilding unconsolidated entities | (26,983) | (56,571) |
| Distributions of capital from Lennar Homebuilding unconsolidated entities | 17,832 | 74,766 |
| Investments in and contributions to Rialto unconsolidated entities | (23,916) | (18,206) |
| Distributions of capital from Rialto unconsolidated entities | 6,047 | 30,086 |
| Investments in and contributions to Lennar Multifamily unconsolidated entities | (15,744) | (14,110) |
| Distributions of capital from Lennar Multifamily unconsolidated entities | 11,262 | 42,377 |
| Receipts of principal payments on Rialto loans receivable | 13,335 | 8,357 |
| Proceeds from sales of Rialto real estate owned | 55,812 | 112,409 |
| Purchase of investment carried at cost | (18,000) | — |

| | | |
|---|---|---|
| Proceeds from sale of commercial mortgage-backed securities bond | — | 9,171 |
| Purchases of commercial mortgage-backed securities bond | — | (8,705) |
| Improvements to Rialto real estate owned | (4,723) | (6,194) |
| Purchases of Lennar Homebuilding investments available-for-sale | (28,093) | (21,274) |
| Proceeds from sales of Lennar Homebuilding investments available-for-sale | — | 44,579 |
| Acquisition, net of cash acquired | — | (4,808) |
| Increase in Rialto loans held-for-investment | (2,750) | — |
| Decrease (increase) in Lennar Financial Services loans held-for-investment, net | (2,480) | 889 |
| Purchases of Lennar Financial Services investment securities | (28,365) | (5,374) |
| Proceeds from maturities of Lennar Financial Services investment securities | 16,326 | 9,204 |
| Net cash provided by (used in) investing activities | $(7,336) | 187,906 |

See accompanying notes to condensed consolidated financial statements.
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Lennar Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(unaudited)

| | Six Months Ended May 31, 2015 | 2014 |
|---|---|---|
| Cash flows from financing activities: | | |
| Net borrowings under unsecured revolving credit facility | $450,000 | — |
| Net borrowings under Lennar Financial Services warehouse facilities | 161,273 | 85,782 |
| Net borrowings (repayments) under Rialto warehouse repurchase facilities | 28,359 | (31,593) |
| Proceeds from Lennar Homebuilding senior notes | 750,625 | 500,500 |
| Proceeds from Rialto senior notes | — | 104,525 |
| Debt issuance costs | (6,510) | (7,725) |
| Redemption of senior notes | (500,000) | — |
| Proceeds from Rialto structured notes | — | 73,830 |
| Principal payments on Rialto notes payable including structured notes | (20,940) | (5,870) |
| Proceeds from other borrowings | 69,741 | 26,933 |
| Principal payments on other borrowings | (206,901) | (157,177) |
| Exercise of land option contracts from an unconsolidated land investment venture | — | (1,540) |
| Receipts related to noncontrolling interests | 1,367 | 11,933 |
| Payments related to noncontrolling interests | (78,937) | (72,737) |
| Excess tax benefits from share-based awards | 113 | 282 |
| Common stock: | | |
| Issuances | 9,412 | 13,302 |
| Repurchases | (972) | (566) |
| Dividends | (16,418) | (16,355) |
| Net cash provided by financing activities | 640,212 | 523,524 |
| Net decrease in cash and cash equivalents | (361,657) | (10,266) |
| Cash and cash equivalents at beginning of period | 1,281,814 | 970,505 |
| Cash and cash equivalents at end of period | $920,157 | 960,239 |
| Summary of cash and cash equivalents: | | |
| Lennar Homebuilding | $638,992 | 627,615 |
| Lennar Financial Services | 103,093 | 86,164 |
| Rialto | 176,378 | 244,675 |
| Lennar Multifamily | 1,694 | 1,785 |
| | $920,157 | 960,239 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Lennar Homebuilding and Lennar Multifamily: | | |
| Inventory acquired in satisfaction of other assets including investments available-for-sale | $28,093 | 4,774 |
| Non-cash sale of operating properties and equipment | $(59,397) | — |
| Purchases of inventories and other assets financed by sellers | $29,977 | 96,430 |
| Non-cash contributions to Lennar Multifamily unconsolidated entities | $26,594 | 59,107 |
| Rialto: | | |
| Real estate owned acquired in satisfaction/partial satisfaction of loans receivable | $13,326 | 37,270 |
| Non-cash acquisition of Servicer Provider | $— | 8,317 |
| Lennar Financial Services: | | |
| Purchase of mortgage servicing rights financed by seller | $— | 5,927 |
| Consolidation/deconsolidation of unconsolidated/consolidated entities, net: | | |

| | | |
|---|---|---|
| Inventories | $— | 155,021 |
| Operating properties and equipment and other assets | $(17,421) | (18,468) |
| Investments in unconsolidated entities | $2,948 | (30,647) |
| Other liabilities | $1,220 | — |
| Noncontrolling interests | $13,253 | (105,906) |

See accompanying notes to condensed consolidated financial statements.
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Lennar Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Basis of Presentation

Basis of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Lennar Corporation and all subsidiaries, partnerships and other entities in which Lennar Corporation has a controlling interest and VIEs (see Note 16) in which Lennar Corporation is deemed to be the primary beneficiary (the “Company”). The Company’s investments in both unconsolidated entities in which a significant, but less than controlling, interest is held and in VIEs in which the Company is not deemed to be the primary beneficiary, are accounted for by the equity method. All intercompany transactions and balances have been eliminated in consolidation. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended November 30, 2014. 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, 2015 are not necessarily indicative of the results to be expected for the full year.

Rialto - Management Fee Revenue

The Rialto segment provides services to a variety of legal entities and investment vehicles such as funds, joint ventures, co-invests, and other private equity structures to manage their respective investments. As a result, Rialto earns and receives management fees, underwriting fees and due diligence fees. These fees related to the Rialto segment are included in Rialto revenues and are recorded over the period in which the services are performed, fees are determinable and collectability is reasonably assured. Rialto receives investment management fees from investment vehicles based on 1) a percentage of committed capital during the commitment period and after the commitment period ends and 2) a percentage of invested capital less the portion of such invested capital utilized to acquire investments that have been sold (in whole or in part) or liquidated. Fees earned for underwriting and due diligence services are based on actual costs incurred. In certain situations, Rialto may earn additional fees when the return on assets managed exceeds contractually established thresholds. Such revenue is only booked when the contract terms are met, the contract is at, or near, completion and the amounts are known and collectability is reasonably assured. Since such revenue is recognized during the latter half of the life of the investment vehicle, after substantially all of the assets have been sold and investment gains and losses realized, the possibility of clawbacks is limited. In addition, Rialto may also receive tax distributions in order to cover income tax obligations resulting from allocations of taxable income due to Rialto's carried interests in the funds. These distributions are not subject to clawbacks and therefore are recorded as revenue when received.

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
(8) Lennar Multifamily

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

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

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

East: Florida[1], Georgia, Maryland, New Jersey, North Carolina, South Carolina and Virginia
Central: Arizona, Colorado and Texas[2]
West: California and Nevada
Southeast Florida: Southeast Florida
Houston: Houston, Texas
Other: Illinois, Minnesota, Oregon, Tennessee and Washington

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

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

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

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

Each reportable segment follows the same accounting policies described in Note 1 – “Summary of Significant Accounting Policies” to the consolidated financial statements in the Company’s Form 10-K for the year ended November 30, 2014 and Section 4 of Item 2 of this Form 10-Q, “Critical Accounting Policies.” 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, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Homebuilding East | $2,482,733 | 2,323,978 |
| Homebuilding Central | 1,373,787 | 1,233,991 |
| Homebuilding West | 3,989,066 | 3,454,611 |
| Homebuilding Southeast Florida | 737,192 | 722,706 |
| Homebuilding Houston | 483,008 | 398,538 |
| Homebuilding Other | 828,764 | 880,912 |
| Rialto | 1,364,682 | 1,458,152 |
| Lennar Financial Services | 1,413,388 | 1,177,053 |
| Lennar Multifamily | 362,256 | 268,014 |
| Corporate and unallocated | 860,583 | 1,040,312 |
| Total assets | $13,895,459 | 12,958,267 |

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| Homebuilding East | $653,396 | 536,748 | 1,121,731 | 927,256 |
| Homebuilding Central | 302,509 | 235,208 | 513,017 | 397,702 |
| Homebuilding West | 627,361 | 423,354 | 1,010,134 | 738,369 |
| Homebuilding Southeast Florida | 184,839 | 129,492 | 327,187 | 231,656 |
| Homebuilding Houston | 189,647 | 178,663 | 320,904 | 309,286 |
| Homebuilding Other | 158,060 | 131,320 | 264,497 | 261,901 |
| Lennar Financial Services | 169,885 | 111,016 | 294,712 | 187,968 |
| Rialto | 67,931 | 54,393 | 109,128 | 101,348 |
| Lennar Multifamily | 38,976 | 18,551 | 75,433 | 26,354 |
| Total revenues (1) | $2,392,604 | 1,818,745 | 4,036,743 | 3,181,840 |
| Operating earnings (loss): | | | | |
| Homebuilding East | $94,583 | 85,252 | 152,830 | 135,904 |
| Homebuilding Central | 30,715 | 24,074 | 45,767 | 34,734 |
| Homebuilding West (2) | 102,332 | 64,643 | 184,825 | 118,436 |
| Homebuilding Southeast Florida | 36,983 | 26,748 | 65,269 | 47,306 |
| Homebuilding Houston | 22,738 | 24,685 | 39,753 | 46,356 |
| Homebuilding Other | 5,438 | 9,109 | 11,989 | 13,993 |
| Lennar Financial Services | 39,053 | 18,293 | 54,580 | 22,758 |
| Rialto | 6,881 | (3,677) | 9,689 | (173) |
| Lennar Multifamily | (8,706) | (7,180) | (14,388) | (13,379) |
| Total operating earnings | 330,017 | 241,947 | 550,314 | 405,935 |
| Corporate general and administrative expenses | 50,207 | 38,317 | 93,861 | 76,429 |
| Earnings before income taxes | $279,810 | 203,630 | 456,453 | 329,506 |

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(1) Total revenues were net of sales incentives of $128.8 million ($21,500 per home delivered) and $222.5 million ($21,600 per home delivered) for the three and six months ended May 31, 2015, respectively, compared to $100.9 million ($20,300 per home delivered) and $177.4 million ($20,700 per home delivered) for the three and six months ended May 31, 2014, respectively.

(2) For the three and six months ended May 31, 2015, operating earnings included Lennar Homebuilding equity in earnings from unconsolidated entities of $11.6 million and $43.0 million, respectively, primarily related to the sale of homesites and a commercial property to third parties by Heritage Fields El Toro, one of the Company's unconsolidated entities ("El Toro"). For the six months ended May 31, 2015, operating earnings included a $6.5 million gain on the sale of an operating property.

(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

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Revenues | $180,790 | 32,111 | 623,747 | 175,805 |
| Costs and expenses | 154,139 | 65,098 | 453,018 | 210,737 |
| Other income | — | — | 2,943 | — |
| Net earnings (loss) of unconsolidated entities (1) | $26,651 | (32,987) | 173,672 | (34,932) |
| Lennar Homebuilding equity in earnings from unconsolidated entities (2) | $6,494 | 394 | 35,393 | 5,384 |

(1) For the six months ended May 31, 2015, net earnings of unconsolidated entities included the sale of approximately 300 homesites to Lennar by El Toro for $126.4 million, that resulted in $44.6 million of gross profit of which the Company's portion was deferred.

(2) For the three months ended May 31, 2015, Lennar Homebuilding equity in earnings from unconsolidated entities included $11.6 million of equity in earnings primarily related to the sale of a commercial property and homesites to third parties by El Toro. For the six months ended May 31, 2015, Lennar Homebuilding equity in earnings from unconsolidated entities included $43.0 million of equity in earnings primarily related to the sale of approximately 660 homesites and a commercial property to third parties by El Toro. For the six months ended May 31, 2014, Lennar Homebuilding equity in earnings from unconsolidated entities included $4.7 million of equity in earnings primarily as a result of third-party land sales by one unconsolidated entity.

Balance Sheets

| (In thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $300,136 | 243,597 |
| Inventories | 2,725,167 | 2,889,267 |
| Other assets | 134,036 | 155,470 |
| | $3,159,339 | 3,288,334 |
| Liabilities and equity: | | |
| Accounts payable and other liabilities | $283,414 | 271,638 |
| Debt | 504,692 | 737,755 |
| Equity | 2,371,233 | 2,278,941 |
| | $3,159,339 | 3,288,334 |

As of May 31, 2015 and November 30, 2014, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were $688.5 million and $656.8 million, respectively, while the underlying equity in Lennar

Homebuilding unconsolidated entities partners’ net assets as of May 31, 2015 and November 30, 2014 was $755.2 million and $722.6 million, respectively. The basis difference is primarily as a result of the Company buying an interest in a partner's equity in a Lennar Homebuilding unconsolidated entity at a discount to book value and contributing non-monetary assets to an unconsolidated entity with a higher fair value than book value.

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

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

| (Dollars in thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| Non-recourse bank debt and other debt (partner’s share of several recourse) | $55,685 | 56,573 |
| Non-recourse land seller debt or other debt | 4,001 | 4,022 |
| Non-recourse debt with completion guarantees (1) | 183,287 | 442,854 |
| Non-recourse debt without completion guarantees | 239,031 | 209,825 |
| Non-recourse debt to the Company | 482,004 | 713,274 |
| The Company’s maximum recourse exposure | 22,688 | 24,481 |
| Total debt | $504,692 | 737,755 |
| The Company’s maximum recourse exposure as a % of total JV debt | 4 % | 3 % |

(1) The decrease in non-recourse debt with completion guarantees was primarily related to a debt paydown by El Toro as a result of land sales.

In most instances in which the Company has guaranteed debt of a Lennar Homebuilding unconsolidated entity, the Company’s partners have also guaranteed that debt and are required to contribute their share of the guarantee payments. Historically, the Company has had repayment guarantees and/or maintenance guarantees. In a repayment guarantee, the Company and its venture partners guarantee repayment of a portion or all of the debt in the event of default before the lender would have to exercise its rights against the collateral. In the event of default, if the Company’s venture partner does not have adequate financial resources to meet its obligations under the reimbursement agreement, the Company may be liable for more than its proportionate share, up to its maximum recourse exposure, which is the full amount covered by the joint and several guarantee. 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. As of both May 31, 2015 and November 30, 2014, the Company did not have any maintenance or joint and several 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.

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

As of both May 31, 2015 and November 30, 2014, the fair values of the repayment guarantees and completion guarantees were not material. The Company believes that as of May 31, 2015, in the event it becomes legally obligated to perform under a guarantee of the obligation of a Lennar Homebuilding unconsolidated entity due to a triggering event under a guarantee, most of the time the collateral should be sufficient to repay at least a significant portion of the obligation or the Company and its partners would contribute additional capital into the venture. In certain instances, the Company has placed performance letters of credit and surety bonds with municipalities for its joint ventures (see Note 12).

(4) Stockholders' Equity

The following table reflects the changes in equity attributable to both Lennar Corporation and the noncontrolling interests of its consolidated subsidiaries in which it has less than a 100% ownership interest for both the six months ended May 31, 2015 and 2014:

| | | Stockholders' Equity | | | | | |
|---|---|---|---|---|---|---|---|
| (In thousands) | Total Equity | Class A Common Stock | Class B Common Stock | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Noncontrolling Interests |
| Balance at November 30, 2014 | $5,251,302 | 17,424 | 3,298 | 2,239,704 | (93,440 ) | 2,660,034 | 424,282 |
| Net earnings (including net earnings attributable to noncontrolling interests) | 301,501 | — | — | — | — | 297,979 | 3,522 |
| Employee stock and directors plans | 9,433 | 5 | — | 1,523 | 7,905 | — | — |
| Tax benefit from employee stock plans and vesting of restricted stock | 113 | — | — | 113 | — | — | — |
| Amortization of restricted stock | 20,611 | — | — | 20,611 | — | — | — |
| Cash dividends | (16,418 ) | — | — | — | — | (16,418 ) | — |
| Receipts related to noncontrolling interests | 1,367 | — | — | — | — | — | 1,367 |
| Payments related to noncontrolling interests | (78,937 ) | — | — | — | — | — | (78,937 ) |
| Non-cash deconsolidations, net | (13,253 ) | — | — | — | — | — | (13,253 ) |
| Balance at May 31, 2015 | $5,475,719 | 17,429 | 3,298 | 2,261,951 | (85,535 ) | 2,941,595 | 336,981 |

| | | Stockholders' Equity | | | | | |
|---|---|---|---|---|---|---|---|
| (In thousands) | Total Equity | Class A Common Stock | Class B Common Stock | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Noncontrolling Interests |
| Balance at November 30, 2013 | $4,627,470 | 18,483 | 3,298 | 2,721,246 | (628,019 ) | 2,053,893 | 458,569 |
| Net earnings (including net loss attributable to noncontrolling interests) | 202,582 | — | — | — | — | 215,836 | (13,254 ) |
| Employee stock and directors plans | 13,429 | 4 | — | 1,378 | 12,047 | — | — |
| Retirement of treasury stock | — | (1,173 ) | — | (541,019 ) | 542,192 | — | — |
| Tax benefit from employee stock plans and vesting of restricted stock | 282 | — | — | 282 | — | — | — |
| Amortization of restricted stock | 17,251 | — | — | 17,251 | — | — | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash dividends | (16,355 ) | — | — | — | — | (16,355 ) | — |
| Receipts related to noncontrolling interests | 11,933 | — | — | — | — | — | 11,933 |
| Payments related to noncontrolling interests | (72,737 ) | — | — | — | — | — | (72,737 ) |
| Non-cash consolidations, net | 107,022 | — | — | — | — | — | 107,022 |
| Non-cash activity related to noncontrolling interests | 430 | — | — | — | — | — | 430 |
| Balance at May 31, 2014 | $4,891,307 | 17,314 | 3,298 | 2,199,138 | (73,780 ) | 2,253,374 | 491,963 |

The Company has a stock repurchase program, which originally authorized the purchase of up to 20 million shares of its outstanding common stock. During both the three and six months ended May 31, 2015 and 2014, there were no share repurchases of common stock under the stock repurchase program. As of May 31, 2015, the remaining authorized shares that could be purchased under the stock repurchase program were 6.2 million shares of common stock.

During the three months ended May 31, 2015, treasury stock increased by an immaterial amount of shares of Class A common stock. During the six months ended May 31, 2015, treasury stock decreased 0.2 million shares of Class A common stock, respectively, due to activity related to the Company's equity compensation plan. During the three and six months ended May 31, 2014, treasury stock decreased 11.7 million and 12.1 million shares of Class A common stock, respectively, primarily due to the retirement of 11.7 million shares of Class A common stock authorized by the Company's Board of Directors during the three months ended May 31, 2014.

(5) Income Taxes

During the three and six months ended May 31, 2015, the Company recorded a tax provision of $95.2 million and $155.0 million, respectively, primarily related to pre-tax earnings. During the three and six months ended May 31, 2014 , the Company recorded a tax provision of $81.0 million and $126.9 million, respectively, primarily related to pre-tax earnings. The effective tax rates for the three months ended May 31, 2015 and 2014 were 34.22% and 37.04%, respectively. The effective tax rates for the six months ended May 31, 2015 and 2014 were 34.21% and 37.03%, respectively. The effective tax rates for both the three and six months ended May 31, 2015 included a tax benefit for the domestic production activities deduction and energy tax credits, offset primarily by state income tax expense and interest accrued on uncertain tax positions.

As of May 31, 2015 and November 30, 2014, the Company's deferred tax assets, net included in the condensed consolidated balance sheets were $311.4 million and $313.8 million, respectively.

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 each reporting period by the Company based on the consideration of all available positive and negative evidence using a “more-likely-than-not” standard with respect to whether deferred tax assets will be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, actual earnings, forecasts of future profitability, the duration of statutory carryforward periods, the Company’s experience with loss carryforwards not expiring unused and tax planning alternatives.

As of both May 31, 2015 and November 30, 2014, the net deferred tax assets included a valuation allowance of $8.0 million, primarily related to state net operating loss (“NOL”) carryforwards that are not more likely than not to be utilized due to an inability to carry back these losses in most states and short carryforward periods that exist in certain states.

At both May 31, 2015 and November 30, 2014, the Company had federal tax effected NOL carryforwards totaling $2.0 million that may be carried forward up to 20 years to offset future taxable income and begin to expire in 2029. At May 31, 2015 and November 30, 2014, the Company had state tax effected NOL carryforwards totaling $99.7 million and $113.8 million, respectively, that may be carried forward from 5 to 20 years, depending on the tax jurisdiction, with losses expiring between 2015 and 2034.

At both May 31, 2015 and November 30, 2014, the Company had $7.3 million of gross unrecognized tax benefits. At May 31, 2015, the Company had $32.4 million accrued for interest and penalties, of which $1.0 million was recorded during the six months ended May 31, 2015. During the six months ended May 31, 2015, the accrual for interest and penalties was reduced by $0.1 million, primarily as a result of interest payments. At November 30, 2014, the Company had $31.5 million accrued for interest and penalties.

(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:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands, except per share amounts) | 2015 | 2014 | 2015 | 2014 |
| Numerator: | | | | |
| Net earnings attributable to Lennar | $183,016 | 137,719 | 297,979 | 215,836 |
| Less: distributed earnings allocated to nonvested shares | 89 | 97 | 180 | 195 |
| Less: undistributed earnings allocated to nonvested shares | 1,916 | 1,541 | 3,105 | 2,388 |
| Numerator for basic earnings per share | 181,011 | 136,081 | 294,694 | 213,253 |
| Plus: interest on 3.25% convertible senior notes due 2021 | 1,982 | 1,982 | 3,964 | 3,964 |
| Plus: undistributed earnings allocated to convertible shares | 1,916 | 1,541 | 3,105 | 2,388 |
| Less: undistributed earnings reallocated to convertible shares | 1,705 | 1,388 | 2,774 | 2,162 |
| Numerator for diluted earnings per share | $183,204 | 138,216 | 298,989 | 217,443 |
| Denominator: | | | | |
| Denominator for basic earnings per share - weighted average common shares outstanding | 202,991 | 202,000 | 202,961 | 201,977 |
| Effect of dilutive securities: | | | | |
| Share-based payments | 9 | 9 | 10 | 9 |
| Convertible senior notes | 28,041 | 26,001 | 27,708 | 25,835 |
| Denominator for diluted earnings per share - weighted average common shares outstanding | 231,041 | 228,010 | 230,679 | 227,821 |
| Basic earnings per share | $0.89 | 0.67 | 1.45 | 1.06 |
| Diluted earnings per share | $0.79 | 0.61 | 1.30 | 0.95 |

For both the three and six months ended May 31, 2015 and 2014, there were no options to purchase shares of Class A common stock that were outstanding and anti-dilutive.

(7) Lennar Financial Services Segment

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

| (In thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $103,093 | 90,010 |
| Restricted cash | 8,998 | 8,609 |
| Receivables, net (1) | 301,048 | 150,858 |
| Loans held-for-sale (2) | 791,349 | 738,396 |
| Loans held-for-investment, net | 29,776 | 26,894 |
| Investments held-to-maturity | 30,291 | 45,038 |
| Goodwill | 38,854 | 38,854 |
| Other (3) | 109,979 | 78,394 |
| | $1,413,388 | 1,177,053 |
| Liabilities: | | |
| Notes and other debts payable | $865,416 | 704,143 |
| Other (4) | 210,099 | 192,500 |
| | $1,075,515 | 896,643 |

(1) Receivables, net primarily related to loans sold to investors for which the Company had not yet been paid as of May 31, 2015 and November 30, 2014, respectively.

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

(3) As of May 31, 2015 and November 30, 2014, other assets included mortgage loan commitments carried at fair value of $18.9 million and $12.7 million, respectively, mortgage servicing rights carried at fair value of $16.5 million and $17.4 million, respectively, and other investment securities of $43.4 million and $16.8 million, respectively.

(4) Other liabilities included $68.4 million and $69.3 million as of May 31, 2015 and November 30, 2014, respectively, of certain of the Company's self-insurance reserves related to general liability and workers' compensation. Other liabilities also included forward contracts carried at fair value of $7.6 million as of November 30, 2014.

At May 31, 2015, the Lennar Financial Services segment warehouse facilities were as follows:

| (In thousands) | Maximum Aggregate Commitment |
|---|---|
| 364-day warehouse repurchase facility that matures June 2015 (1) | $150,000 |
| 364-day warehouse repurchase facility that matures December 2015 | 450,000 |
| 364-day warehouse repurchase facility that matures March 2016 (2) | 400,000 |
| Totals | $1,000,000 |

(1) Maximum aggregate commitment includes a $50 million accordion feature that is available beginning the tenth (10th) calendar day immediately preceding the first day of a fiscal quarter-through 20 days after fiscal quarter-end. Subsequent to May 31, 2015, the warehouse repurchase facility maturity date was extended to July 2015.

(2) Maximum aggregate commitment includes a $100 million accordion feature that is available 10 days prior to the end of each fiscal quarter through 20 days after each fiscal quarter end and an additional uncommitted $100 million available through 20 days after this fiscal quarter-end.

The Lennar Financial Services segment uses these facilities to finance its lending activities until the mortgage loans are sold to investors and the proceeds are collected. The facilities are expected to be renewed or replaced with other facilities when they mature. Borrowings under the facilities and their prior year predecessors were $865.4 million and $698.4 million at May 31, 2015 and November 30, 2014, respectively, and were collateralized by mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of $948.9 million and $732.1 million at May 31, 2015 and November 30, 2014, respectively. If the facilities are not renewed or replaced, 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 agreements. Over the last several years there has been an increased industry-wide effort by purchasers to defray their losses 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 Company's condensed consolidated balance sheets. The activity in the Company's loan origination liabilities was as follows:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Loan origination liabilities, beginning of period | $12,476 | 9,585 | 11,818 | 9,311 |
| Provision for losses (1) | 1,225 | 449 | 2,027 | 742 |
| Payments/settlements | (41) | (260) | (185) | (279) |
| Loan origination liabilities, end of period | $13,660 | 9,774 | 13,660 | 9,774 |

(1) Provision for losses included adjustments to pre-existing provisions for losses from changes in estimates.

(8) Rialto Segment

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

| (In thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $176,378 | 303,889 |
| Restricted cash (1) | 20,826 | 46,975 |
| Receivables, net (2) | — | 153,773 |
| Loans receivable, net | 100,635 | 130,105 |
| Loans held-for-sale (3) | 318,037 | 113,596 |
| Real estate owned - held-for-sale | 195,386 | 190,535 |
| Real estate owned - held-and-used, net | 213,748 | 255,795 |
| Investments in unconsolidated entities | 195,135 | 175,700 |
| Investments held-to-maturity | 17,970 | 17,290 |
| Other | 126,567 | 70,494 |
| | $1,364,682 | 1,458,152 |
| Liabilities: | | |
| Notes and other debts payable (4) | $629,703 | 623,246 |
| Other | 83,041 | 123,798 |
| | $712,744 | 747,044 |

(1) Restricted cash primarily consists of cash held in escrow by the Company's loan servicer provider on behalf of customers and lenders and is disbursed in accordance with agreements between the transacting parties.

(2) Receivables, net primarily relate to loans sold but not settled as of November 30, 2014.

(3) Loans held-for-sale relate to unsold loans originated by RMF carried at fair value.

(4) Notes and other debts payable included $351.7 million and $351.9 million related to the 7.00% Senior Notes due 2018 ("7.00% Senior Notes") as of May 31, 2015 and November 30, 2014, respectively, $169.6 million and $141.3 million related to the RMF warehouse repurchase financing agreements as of May 31, 2015 and November 30, 2014, respectively, and $38.0 million and $58.0 million related to the notes issued through a structured note

offering as of May 31, 2015 and November 30, 2014, respectively.

Rialto's operating earnings (loss) were as follows:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Revenues | $67,931 | 54,393 | 109,128 | 101,348 |
| Costs and expenses (1) | 67,506 | 79,604 | 108,287 | 127,180 |
| Rialto equity in earnings from unconsolidated entities | 7,328 | 17,939 | 9,992 | 23,293 |
| Rialto other income (expense), net | (872 ) | 3,595 | (1,144 ) | 2,366 |
| Operating earnings (loss) (2) | $6,881 | (3,677 ) | 9,689 | (173 ) |

(1) Costs and expenses included loan impairments of $1.6 million and $2.8 million for the three and six months ended May 31, 2015, respectively, and $33.9 million and $40.6 million for the three and six months ended May 31, 2014, respectively, primarily associated with the segment's FDIC loans portfolio (before noncontrolling interests).

(2) Operating earnings for the three and six months ended May 31, 2015 included net loss attributable to noncontrolling interests of $0.7 million and $2.5 million, respectively. Operating loss for the three and six months ended May 31, 2014 included net loss attributable to noncontrolling interests of $17.1 million and $16.1 million, respectively.

The following is a detail of Rialto other income (expense), net:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Realized gains on REO sales, net | $4,544 | 14,234 | 7,674 | 23,743 |
| Unrealized losses on transfer of loans receivable to REO and impairments, net | (2,212 ) | (8,274 ) | (4,768 ) | (10,651 ) |
| REO and other expenses | (15,167 ) | (12,411 ) | (28,409 ) | (30,950 ) |
| Rental and other income | 11,963 | 10,046 | 24,359 | 20,224 |
| Rialto other income (expense), net | $(872 ) | 3,595 | (1,144 ) | 2,366 |

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 ("FDIC Portfolios"), which retained 60% equity interests in the LLCs, for approximately $243 million (net of transaction costs and a $22 million working capital reserve). If the LLCs exceed expectations and meet certain internal rate of return and distribution thresholds, the Company's equity interest in the LLCs could be reduced from 40% down to 30%, with a corresponding increase to the FDIC's equity interest from 60% up to 70%. As these thresholds have not been met, distributions continue being shared 60%/40% with the FDIC. During the six months ended May 31, 2015 and 2014, the LLCs distributed $94.0 million and $98.2 million, respectively, of which $56.4 million and $59.6 million, respectively, was distributed to the FDIC and $37.6 million and $38.6 million, respectively, was distributed to Rialto, the parent company.

The LLCs met the accounting definition of VIEs and since the Company was determined to be the primary beneficiary, the Company consolidated the LLCs. The Company was determined to be the primary beneficiary because it has the power to direct activities of the LLCs that most significantly impact the LLCs' performance through Rialto's management and servicer contracts. At May 31, 2015, these consolidated LLCs had total combined assets and liabilities of $402.1 million and $13.6 million, respectively. At November 30, 2014, these consolidated LLCs had total combined assets and liabilities of $508.4 million and $21.5 million, 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 that was extended and is due on December 2016. As of both May 31, 2015 and November 30, 2014, the outstanding amount related to the 5-year unsecured note was $60.6 million.

In May 2014, the Rialto segment issued $73.8 million principal amount of notes through a structured note offering (the "Structured Notes") collateralized by certain assets originally acquired in the Bank Portfolios transaction at a price of 100%, with an annual coupon rate of 2.85%. Proceeds from the offering, after payment of expenses and hold backs for a cash reserve, were $69.1 million. In November 2014, the Rialto segment issued an additional $20.8 million of the Structured Notes at a price of 99.5%, with an annual coupon rate of 5.0%. Proceeds from the offering, after payment of expenses, were $20.7 million. The estimated final payment date of the Structured Notes is December 15, 2015. As of May 31, 2015 and November 30, 2014, the outstanding amount related to Rialto's structured note offering was $38.0 million and $58.0 million, respectively.

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. As of May 31, 2015 and November 30, 2014 management classified all loans receivable within the FDIC Portfolios and Bank Portfolios as nonaccrual loans as forecasted principal and interest cannot be reasonably estimated and accounted for these assets in accordance with ASC 310-10, Receivables ("ASC 310-10"). Prior to the fourth quarter of 2014, Rialto accounted for the majority of its loans receivable under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, ("ASC 310-30").

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.

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, 2015

| (In thousands) | Unpaid Principal Balance | Recorded Investment With Allowance | Recorded Investment Without Allowance | Total Recorded Investment |
|---|---|---|---|---|
| Land | $182,734 | 69,040 | 1,852 | 70,892 |
| Single family homes | 51,825 | 12,875 | 3,434 | 16,309 |
| Commercial properties | 17,382 | 3,070 | 644 | 3,714 |
| Other | 57,243 | — | 9,720 | 9,720 |
| Loans receivable | $309,184 | 84,985 | 15,650 | 100,635 |

November 30, 2014

| (In thousands) | Unpaid Principal Balance | Recorded Investment With Allowance | Recorded Investment Without Allowance | Total Recorded Investment |
|---|---|---|---|---|
| Land | $228,245 | 85,912 | 3,691 | 89,603 |
| Single family homes | 66,183 | 18,096 | 2,306 | 20,402 |
| Commercial properties | 34,048 | 3,368 | 3,918 | 7,286 |
| Other | 64,284 | 5 | 12,809 | 12,814 |
| Loans receivable | $392,760 | 107,381 | 22,724 | 130,105 |

The average recorded investment in impaired loans was approximately $115 million and $7 million for the six months ended May 31, 2015 and 2014, respectively.

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 suggests a decline in the collateral's fair value.

With regard to accrual loans that were accounted under ASC 310-30 prior to the fourth quarter of 2014, Rialto estimated the cash flows, at acquisition, it expected to collect on the FDIC Portfolios and Bank Portfolios and the difference between the contractually required payments and the cash flows expected to be collected at acquisition was referred to as the nonaccretable difference. This difference was 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 was referred to as the accretable yield and was recognized in interest income over the remaining life of the loans using the effective yield method. During the fourth quarter of 2014, in an effort to better reflect the performance of the FDIC Portfolios and Bank Portfolios, Rialto changed from recording accretable yield income on a loan pool basis to recording income on a cost recovery basis per loan as the timing and amount of expected cash flows on the remaining loan portfolios could no longer be reasonably estimated.

For the six months ended May 31, 2015, there was no activity in the accretable yield for the FDIC Portfolios and Bank Portfolios as all the remaining accreting loans were classified as nonaccrual loans during the fourth quarter of 2014, as explained above. For the six months ended May 31, 2014 the activity in the accretable yield was as follows:

| (In thousands) | Six Months Ended May 31, 2014 |
|---|---|
| Accretable yield, beginning of period | $73,144 |
| Additions | 6,431 |
| Deletions | (22,078) |
| Accretions | (18,927) |
| Accretable yield, end of period | $38,570 |

Additions primarily represented reclasses from nonaccretable yield to accretable yield on the portfolios. Deletions represented loan impairments, net of recoveries, and disposal of loans, which included foreclosure of underlying collateral and resulted in the removal of the loans from the accretable yield 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 but can be reversed if conditions improve. For the six months ended May 31, 2015, there was no activity in the Company's allowance related to accrual loans as there were no loans classified as accrual loans at both May 31, 2015 and November 30, 2014. For the three and six months ended May 31, 2014, the activity in the Company's allowance rollforward related to accrual loans was as follows:

| (In thousands) | Three Months Ended May 31, 2014 | Six Months Ended |
|---|---|---|
| Allowance on accrual loans, beginning of period | $24,922 | 18,952 |
| Provision for loan losses, net of recoveries | 33,851 | 40,488 |
| Charge-offs | (3,115) | (3,782) |
| Allowance on accrual loans, end of period | $55,658 | 55,658 |

Nonaccrual — Loans in which forecasted principal and interest could not be reasonably estimated. 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 its fair value. The activity in the Company's allowance rollforward related to nonaccrual loans was as follows:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Allowance on nonaccrual loans, beginning of period | $51,109 | 424 | 58,326 | 1,213 |
| Provision for loan losses, net of recoveries | 1,585 | 15 | 2,809 | 94 |
| Charge-offs | (12,101) | (153) | (20,542) | (1,021) |
| Allowance on nonaccrual loans, end of period | $40,593 | 286 | 40,593 | 286 |

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 is 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 following tables represent the activity in REO:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| REO - held-for-sale, beginning of period | $185,511 | 186,234 | 190,535 | 197,851 |
| Improvements | 1,591 | 1,130 | 3,295 | 2,723 |
| Sales | (23,213) | (47,433) | (48,138) | (88,666) |
| Impairments and unrealized losses | (2,954) | (1,032) | (4,372) | (2,823) |
| Transfers from held-and-used, net (1) | 34,451 | 53,930 | 54,066 | 83,744 |
| REO - held-for-sale, end of period | $195,386 | 192,829 | 195,386 | 192,829 |

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| REO - held-and-used, net, beginning of period | $242,569 | 405,675 | 255,795 | 428,989 |
| Additions | 5,431 | 26,093 | 14,343 | 34,127 |
| Improvements | 785 | 2,708 | 1,428 | 3,471 |
| Impairments | — | (599) | (1,413) | (1,503) |
| Depreciation | (586) | (878) | (1,375) | (2,271) |
| Transfers to held-for-sale (1) | (34,451) | (53,930) | (54,066) | (83,744) |
| Other | — | — | (964) | — |
| REO - held-and-used, net, end of period | $213,748 | 379,069 | 213,748 | 379,069 |

(1) During the three and six months ended May 31, 2015 and 2014, the Rialto segment transferred certain properties from REO held-and-used, net to 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, 2015, the Company recorded net gains of $0.2 million from acquisitions of REO through foreclosure. For the three and six months ended May 31, 2014, the Company recorded net losses of $7.0 million and $7.1 million, respectively, from acquisitions of REO through foreclosure.

Rialto Mortgage Finance

RMF originates and sells into securitizations five, seven and ten year commercial first mortgage loans, generally with principal amounts between $2 million and $75 million, which are secured by income producing properties. During the six months ended May 31, 2015, RMF originated loans with a total principal balance of $1.2 billion and sold $1.0 billion of loans into five separate securitizations. During the six months ended May 31, 2014, RMF originated loans with a total principal balance of $692.2 million and sold $691.5 million of loans into three separate securitizations. As November 30, 2014, $147.2 million of the originated loans were sold into a securitization trust but not settled and thus were included as receivables, net.

As of both May 31, 2015 and November 30, 2014, RMF had two warehouse repurchase financing agreements that mature in August and October 2015 with commitments totaling $650 million to finance the loans it makes. In March 2015, RMF entered into an additional warehouse repurchase facility with commitments totaling $250 million that matures in March 2016. Borrowings under these facilities were $169.6 million and $141.3 million as of May 31, 2015 and November 30, 2014, respectively. These warehouse repurchase facilities are non-recourse to the Company.

In November 2013, the Rialto segment issued $250 million aggregate principal amount of the 7.00% Senior Notes, at a price of 100% in a private placement. Proceeds from the offering, after payment of expenses, were approximately $245 million. Rialto used a majority of the net proceeds of the sale of the 7.00% Senior Notes as working capital for RMF and used $100 million to repay sums that had been advanced to RMF from Lennar to enable it to begin originating and securitizing commercial mortgage loans. In March 2014, the Rialto segment issued an additional $100 million of the 7.00% Senior Notes, at a price of 102.25% of their face value in a private placement. Proceeds from the offering, after payment of expenses, were approximately $102 million. Rialto used the net proceeds of the offering to provide additional working capital for RMF, and to make investments in the funds that Rialto manages, as well as for general corporate purposes. Interest on the 7.00% Senior Notes is due semi-annually. At May 31, 2015 and November 30, 2014, the carrying amount of the 7.00% Senior Notes was $351.7 million and $351.9 million, respectively. Under the indenture, Rialto is subject to certain covenants limiting, among other things, Rialto’s ability to incur indebtedness, to make investments, to make distributions to or enter into transactions with Lennar or to create liens, subject to certain exceptions and qualifications. Rialto also has quarterly and annual reporting requirements, similar to an SEC registrant, to holders of the 7.00% Senior Notes. The Company believes it was in compliance with its debt covenants at May 31, 2015.

Investments

All of Rialto's investments in funds have the attributes of an investment company in accordance with ASC 946, Financial Services – Investment Companies, as amended by ASU 2013-08, Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements, 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 assets and liabilities of Rialto's funds investment are recorded at fair value with increases/decreases in fair value recorded in their respective statements of operations and the Company's share is recorded in Rialto equity in earnings from unconsolidated entities in the Company's statement of operations.

The following table reflects Rialto's investments in funds that invest in and manage real estate related assets and other investments:

| | | | | | May 31, 2015 | May 31, 2015 | November 30, 2014 |
|---|---|---|---|---|---|---|---|
| (Dollars in thousands) | Inception Year | Equity Commitments | Equity Commitments Called | Commitment to fund by the Company | Funds contributed by the Company | Investment | |
| Rialto Real Estate Fund, LP | 2010 | $ 700,006 | $ 700,006 | $ 75,000 | $ 75,000 | $ 67,425 | 71,831 |
| Rialto Real Estate Fund II, LP | 2012 | 1,305,000 | 1,000,000 | 100,000 | 76,628 | 86,462 | 67,652 |
| Rialto Mezzanine Partners Fund, LP | 2013 | 300,000 | 213,536 | 33,799 | 24,058 | 23,531 | 20,226 |
| Other investments | | | | | | 17,717 | 15,991 |
| | | | | | | $ 195,135 | 175,700 |

Rialto's share of earnings from unconsolidated entities was as follows:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Rialto Real Estate Fund, LP | $ 3,044 | 7,174 | 3,790 | 12,233 |
| Rialto Real Estate Fund II, LP | 2,286 | 2,402 | 3,179 | 2,440 |
| Rialto Mezzanine Partners Fund, LP | 451 | 493 | 926 | 782 |
| Other investments | 1,547 | 7,870 | 2,097 | 7,838 |
| Rialto equity in earnings from unconsolidated entities | $ 7,328 | 17,939 | 9,992 | 23,293 |

During the three and six months ended May 31, 2015, the Company received $4.8 million and $11.3 million, respectively, of advance distributions with regard to Rialto's carried interest in Rialto Real Estate Fund, LP ("Fund I") and Rialto Real Estate Fund II, LP ("Fund II") in order to cover income tax obligations resulting from allocations of taxable income to Rialto's carried interests in these funds. These amounts of advance distributions are not subject to clawbacks and are included in Rialto's revenues.

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, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $96,193 | 141,609 |
| Loans receivable | 485,839 | 512,034 |
| Real estate owned | 426,201 | 378,702 |
| Investment securities | 929,711 | 795,306 |
| Investments in partnerships | 365,732 | 311,037 |
| Other assets | 38,047 | 45,451 |
| | $2,341,723 | 2,184,139 |
| Liabilities and equity: | | |
| Accounts payable and other liabilities | $19,823 | 20,573 |
| Notes payable | 326,878 | 395,654 |
| Equity | 1,995,022 | 1,767,912 |
| | $2,341,723 | 2,184,139 |

Statements of Operations

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Revenues | $39,320 | 33,177 | 81,058 | 64,604 |
| Costs and expenses | 25,082 | 23,304 | 48,087 | 49,413 |
| Other income, net (1) | 55,477 | 104,868 | 61,351 | 153,038 |
| Net earnings of unconsolidated entities | $69,715 | 114,741 | 94,322 | 168,229 |
| Rialto equity in earnings from unconsolidated entities | $7,328 | 17,939 | 9,992 | 23,293 |

(1) Other income, net, included realized and unrealized gains (losses) on investments.

In 2010, the Rialto segment invested in non-investment grade commercial mortgage-backed securities ("CMBS") at a 55% discount to par value. The carrying value of the investment securities at May 31, 2015 and November 30, 2014 was $18.0 million and $17.3 million, respectively. These securities bear interest at a coupon rate of 4% and 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, 2015 and 2014. The Rialto segment classified these securities as held-to-maturity based on its intent and ability to hold the securities until maturity.

In December 2014, the Rialto segment invested in a private commercial real estate services company at a price of $18.0 million. The investment is carried at cost at May 31, 2015 and is included in Rialto's other assets.

(9) Lennar Multifamily Segment

The Company is actively involved, primarily through unconsolidated entities, in the development, construction and property management of multifamily rental properties. The Lennar Multifamily segment focuses on developing a geographically diversified portfolio of institutional quality multifamily rental properties in select U.S. markets.

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

| (In thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $1,694 | 2,186 |
| Land under development | 197,447 | 120,666 |
| Consolidated inventory not owned | 5,508 | 5,508 |
| Investments in unconsolidated entities | 129,818 | 105,674 |
| Operating properties and equipment | 771 | 15,740 |
| Other assets | 27,018 | 18,240 |
| | $362,256 | 268,014 |
| Liabilities: | | |
| Accounts payable and other liabilities | $47,786 | 48,235 |
| Liabilities related to consolidated inventory not owned | 4,007 | 4,008 |
| | $51,793 | 52,243 |

The unconsolidated entities in which the Lennar Multifamily segment has investments usually finance their activities with a combination of partner equity and debt financing. In connection with many of the loans to Lennar Multifamily unconsolidated entities, the Company (or entities related to them) has been required to give guarantees of completion and cost over-runs to the lenders and partners. 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. Additionally, the Company guarantees the construction costs of the project. Generally construction cost over-runs would be paid by the Company. Generally, these payments are increases to our investment in the entities and would increase our share of funds the entities distribute after the achievement of certain thresholds. As of both May 31, 2015 and November 30, 2014, the fair value of the completion guarantees was immaterial. Additionally, as of May 31, 2015 and November 30, 2014, the Lennar Multifamily segment had $22.2 million and $23.5 million, respectively, of letters of credit outstanding primarily for credit enhancements for the bank debt of certain of its unconsolidated entities. These letters of credit outstanding are included in the disclosure in Note 12 related to the Company's performance and financial letters of credit. As of May 31, 2015 and November 30, 2014, Lennar Multifamily segment's unconsolidated entities had non-recourse debt with completion guarantees of $333.5 million and $163.4 million, respectively.

During the three and six months ended May 31, 2015, the Lennar Multifamily segment provided general contractor services for construction of some of the rental properties owned by unconsolidated entities in which the Company has an investment and received fees totaling $35.1 million and $67.0 million, respectively, which are offset by costs related to those services of $33.7 million and $65.1 million, respectively. During the three and six months ended May 31, 2014, the Lennar Multifamily segment provided general contractor services for construction of some of its rental properties owned by unconsolidated entities in which the Company has an investment and received fees totaling $7.1 million and $13.2 million, respectively, which are offset by costs related to those services of $6.2 million and $12.2 million, respectively.

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

Balance Sheets

| (In thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $12,550 | 25,319 |
| Operating properties and equipment | 961,179 | 637,259 |
| Other assets | 18,119 | 14,742 |
| | $991,848 | 677,320 |
| Liabilities and equity: | | |
| Accounts payable and other liabilities | $129,979 | 87,151 |
| Notes payable | 333,461 | 163,376 |
| Equity | 528,408 | 426,793 |
| | $991,848 | 677,320 |

Statements of Operations

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Revenues | $3,075 | 960 | 5,169 | 2,411 |
| Costs and expenses | 5,081 | 1,581 | 8,075 | 3,175 |
| Net loss of unconsolidated entities | $(2,006) | (621) | (2,906) | (764) |
| Lennar Multifamily equity in loss from unconsolidated entities | $(422) | (182) | (600) | (257) |

(10) Lennar Homebuilding Cash and Cash Equivalents

Cash and cash equivalents as of May 31, 2015 and November 30, 2014 included $339.8 million and $263.2 million, respectively, of cash held in escrow for approximately three days.

(11) 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, as well as funds on deposit to secure and support performance obligations.

(12) Lennar Homebuilding Senior Notes and Other Debts Payable

| (Dollars in thousands) | May 31, 2015 | November 30, 2014 |
|---|---|---|
| 6.50% senior notes due 2016 | $249,942 | 249,923 |
| 12.25% senior notes due 2017 | 396,807 | 396,278 |
| 4.75% senior notes due 2017 | 399,250 | 399,250 |
| 6.95% senior notes due 2018 | 248,652 | 248,485 |
| 4.125% senior notes due 2018 | 274,996 | 274,995 |
| 4.500% senior notes due 2019 | 500,431 | 500,477 |
| 4.50% senior notes due 2019 | 600,597 | 350,000 |
| 2.75% convertible senior notes due 2020 | 437,936 | 431,042 |
| 3.25% convertible senior notes due 2021 | 399,990 | 400,000 |
| 4.750% senior notes due 2022 | 571,656 | 571,439 |
| 4.750% senior notes due 2025 | 500,000 | — |
| 5.60% senior notes due 2015 | — | 500,272 |
| Unsecured revolving credit facility | 450,000 | — |
| Mortgage notes on land and other debt | 260,879 | 368,052 |
| | $5,291,136 | 4,690,213 |

In April 2015, the Company amended its unsecured revolving credit facility (the “Credit Facility”) to reduce the interest rate on $1.18 billion of the Credit Facility, increase the maximum potential borrowings from $1.5 billion to $1.6 billion, which includes a $263 million accordion feature, subject to additional commitments, with certain financial institutions and extend the maturity of $1.18 billion of the Credit Facility from June 2018 to June 2019. The proceeds available under the Credit Facility, which are subject to specified conditions for borrowing, may be used for working capital and general corporate purposes. The Credit Facility agreement also provides that up to $500 million in commitments may be used for letters of credit. Under the Credit Facility agreement, the Company is required to maintain a minimum consolidated tangible net worth, a maximum leverage ratio and either a liquidity or an interest coverage ratio. These ratios are calculated per the Credit Facility agreement, which involves adjustments to GAAP financial measures. For more details refer to Management's Discussion and Analysis of Financial Conditions and Results of Operations in Item 2. The Company believes it was in compliance with its debt covenants at May 31, 2015. In addition, the Company had $315 million letter of credit facilities with different financial institutions.

The Company’s performance letters of credit outstanding were $246.5 million and $234.1 million, respectively, at May 31, 2015 and November 30, 2014. The Company’s financial letters of credit outstanding were $179.5 million and $190.4 million, respectively, at May 31, 2015 and November 30, 2014. Performance letters of credit are generally posted with regulatory bodies to guarantee the Company’s performance of certain development and construction activities. 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, 2015, 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 $964.6 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, 2015, there were approximately $422.8 million, or 44%, of anticipated future costs to complete related to these site improvements. The Company does not presently anticipate any draws upon these bonds or letters of credit, 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 April 2015, the Company issued $500 million aggregate principal amount of 4.750% senior notes due 2025 (the "4.750% Senior Notes" ) at a price of 100%. Proceeds from the offering, after payment of expenses, were $495.6 million. The Company used the net proceeds from the sales of the 4.750% Senior Notes, together with cash on hand, to retire its $500 million of 5.60% senior notes due May 2015 for 100% of the outstanding principal amount, plus accrued and unpaid interest. Interest on the 4.750% Senior Notes is due semi-annually beginning November 30, 2015. The 4.750% Senior Notes are unsecured and unsubordinated, but are guaranteed by substantially all of the Company's

100% owned homebuilding subsidiaries.

In November 2014, the Company originally issued $350 million aggregate principal amount of 4.50% senior notes due 2019 (the “4.50% Senior Notes”) at a price of 100%. In February 2015, the Company issued an additional $250 million aggregate principal amount of its 4.50% Senior Notes at a price of 100.25%. Proceeds from the offerings, after payment of expenses, were $595.8 million. The Company used the net proceeds from the sales of the 4.50% Senior Notes for working capital and general corporate purposes. Interest on the 4.50% Senior Notes is due semi-annually beginning May 15, 2015. The 4.50% Senior Notes are unsecured and unsubordinated, but are guaranteed by substantially all of the Company's 100% owned homebuilding subsidiaries.

At both May 31, 2015 and November 30, 2014, the carrying and principal amount of the 3.25% convertible senior notes due 2021 (the “3.25% Convertible Senior Notes”) was $400.0 million. 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 shares of Class A common stock 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. The 3.25% Convertible Senior Notes are unsecured and unsubordinated, but are guaranteed by substantially all of the Company's 100% owned homebuilding subsidiaries.

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. Shares are included in the calculation of diluted earnings per share because even though it is the Company’s intent to settle the face value of the 2.75% Convertible Senior Notes in cash, the Company's volume weighted average stock price exceeded the conversion price. The Company’s volume weighted average stock price for the three months ended May 31, 2015 and 2014 was $48.84 and $39.92, respectively, which exceeded the conversion price, thus 11.0 million shares and 9.0 million shares, respectively, were included in the calculation of diluted earnings per share. The Company’s volume weighted average stock price for the six months ended May 31, 2015 and 2014 was $47.01 and $39.32, respectively, which exceeded the conversion price, thus 10.7 million shares and 8.8 million shares, respectively, were included in the calculation of diluted earnings per share.

Holders of the 2.75% Convertible Senior Notes have the right to convert them, during any fiscal quarter (and only during such fiscal quarter), if the last reported sale price of the Company’s Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day.

Subsequent to May 31, 2015, the Company exchanged approximately $106 million in aggregate principal amount of the 2.75% Convertible Senior Notes for approximately $106 million in cash and 2.5 million shares of Class A common stock, plus accrued and unpaid interest through the date of completion of the exchanges.

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 shares of Class A common stock 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. The 2.75% Convertible Senior Notes are unsecured and unsubordinated, but are guaranteed by substantially all of the Company's 100% owned homebuilding subsidiaries.

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, 2015 and November 30, 2014, the principal amount of the 2.75% Convertible Senior Notes was $446.0 million. At May 31, 2015 and November 30, 2014, the carrying amount of the equity component included in stockholders’ equity was $8.1 million and $15.0 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 $437.9 million and $431.0 million, respectively.

Although the guarantees by substantially all of the Company's 100% owned homebuilding subsidiaries are full, unconditional and joint and several while they are in effect, (i) a subsidiary will cease to be a guarantor at any time when it is not directly or indirectly guaranteeing at least $75 million of debt of Lennar Corporation (the parent company), and (ii) a subsidiary will be released from its guarantee and any other obligations it may have regarding the senior notes if all or substantially all its assets, or all of its capital stock, are sold or otherwise disposed of.

(13) 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 May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Warranty reserve, beginning of period | $116,271 | 101,097 | 115,927 | 102,580 |
| Warranties issued | 20,469 | 14,580 | 33,792 | 24,972 |
| Adjustments to pre-existing warranties from changes in estimates (1) | 1,723 | 3,456 | 5,384 | 5,576 |
| Payments | (18,853) | (13,434) | (35,493) | (27,429) |
| Warranty reserve, end of period | $119,610 | 105,699 | 119,610 | 105,699 |

(1) The adjustments to pre-existing warranties from changes in estimates during the three and six months ended May 31, 2015 and 2014 primarily related to specific claims related to certain of our homebuilding communities and other adjustments.

(14) Share-Based Payments

During both the three and six months ended May 31, 2015 and 2014, 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 May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Stock options | $38 | 38 | 39 | 40 |
| Nonvested shares | 10,361 | 8,512 | 20,611 | 17,251 |
| Total compensation expense for share-based awards | $10,399 | 8,550 | 20,650 | 17,291 |

(15) Financial Instruments and Fair Value Disclosures

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at May 31, 2015 and November 30, 2014, 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, receivables, net and accounts payable, all of which had fair values approximating their carrying amounts due to the short maturities and liquidity of these instruments.

| | | May 31, 2015 | | November 30, 2014 | |
|---|---|---|---|---|---|
| (In thousands) | Fair Value Hierarchy | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| ASSETS | | | | | |
| Rialto: | | | | | |
| Loans receivable, net | Level 3 | $100,635 | 104,298 | 130,105 | 135,881 |
| Investments held-to-maturity | Level 3 | $17,970 | 17,574 | 17,290 | 17,155 |
| Lennar Financial Services: | | | | | |
| Loans held-for-investment, net | Level 3 | $29,776 | 29,008 | 26,894 | 26,723 |

| | | | | | |
|---|---|---|---|---|---|
| Investments held-to-maturity | Level 2 | $30,291 | 30,308 | 45,038 | 45,051 |
| LIABILITIES | | | | | |
| Lennar Homebuilding senior notes and other debts payable | Level 2 | $5,291,136 | 6,398,288 | 4,690,213 | 5,760,075 |
| Rialto notes and other debts payable | Level 2 | $629,703 | 662,221 | 623,246 | 640,335 |
| Lennar Financial Services notes and other debts payable | Level 2 | $865,416 | 865,416 | 704,143 | 704,143 |

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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—The fair values for loans receivable, net are based on the fair value of the collateral less estimated cost to sell or discounted cash flows, if estimable. The fair value for investments held-to-maturity is based on discounted cash flows. For notes and other debts payable, the fair value is calculated based on discounted cash flows using the Company's weighted average borrowing rate and for the warehouse repurchase financing agreements fair values approximate their carrying value due to their short maturities.
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. For notes and other debts payable, the fair values approximate their carrying value due to variable interest pricing terms and short-term nature of the borrowings.
Fair Value Measurements:
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 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, 2015 | Fair Value at November 30, 2014 | |
|---|---|---|---|---|
| (In thousands) | | | | |
| Lennar Financial Services: | | | | |
| Loans held-for-sale (1) | Level 2 | $791,349 | 738,396 | |
| Mortgage loan commitments | Level 2 | $18,882 | 12,687 | |
| Forward contracts | Level 2 | $155 | (7,576 | ) |
| Mortgage servicing rights | Level 3 | $16,504 | 17,353 | |
| Lennar Homebuilding: | | | | |
| Investments available-for-sale | Level 3 | $492 | 480 | |
| Rialto: | | | | |
| Loans held-for-sale (2) | Level 3 | $318,037 | 113,596 | |

(1) The aggregate fair value of Lennar Financial Services loans held-for-sale of $791.3 million at May 31, 2015 exceeds their aggregate principal balance of $762.1 million by $29.3 million. The aggregate fair value of loans held-for-sale of $738.4 million at November 30, 2014 exceeds their aggregate principal balance of $706.0 million by $32.4 million.

(2) The aggregate fair value of Rialto loans held-for-sale of $318.0 million at May 31, 2015 is below their aggregate principal balance of $318.3 million by $0.3 million. The aggregate fair value of loans held-for-sale of $113.6 million at November 30, 2014 exceeds their aggregate principal balance of $111.8 million by $1.8 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:
Lennar Financial Services 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

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Lennar Financial Services’ loans held-for-sale as of May 31, 2015 and November 30, 2014. Fair value of servicing rights is determined based on actual sales of servicing rights on loans with similar characteristics.
Lennar Financial Services 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. 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 servicing rights is determined based on actual sales of servicing rights on loans with similar characteristics. The fair value of the mortgage loan commitments and related servicing rights is included in Lennar Financial Services’ other assets.
Lennar Financial Services forward contracts— Fair value is based on quoted market prices for similar financial instruments. The fair value of forward contracts is included in the Lennar Financial Services segment's other assets as of May 31, 2015. The fair value of forward contracts is included in the Lennar Financial Services segment's other liabilities as of November 30, 2014.
Lennar Financial Services mortgage servicing rights — Lennar Financial Services records mortgage servicing rights when it sells loans on a servicing-retained basis, at the time of securitization or through the acquisition or assumption of the right to service a financial asset. The fair value of the mortgage servicing rights is calculated using third-party valuations. The key assumptions, which are generally unobservable inputs, used in the valuation of the mortgage servicing rights include mortgage prepayment rates, discount rates and delinquency rates. As of May 31, 2015, the key assumptions used in determining the fair value include a 12.1% mortgage prepayment rate, a 12.0% discount rate and a 5.9% delinquency rate. The fair value of mortgage servicing rights is included in the Lennar Financial Services segment's other assets.
Lennar Homebuilding investments available-for-sale— The fair value of these investments is based on third-party valuations and/or estimated by the Company on the basis of discounted cash flows and it is included in the Lennar Homebuilding segment's other assets.
Rialto loans held-for-sale— The fair value of loans held-for-sale is calculated from model-based techniques that use discounted cash flow assumptions and the Company’s own estimates of CMBS spreads, market interest rate movements and the underlying loan credit quality. Loan values are calculated by allocating the change in value of an assumed CMBS capital structure to each loan. The value of an assumed CMBS capital structure is calculated, generally, by discounting the cash flows associated with each CMBS class at market interest rates and at the Company’s own estimate of CMBS spreads. The Company estimates CMBS spreads by observing the pricing of recent CMBS offerings, secondary CMBS markets, changes in the CMBX index, and general capital and commercial real estate market conditions. Considerations in estimating CMBS spreads include comparing the Company’s current loan portfolio with comparable CMBS offerings containing loans with similar duration, credit quality and collateral composition. These methods use unobservable inputs in estimating a discount rate that is used to assign a value to each loan. While the cash payments on the loans are contractual, the discount rate used and assumptions regarding the relative size of each class in the CMBS capital structure can significantly impact the valuation. Therefore, the estimates used could differ materially from the fair value determined when the loans are sold to a securitization trust.
The changes in fair values for Level 1 and Level 2 financial instruments measured on a recurring basis are shown below by financial instrument and financial statement line item:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Changes in fair value included in Lennar Financial Services revenues: | | | | |
| Loans held-for-sale | $4,181 | 8,392 | (3,119) | 7,152 |
| Mortgage loan commitments | $(84) | 4,904 | 6,195 | 7,698 |
| Forward contracts | $210 | (2,038) | 7,731 | (7,759) |

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

The Lennar Financial Services segment uses mandatory mortgage-backed securities ("MBS") forward commitments, option contracts and investor commitments to hedge its 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 the Company's counterparties to investment banks, federally regulated bank affiliates and other investors meeting the Company’s credit standards. The segment’s 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, 2015, the segment had open commitments amounting to $1.0 billion to sell MBS with varying settlement dates through August 2015.

The following table represents the reconciliation of the beginning and ending balance for the Level 3 recurring fair value measurements:

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Mortgage servicing rights, beginning of period | $16,786 | 11,955 | 17,353 | 11,455 |
| Purchases and retention of mortgage servicing rights (1) | 652 | 6,808 | 996 | 7,968 |
| Disposals | (1,095) | — | (1,874) | — |
| Changes in fair value (2) | 161 | (521) | 29 | (1,181) |
| Mortgage servicing rights, end of period | $16,504 | 18,242 | 16,504 | 18,242 |

(1) For both the three and six months ended May 31, 2014, purchases and retention of mortgage servicing rights included the $5.9 million acquisition of a portfolio of mortgage servicing rights.

(2) Amount represents changes in fair value included in Lennar Financial Services revenues.

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Investments available-for-sale, beginning of period | $28,573 | 59,880 | 480 | 40,032 |
| Purchases and other (1) | — | 5,280 | 28,093 | 21,274 |
| Sales | — | (44,579) | — | (44,579) |
| Changes in fair value (2) | 12 | 222 | 12 | 5,150 |
| Settlements (3) | (28,093) | (387) | (28,093) | (1,461) |
| Investments available-for-sale, end of period | $492 | 20,416 | 492 | 20,416 |

(1) Represents investments in community development district bonds that mature at various dates between 2015 and 2039.

(2) The changes in fair value were not included in other comprehensive income because the changes in fair value were deferred as a result of the Company's continuing involvement in the underlying real estate collateral.

(3) The investments available-for-sale that were settled related to investments in community development district bonds, which were in default upon purchase and reissued by the municipalities prior to being settled with third parties.

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---|---|---|---|---|
| (In thousands) | 2015 | 2014 | 2015 | 2014 |
| Rialto loans held-for-sale, beginning of period | $360,045 | 86,857 | 113,596 | 44,228 |
| Loan originations | 683,179 | 396,648 | 1,248,694 | 692,156 |
| Origination loans sold, including those not settled | (723,479) | (438,498) | (1,041,583) | (691,536) |
| Interest and principal paydowns | (161) | 370 | (369) | (24) |
| Changes in fair value (1) | (1,547) | (312) | (2,301) | 241 |
| Rialto loans held-for-sale, end of period | $318,037 | 45,065 | 318,037 | 45,065 |

(1) Amount represents changes in fair value included in Rialto revenues.

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. The fair values included in the table below represents 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:

| | | Three Months Ended May 31, | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2015 | | | 2014 | | |
| (In thousands) | Fair Value Hierarchy | Carrying Value | Fair Value | Total Gains (Losses) (1) | Carrying Value | Fair Value | Total Losses (1) |
| Financial assets | | | | | | | |
| Rialto: | | | | | | | |
| Impaired loans receivable | Level 3 | $81,108 | 79,523 | (1,585) | 196,173 | 162,306 | (33,867) |
| Non-financial assets | | | | | | | |
| Lennar Homebuilding: | | | | | | | |
| Finished homes and construction in progress (2) | Level 3 | $46,339 | 36,736 | (9,603) | — | — | — |
| Rialto: | | | | | | | |
| REO - held-for-sale (3): | | | | | | | |
| Upon acquisition/transfer | Level 3 | $8,733 | 8,209 | (524) | 6,617 | 6,220 | (397) |
| Upon management periodic valuations | Level 3 | $11,258 | 8,828 | (2,430) | 4,422 | 3,787 | (635) |
| REO - held-and-used, net (4): | | | | | | | |
| Upon acquisition/transfer | Level 3 | $4,689 | 5,431 | 742 | 32,356 | 25,713 | (6,643) |
| Upon management periodic valuations | Level 3 | $— | — | — | 2,884 | 2,285 | (599) |

(1) Represents losses due to valuation adjustments, write-offs, gains (losses) from transfers or acquisitions of real estate through foreclosure and REO impairments recorded during the three months ended May 31, 2015 and 2014.

(2) Valuation adjustments were included in Lennar Homebuilding costs and expenses in the Company's condensed consolidated statement of operations for the three months ended May 31, 2015.

(3) REO held-for-sale assets are initially recorded at fair value less estimated costs to sell at the time of the transfer or acquisition through, or in lieu of, loan foreclosure. The fair value of REO held-for-sale is based upon appraised value at the time of foreclosure or management's best estimate. In addition, management periodically performs valuations of its REO held-for-sale. The losses upon the transfer or acquisition of REO and impairments were included in Rialto other income (expense), net, in the Company's condensed consolidated statement of operations for the three months ended May 31, 2015 and 2014.

(4) REO held-and-used, net, assets are initially recorded at fair value at the time of acquisition through, or in lieu of, loan foreclosure. 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. In addition, management periodically performs valuations of its REO held-and-used, net. The gains (losses) upon acquisition of REO held-and-used, net and impairments were included in Rialto other income (expense), net, in the Company's condensed consolidated statement of operations for the three months ended May 31, 2015 and 2014.

| (In thousands) | Fair Value Hierarchy | Six Months Ended May 31, 2015 Carrying Value | Fair Value | Total Gains (Losses) (1) | 2014 Carrying Value | Fair Value | Total Losses (1) |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Rialto Investments: | | | | | | | |
| Impaired loans receivable | Level 3 | $103,209 | 100,400 | (2,809) | 173,328 | 132,745 | (40,583) |
| Non-financial assets | | | | | | | |
| Lennar Homebuilding: | | | | | | | |
| Finished homes and construction in progress (2) | Level 3 | $46,339 | 36,736 | (9,603) | — | — | — |
| Land and land under development (2) | Level 3 | $— | — | — | 7,013 | 6,143 | (870) |
| Rialto Investments: | | | | | | | |
| REO - held-for-sale (3): | | | | | | | |
| Upon acquisition/transfer | Level 3 | $13,617 | 12,800 | (817) | 13,050 | 12,267 | (783) |
| Upon management periodic valuations | Level 3 | $16,862 | 13,307 | | | | |