

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended August 31, 2019  
or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from \_\_\_\_\_ To \_\_\_\_\_**

**Commission File Number: 1-11749**

**Lennar Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$.10	LEN	New York Stock Exchange
Class B Common Stock, par value \$.10	LEN.B	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/> Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Common stock outstanding as of August 31, 2019:

Class A 279,880,759  
Class B 37,738,347

# LENNAR CORPORATION

## FORM 10-Q

For the period ended August 31, 2019

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**Part I. Financial Information**  
**Item 1. Financial Statements**

**Lennar Corporation and Subsidiaries**  
Condensed Consolidated Balance Sheets  
(Dollars in thousands)  
(unaudited)

	August 31, 2019 (1)	November 30, 2018 (1)
<b>ASSETS</b>		
<b>Homebuilding:</b>		
Cash and cash equivalents	\$ 795,405	1,337,807
Restricted cash	13,238	12,399
Receivables, net	295,418	236,841
Inventories:		
Finished homes and construction in progress	10,256,011	8,681,357
Land and land under development	8,240,076	8,178,388
Consolidated inventory not owned	352,083	208,959
Total inventories	18,848,170	17,068,704
Investments in unconsolidated entities	1,002,936	870,201
Goodwill	3,442,359	3,442,359
Other assets	1,158,325	1,355,782
	25,555,851	24,324,093
<b>Financial Services</b>	2,329,786	2,778,910
<b>Multifamily</b>	1,020,842	874,219
<b>Lennar Other</b>	552,968	588,959
<b>Total assets</b>	<b>\$ 29,459,447</b>	<b>28,566,181</b>

- (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 August 31, 2019, total assets include \$1.0 billion related to consolidated VIEs of which \$15.3 million is included in Homebuilding cash and cash equivalents, \$0.2 million in Homebuilding receivables, net, \$108.9 million in Homebuilding finished homes and construction in progress, \$242.9 million in Homebuilding land and land under development, \$352.1 million in Homebuilding consolidated inventory not owned, \$4.1 million in Homebuilding investments in unconsolidated entities, \$6.0 million in Homebuilding other assets, \$222.0 million in Financial Services assets and \$50.7 million in Multifamily assets.

As of November 30, 2018, total assets include \$666.2 million related to consolidated VIEs of which \$57.6 million is included in Homebuilding cash and cash equivalents, \$0.2 million in Homebuilding receivables, net, \$81.7 million in Homebuilding finished homes and construction in progress, \$293.1 million in Homebuilding land and land under development, \$209.0 million in Homebuilding consolidated inventory not owned, \$3.8 million in Homebuilding investments in unconsolidated entities, \$10.5 million in Homebuilding other assets and \$10.3 million in Lennar Other assets.

See accompanying notes to condensed consolidated financial statements.

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

	August 31, 2019 (2)	November 30, 2018 (2)
<b>LIABILITIES AND EQUITY</b>		
<b>Homebuilding:</b>		
Accounts payable	\$ 1,092,708	1,154,782
Liabilities related to consolidated inventory not owned	298,724	175,590
Senior notes and other debts payable	9,075,016	8,543,868
Other liabilities	1,833,915	1,902,658
	12,300,363	11,776,898
<b>Financial Services</b>	1,455,456	1,868,202
<b>Multifamily</b>	213,054	170,616
<b>Lennar Other</b>	24,627	67,508
<b>Total liabilities</b>	13,993,500	13,883,224
<b>Stockholders' equity:</b>		
Preferred stock	—	—
Class A common stock of \$0.10 par value; Authorized: August 31, 2019 and November 30, 2018 - 400,000,000 shares; Issued: August 31, 2019 - 297,089,399 shares and November 30, 2018 - 294,992,562 shares	29,709	29,499
Class B common stock of \$0.10 par value; Authorized: August 31, 2019 and November 30, 2018 - 90,000,000 shares; Issued: August 31, 2019 - 39,442,650 shares and November 30, 2018 - 39,442,219 shares	3,944	3,944
Additional paid-in capital	8,559,704	8,496,677
Retained earnings	7,633,375	6,487,650
Treasury stock, at cost; August 31, 2019 - 17,208,640 shares of Class A common stock and 1,704,303 shares of Class B common stock; November 30, 2018 - 8,498,203 shares of Class A common stock and 1,698,424 shares of Class B common stock	(855,201)	(435,869)
Accumulated other comprehensive income (loss)	407	(366)
<b>Total stockholders' equity</b>	15,371,938	14,581,535
<b>Noncontrolling interests</b>	94,009	101,422
<b>Total equity</b>	15,465,947	14,682,957
<b>Total liabilities and equity</b>	\$ 29,459,447	28,566,181

- (2) Under certain provisions of ASC 810, the Company is required to separately disclose on its condensed consolidated balance sheets the assets owned by consolidated VIEs and liabilities of consolidated VIEs as to which neither Lennar Corporation, or any of its subsidiaries, has any obligations.

As of August 31, 2019, total liabilities include \$577.7 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$7.8 million is included in Homebuilding accounts payable, \$47.1 million in Homebuilding senior notes and other debts payable, \$298.7 million in Homebuilding liabilities related to consolidated inventory not owned, \$4.3 million in Homebuilding other liabilities, \$218.5 million in Financial Services liabilities and \$1.2 million in Multifamily liabilities.

As of November 30, 2018, total liabilities include \$242.5 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$11.4 million is included in Homebuilding accounts payable, \$51.9 million in Homebuilding senior notes and other debt payable, \$175.6 million in Homebuilding liabilities related to consolidated inventory not owned, \$2.6 million in Homebuilding other liabilities and \$1.0 million in Lennar Other liabilities.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<b>Revenues:</b>				
Homebuilding	\$ 5,438,998	5,285,742	14,258,318	13,011,832
Financial Services	224,502	258,208	572,029	704,004
Multifamily	183,958	101,064	428,764	312,013
Lennar Other	9,600	27,555	28,919	84,572
Total revenues	5,857,058	5,672,569	15,288,030	14,112,421
<b>Costs and expenses:</b>				
Homebuilding	4,781,932	4,671,088	12,608,026	11,711,184
Financial Services	149,804	197,693	422,142	561,853
Multifamily	181,616	103,187	431,510	317,572
Lennar Other	2,734	21,518	7,550	69,883
Acquisition and integration costs related to CalAtlantic	—	11,992	—	140,062
Corporate general and administrative	92,615	96,346	248,071	249,071
Total costs and expenses	5,208,701	5,101,824	13,717,299	13,049,625
Homebuilding equity in loss from unconsolidated entities	(10,459)	(16,739)	(4,601)	(43,537)
Homebuilding other income (expense), net (1)	12,375	10,839	(35,325)	190,713
Multifamily equity in earnings (loss) from unconsolidated entities and other gain	7,883	(1,730)	15,446	15,293
Lennar Other equity in earnings from unconsolidated entities	8,903	6,614	12,255	20,129
Lennar Other income (expense), net	24	(3,811)	(12,900)	(19,238)
<b>Earnings before income taxes</b>	667,083	565,918	1,545,606	1,226,156
<b>Provision for income taxes (2)</b>	(154,440)	(98,298)	(374,670)	(306,870)
<b>Net earnings (including net earnings (loss) attributable to noncontrolling interests)</b>	512,643	467,620	1,170,936	919,286
<b>Less: Net earnings (loss) attributable to noncontrolling interests</b>	(723)	14,409	(3,812)	19,603
<b>Net earnings attributable to Lennar</b>	\$ 513,366	453,211	1,174,748	899,683
<b>Other comprehensive income (loss), net of tax:</b>				
Net unrealized gain (loss) on securities available-for-sale	\$ 180	(110)	949	(1,357)
Reclassification adjustments for loss included in earnings, net of tax	—	(166)	(176)	(292)
<b>Total other comprehensive income (loss), net of tax</b>	\$ 180	(276)	773	(1,649)
<b>Total comprehensive income attributable to Lennar</b>	\$ 513,546	452,935	1,175,521	898,034
<b>Total comprehensive income (loss) attributable to noncontrolling interests</b>	\$ (723)	14,409	(3,812)	19,603
<b>Basic earnings per share</b>	\$ 1.60	1.37	3.64	2.95
<b>Diluted earnings per share</b>	\$ 1.59	1.37	3.63	2.94

- (1) Homebuilding other expense, net for the nine months ended August 31, 2019 includes a one-time loss of \$48.9 million relating to the consolidation of a previously unconsolidated entity.
- (2) Provision for income taxes for the nine months ended August 31, 2018 includes a non-cash one-time write down of deferred tax assets of \$68.6 million resulting from the Tax Cuts and Jobs Act enacted in December 2017.

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended August 31,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net earnings (including net earnings (loss) attributable to noncontrolling interests)	\$ 1,170,936	919,286
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	63,822	66,714
Amortization of discount/premium and accretion on debt, net	(19,841)	(17,750)
Equity in (earnings) loss from unconsolidated entities	(12,235)	8,115
Distributions of earnings from unconsolidated entities	9,175	90,431
Share-based compensation expense	65,438	55,638
Deferred income tax expense	144,969	188,132
Gain on sale of operating properties and equipment	(4,925)	(5,107)
Gain on sale of other assets	(4,196)	—
Loss on consolidation of previously unconsolidated entity	48,874	—
Gain on sale of interest in unconsolidated entities and other Multifamily gain	(10,865)	(164,880)
Gain on sale of Financial Services' businesses	(2,368)	—
Unrealized and realized gains on real estate owned	(1,786)	(2,912)
Impairments of loans held-for-sale and real estate owned	—	8,526
Valuation adjustments and write-offs of option deposits and pre-acquisition costs	15,912	40,531
Changes in assets and liabilities:		
Decrease (increase) in receivables	527,990	(13,341)
Increase in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs	(1,610,329)	(725,016)
Decrease (increase) in other assets	48,263	(193,835)
Decrease (increase) in loans held-for-sale	(14,992)	130,528
Increase (decrease) in accounts payable and other liabilities	(115,549)	341,357
Net cash provided by operating activities	298,293	726,417
<b>Cash flows from investing activities:</b>		
Net additions of operating properties and equipment	(69,557)	(81,493)
Proceeds from the sale of operating properties and equipment and other assets	50,018	22,820
Proceeds from sale of investment in unconsolidated entities	17,790	199,654
Proceeds from sale of Financial Services' businesses	24,446	—
Investments in and contributions to unconsolidated entities	(329,858)	(302,333)
Distributions of capital from unconsolidated and consolidated entities	250,265	227,754
Proceeds from sales of real estate owned	8,560	28,697
Receipts of principal payments on loans receivable and other	2,152	3,271
Purchases of commercial mortgage-backed securities bonds	—	(31,068)
Acquisitions, net of cash and restricted cash acquired	—	(1,078,345)
Increase in Financial Services loans held-for-investment, net	(2,902)	(2,062)
Purchases of investment securities	(31,879)	(39,531)
Proceeds from maturities/sales of investments securities	41,608	34,221
Other payments, net	—	(459)
Net cash used in investing activities	\$ (39,357)	(1,018,874)

See accompanying notes to condensed consolidated financial statements.



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

	Nine Months Ended August 31,	
	2019	2018
<b>Cash flows from financing activities:</b>		
Net borrowings under revolving lines of credit	\$ 700,000	195,300
Net repayments under warehouse facilities	(423,123)	(100,963)
Redemption of senior notes	(500,000)	(825,000)
Proceeds from other borrowings	62,634	70,322
Principal payments on other borrowings	(154,736)	(436,035)
Payments related to other liabilities	(2,533)	(3,200)
Conversions, exchanges and redemption of convertible senior notes	(1,288)	(59,145)
Receipts related to noncontrolling interests	27,395	4,008
Payments related to noncontrolling interests	(35,689)	(68,627)
Debt issuance costs	—	(12,459)
Common stock:		
Issuances	388	3,189
Repurchases	(419,322)	(49,490)
Dividends	(38,776)	(35,985)
Net cash used in financing activities	\$ (785,050)	(1,318,085)
Net decrease in cash and cash equivalents and restricted cash	(526,114)	(1,610,542)
Cash and cash equivalents and restricted cash at beginning of period	1,595,978	2,694,084
Cash and cash equivalents and restricted cash at end of period	\$ 1,069,864	1,083,542
<b>Summary of cash and cash equivalents and restricted cash:</b>		
Homebuilding	\$ 808,643	845,015
Financial Services	238,406	177,162
Multifamily	16,478	13,748
Lennar Other	6,337	47,617
	\$ 1,069,864	1,083,542
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Homebuilding and Multifamily:		
Purchases of inventories and other assets financed by sellers	\$ 84,624	52,356
Non-cash contributions to unconsolidated entities	\$ 107,368	91,709
Conversions and exchanges on convertible senior notes	\$ —	217,154
Equity component of acquisition consideration	\$ —	5,070,006
Consolidation/deconsolidation of unconsolidated/consolidated entities, net:		
Inventories	\$ 187,506	35,430
Receivables	\$ 102,959	7,198
Operating properties and equipment and other assets	\$ 53,412	—
Investments in unconsolidated entities	\$ 67,925	(25,614)
Notes payable	\$ (383,212)	—
Other liabilities	\$ (19,696)	(17,014)
Noncontrolling interests	\$ (8,894)	—

See accompanying notes to condensed consolidated financial statements.



**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited)

**(1) Basis of Presentation**

*Basis of Consolidation*

The accompanying condensed consolidated financial statements include the accounts of Lennar Corporation and all subsidiaries, partnerships and other entities in which Lennar Corporation has a controlling interest and variable interest entities ("VIEs") (see Note 16 of the Notes to the Condensed Consolidated Financial Statements) 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, 2018. 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 nine months ended August 31, 2019 are not necessarily indicative of the results to be expected for the full year.

*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.

*Recently Adopted Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, ("ASU 2014-09"). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU 2014-09 became effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, and ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"), among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs had the same effective date and transition requirements as ASU 2014-09. The Company has adopted the modified retrospective method. The Company elected to use the practical expedient within ASU 2017-05 to apply the standard only to contracts not yet completed as of the date of adoption. This will result in higher gains on future sales of partial real estate interests due to recognizing 100% of the gain on the sale of the partial interest and recording the retained noncontrolling interest at fair value. The Company recorded an immaterial net increase to retained earnings as of December 1, 2018, due to the cumulative impact of adopting ASU 2014-09, with the impact primarily related to the recognition of deferral of net margin from home deliveries.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows*, including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. ASU

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

2016-15 was effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The adoption of ASU 2016-15 did not have a material effect on the Company's condensed consolidated financial statements.

The Company adopted ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*, effective December 1, 2018. The amendments in the standard require that the statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash. As a result, the Company's beginning-of-period and end-of-period cash balances presented in the condensed consolidated statements of cash flows were retrospectively adjusted to include restricted cash with cash and cash equivalents. In accordance with Securities and Exchange Commission ("SEC") Final Rule Release No. 33-10532, Disclosure Update and Simplification, the Company removed the presentation of cash dividends per each Class A and Class B common share from the accompanying condensed consolidated statements of operations and comprehensive income (loss). This is now disclosed with the analysis of changes in stockholders' equity within Note 5 of the Notes to the Condensed Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under ASC 820, Fair Value Measurements, and as such, these investments may be measured at cost. ASU 2016-01 was effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The adoption of ASU 2016-01 did not have a material impact on the Company's condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business* ("ASU 2017-01"). ASU 2017-01 clarifies the definition of a business with the objective of addressing whether transactions involving in-substance nonfinancial assets, held directly or in a subsidiary, should be accounted for as acquisitions or disposals of nonfinancial assets or of businesses. ASU 2017-01 was effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The adoption of ASU 2017-01 did not have a material impact on the Company's condensed consolidated financial statements.

#### *Revenue Recognition*

Homebuilding revenues and related profits from sales of homes are recognized at the time of the closing of a sale, when title to and possession of the property are transferred to the homebuyer. The Company's performance obligation, to deliver the agreed-upon home, is generally satisfied in less than one year from the original contract date. Cash proceeds from home closings held in escrow for the Company's benefit, typically for approximately three days, are included in Homebuilding cash and cash equivalents in the Condensed Consolidated Balance Sheets and disclosed in Note 11 of the Notes to the Condensed Consolidated Financial Statements. Contract liabilities include customer deposits liabilities related to sold but undelivered homes that are included in other liabilities in the Condensed Consolidated Balance Sheets. The Company periodically elects to sell parcels of land to third parties. Cash consideration from land sales is typically due on the closing date, which is generally when performance obligations are satisfied and revenue is recognized as title to and possession of the property are transferred to the buyer.

The Company's financial services' operations recognize revenues as follows: Title premiums on policies issued directly by the Company are recognized as revenue on the effective date of the title policies. Escrow fees and loan origination revenues are recognized at the time the related real estate transactions are completed, usually upon the close of escrow. Revenues from title policies issued by independent agents are recognized as revenue when notice of issuance is received from the agent, which is generally when cash payment is received by the Company.

The Company's Multifamily segment provides management services with respect to the development, construction and property management of rental projects in joint ventures in which the Company has investments. As a result, the Multifamily segment earns and receives fees, which are generally based upon a stated percentage of development and construction costs and a percentage of gross rental collections. These fees are recorded over the period in which the services are performed using an input method, which properly depicts the level of effort required to complete the management services. In addition, the Multifamily segment provides general contractor services for the construction of some of its rental projects and recognizes the revenue over the period in which the services are performed using an input method, which properly depicts the level of effort required to complete the construction services. These customer contracts require the Company to provide management and general contractor services which represents a performance obligation that the Company satisfies over time. Management fees and general contractor services in the Multifamily segment are included in Multifamily revenue.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

*Reclassifications*

Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform with the 2019 presentation. The Company's segments were adjusted to reflect Rialto Mortgage Finance ("RMF") and certain other Rialto assets within the Financial Services segment effective December 1, 2018. The remaining assets retained related to the Company's former Rialto segment were included in the Lennar Other segment. In addition, the Company's strategic technology investments, which were part of Homebuilding, were reclassified to be included in the Lennar Other segment. These reclassifications were between segments and had no impact on the Company's total assets, total equity, revenue or net income in the condensed consolidated financial statements.

**(2) Business Acquisitions**

*Acquisition of CalAtlantic Group, Inc.*

On February 12, 2018, the Company completed the acquisition of CalAtlantic Group, Inc. ("CalAtlantic") through a transaction in which CalAtlantic was merged with and into a wholly-owned subsidiary of the Company ("Merger Sub"), with Merger Sub continuing as the surviving corporation and a wholly-owned subsidiary of the Company (the "Merger"). CalAtlantic was a homebuilder which built homes across the homebuilding spectrum, from entry level to luxury, in 43 metropolitan statistical areas spanning 19 states. CalAtlantic also provided mortgage, title and escrow services. A primary reason for the acquisition was to increase local market concentration in order to generate synergies and efficiencies.

Based on an evaluation of the provisions of ASC Topic 805, *Business Combinations*, ("ASC 805"), Lennar Corporation was determined to be the acquirer for accounting purposes. The \$3.3 billion allocated to Homebuilding goodwill and the \$175 million allocated to Financial Services goodwill is final and represents the excess of the purchase price over the estimated fair value of assets acquired and liabilities assumed.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The following table summarizes the purchase price allocation based on the estimated fair value of net assets acquired and liabilities assumed at the date of acquisition:

*(Dollars in thousands)*

CalAtlantic shares of common stock outstanding	118,025,879
CalAtlantic shares electing cash conversion	24,083,091
CalAtlantic shares exchanged	93,942,788
Exchange ratio for Class A common stock	0.885
Exchange ratio for Class B common stock	0.0177
Number of shares of Lennar Class A common stock issued in exchange	83,138,277
Number of shares of Lennar Class B common stock issued in exchange (due to Class B common stock dividend)	1,662,172
Consideration attributable to Class A common stock	\$ 4,933,425
Consideration attributable to Class B common stock	77,823
Consideration attributable to equity awards that convert upon change of control	58,758
Consideration attributable to cash including fractional shares	1,162,341
<b>Total purchase price</b>	<b>\$ 6,232,347</b>

*(In thousands)*

<b>ASSETS</b>	
<b>Homebuilding:</b>	
Cash and cash equivalents, restricted cash and receivables, net	\$ 55,191
Inventories	6,239,147
Intangible asset (1)	8,000
Investments in unconsolidated entities	151,900
Goodwill (2)	3,305,792
Other assets	561,151
<b>Total Homebuilding assets</b>	<b>10,321,181</b>
<b>Financial Services (2)</b>	<b>355,128</b>
<b>Total assets</b>	<b>10,676,309</b>
<b>LIABILITIES</b>	
<b>Homebuilding:</b>	
Accounts payable	306
Senior notes payable and other debts	3,926,152
Other liabilities (3)	374,656
<b>Total Homebuilding liabilities</b>	<b>4,301,114</b>
<b>Financial Services</b>	<b>124,418</b>
<b>Total liabilities</b>	<b>4,425,532</b>
Noncontrolling interests (4)	18,430
<b>Total purchase price</b>	<b>\$ 6,232,347</b>

- (1) Intangible asset includes trade name. The amortization period for the trade name was six months.
- (2) Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed, and it is generally not deductible for income tax purposes. As of the Merger date, goodwill consisted primarily of expected greater efficiencies and opportunities due to increased concentration of local market share, reduced general and administrative costs and reduced homebuilding costs resulting from the merger and cost savings as a result of additional homebuilding and non-homebuilding synergies. The allocation of goodwill among the Company's reporting segments included \$1.1 billion to Homebuilding East, \$495.0 million to Homebuilding Central, \$342.2 million to Homebuilding Texas, \$1.4 billion to Homebuilding West, and \$175.4 million to Financial Services.
- (3) Other liabilities includes contingencies assumed at the Merger date, which includes warranty and legal reserves. Warranty 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. Warranty reserves are determined based on historical data and trends with respect to similar product types and geographical areas. Consistent with ASC 450, *Contingencies*, legal reserves are established when a loss is considered probable and the amount of loss can be reasonably estimated.
- (4) Fair value of noncontrolling interests was measured using discounted cash flows of expected future contributions and distributions.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Homebuilding revenue and net earnings attributable to Lennar for the three and nine months ended August 31, 2018 included \$2.2 billion and \$4.7 billion, respectively, of home sales revenues, and earnings before income taxes included \$209.3 million and \$157.3 million, respectively, of a pre-tax earnings from CalAtlantic since the date of acquisition, which included acquisition and integration costs of \$12.0 million and \$140.1 million, respectively. These transaction expenses were included within acquisition and integration costs related to CalAtlantic in the accompanying condensed consolidated statement of operations for the three and nine months ended August 31, 2018.

**(3) Operating and Reporting Segments**

The Company's homebuilding operations construct and sell homes primarily for first-time, move-up and active adult homebuyers primarily under the Lennar brand name. In addition, the Company's homebuilding operations purchase, develop and sell land to third parties. In connection with the CalAtlantic acquisition, the Company experienced significant growth in its operations. As a result, in 2018, the Company's chief operating decision makers ("CODM") reassessed how they evaluate the business and allocate resources. The CODM manage and assess the Company's performance at a regional level. Therefore, in 2018 the Company performed an assessment of its operating segments in accordance with ASC 280, *Segment Reporting*, ("ASC 280") and determined that each of its four homebuilding regions, financial services operations, multifamily operations and Rialto operations are its operating segments. Prior to this change, in accordance with the aggregation criteria defined in ASC 280, the Company's operating segments were aggregated into reportable segments, based primarily upon similar economic characteristics, geography and product type. In addition, in the first quarter of 2019, as a result of the reclassification of RMF and certain other Rialto assets from the Rialto segment to the Financial Services segment effective December 1, 2018, the Company has renamed the Rialto segment as "Lennar Other" and included in this segment certain strategic technology investments, which were reclassified from Homebuilding to Lennar Other. Prior periods have been reclassified to conform with the 2019 presentation. The Company's reportable segments consist of:

- (1) Homebuilding East
- (2) Homebuilding Central
- (3) Homebuilding Texas
- (4) Homebuilding West
- (5) Financial Services
- (6) Multifamily
- (7) Lennar Other

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, other revenues from management fees and forfeited deposits, equity in earnings (loss) from unconsolidated entities and other income (expense), net, less the cost of homes sold and land sold, and selling, general and administrative expenses incurred by the segment.

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

**East:** Florida, New Jersey, North Carolina and South Carolina

**Central:** Georgia, Illinois, Indiana, Maryland, Minnesota and Virginia

**Texas:** Texas

**West:** Arizona, California, Colorado, Nevada, Oregon, Utah and Washington

**Other:** Urban divisions and other homebuilding related investments primarily in California, including FivePoint Holdings, LLC ("FivePoint")

Operations of the Financial Services segment include primarily mortgage financing, title and closing services primarily for buyers of the Company's homes. It also includes originating and selling into securitizations commercial mortgage loans through its RMF business. The Financial Services segment sells substantially all of the loans it originates within a short period of time 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. Financial Services' operating earnings consist of revenues generated primarily from mortgage financing, title and closing services, and property and casualty insurance, less the cost of such services and certain selling, general and administrative expenses incurred by the segment. The Financial Services segment operates generally in the same states as the Company's homebuilding operations as well as in other states.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Operations of the Multifamily segment include revenues generated from the sales of land, revenue from construction activities, and management and promote fees generated from joint ventures and equity in earnings (loss) from unconsolidated entities and other gains (which includes sales of investments), less the cost of sales of land sold, expenses related to construction activities and general and administrative expenses.

Operations of the Lennar Other segment include operating earnings (loss) consisting of revenues generated primarily from the Company's share of carried interests in the Rialto fund investments retained after the sale of Rialto's asset and investment management platform, along with equity in earnings (loss) from the Rialto fund investments and strategic technology investments, and other income (expense), net from the remaining assets related to the Company's former Rialto segment.

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, 2018, except that as a result of the adoption of ASC 606 as of December 1, 2018, the Company updated its revenue recognition policies as noted in Note 1 of the Notes to the Condensed Consolidated Financial Statements. The Company's 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:

<i>(In thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Homebuilding East	\$ 6,996,012	7,183,758
Homebuilding Central	2,866,868	2,522,799
Homebuilding Texas	2,428,952	2,311,760
Homebuilding West	11,003,703	10,291,385
Homebuilding Other	1,202,051	1,013,367
Financial Services	2,329,786	2,778,910
Multifamily	1,020,842	874,219
Lennar Other	552,968	588,959
Corporate and unallocated	1,058,265	1,001,024
<b>Total assets</b>	<b>\$ 29,459,447</b>	<b>28,566,181</b>
<b>Homebuilding goodwill</b>	<b>\$ 3,442,359</b>	<b>3,442,359</b>
<b>Financial Services goodwill (1)</b>	<b>\$ 215,516</b>	<b>237,688</b>

(1) Decrease in goodwill related to the Financial Services' segment sale of substantially all of its retail mortgage and its real estate brokerage business.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

(In thousands)	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<b>Revenues:</b>				
Homebuilding East	\$ 1,843,670	1,701,622	4,807,825	4,181,328
Homebuilding Central	724,753	670,908	1,773,605	1,562,000
Homebuilding Texas	713,376	729,150	1,825,105	1,786,015
Homebuilding West	2,063,323	2,174,564	5,747,243	5,447,133
Homebuilding Other	93,876	9,498	104,540	35,356
Financial Services (1)	224,502	258,208	572,029	704,004
Multifamily	183,958	101,064	428,764	312,013
Lennar Other	9,600	27,555	28,919	84,572
<b>Total revenues (2)</b>	<b>\$ 5,857,058</b>	<b>5,672,569</b>	<b>15,288,030</b>	<b>14,112,421</b>
<b>Operating earnings (loss) (3):</b>				
Homebuilding East	\$ 256,715	199,205	602,562	454,427
Homebuilding Central	79,209	69,018	165,479	103,192
Homebuilding Texas	78,298	70,742	185,950	122,407
Homebuilding West	259,424	292,050	722,989	656,074
Homebuilding Other (4)	(14,664)	(22,261)	(66,614)	111,724
<b>Total Homebuilding operating earnings</b>	<b>658,982</b>	<b>608,754</b>	<b>1,610,366</b>	<b>1,447,824</b>
Financial Services	74,698	60,515	149,887	142,151
Multifamily	10,225	(3,853)	12,700	9,734
Lennar Other	15,793	8,840	20,724	15,580
Corporate and unallocated (5)	(92,615)	(108,338)	(248,071)	(389,133)
<b>Earnings before income taxes</b>	<b>\$ 667,083</b>	<b>565,918</b>	<b>1,545,606</b>	<b>1,226,156</b>

- (1) Financial Services revenues are lower period over period primarily due to the loss of revenues as a result of the sales of substantially all of the segment's retail mortgage business and the segment's retail agency business and title insurance underwriter.
- (2) Total revenues were net of sales incentives of \$330.2 million (\$24,400 per home delivered) and \$890.7 million (\$25,400 per home delivered) for the three and nine months ended August 31, 2019, respectively, compared to \$289.0 million (\$22,900 per home delivered) and \$717.0 million (\$22,800 per home delivered) for the three and nine months ended August 31, 2018, respectively.
- (3) All Homebuilding segments were impacted by purchase accounting adjustments that totaled \$84.2 million and \$376.0 million for the three and nine months ended August 31, 2018, respectively.
- (4) Homebuilding Other operating loss during the nine months ended August 31, 2019 included a one-time loss of \$48.9 million from the consolidation of a previously unconsolidated entity. Homebuilding Other operating earnings during the nine months ended August 31, 2018 included \$164.9 million related to a gain on the sale of an 80% interest in one of Homebuilding's strategic joint ventures, Treasure Island Holdings.
- (5) Corporate and unallocated includes corporate, general and administrative expenses, and for the three and nine months ended August 31, 2018, \$12.0 million and \$140.1 million, respectively, of acquisition and integration costs related to the CalAtlantic acquisition.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**(4) Homebuilding Investments in Unconsolidated Entities**

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

**Statements of Operations**

(In thousands)	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
Revenues	\$ 74,939	153,136	231,269	322,277
Costs and expenses	99,611	195,525	313,725	451,627
Other income (1)	513	13,903	76,578	119,095
Net loss of unconsolidated entities	\$ (24,159)	(28,486)	(5,878)	(10,255)
Homebuilding equity in loss from unconsolidated entities	\$ (10,459)	(16,739)	(4,601)	(43,537)

- (1) During the nine months ended August 31, 2019, other income was primarily attributable to a \$64.9 million gain on the settlement of contingent consideration recorded by one Homebuilding unconsolidated entity, of which the Company's pro-rata share was \$25.9 million. During the nine months ended August 31, 2018, other income was primarily due to FivePoint recording income resulting from the Tax Cuts and Jobs Act of 2017's reduction in its corporate tax rate to reduce its liability pursuant to its tax receivable agreement ("TRA Liability") with its non-controlling interests. However, the Company has a 70% interest in the FivePoint TRA Liability. Therefore, the Company did not include in Homebuilding's equity in earnings (loss) from unconsolidated entities its pro-rata share of earnings related to the Company's portion of the TRA Liability. As a result, the Company's unconsolidated entities have net earnings, but the Company has an equity in loss from unconsolidated entities.

For the three and nine months ended August 31, 2019, Homebuilding equity in loss from unconsolidated entities was primarily attributable to the Company's share of net operating losses from its unconsolidated entities.

For the three and nine months ended August 31, 2018, Homebuilding equity in loss from unconsolidated entities was primarily attributable to the Company's share of valuation adjustments related to assets of Homebuilding's unconsolidated entities and the Company's share of net operating losses from its unconsolidated entities excluding other income.

**Balance Sheets**

(In thousands)	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 536,251	781,833
Inventories	4,262,446	4,291,470
Other assets	1,012,391	1,045,274
	<u>\$ 5,811,088</u>	<u>6,118,577</u>
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	\$ 800,962	874,355
Debt (1)	852,090	1,202,556
Equity	4,158,036	4,041,666
	<u>\$ 5,811,088</u>	<u>6,118,577</u>
Homebuilding investments in unconsolidated entities (2)	<u>\$ 1,002,936</u>	<u>870,201</u>

- (1) Debt presented above is net of debt issuance costs of \$9.7 million and \$12.4 million, as of August 31, 2019 and November 30, 2018, respectively. The decrease in debt was primarily related to the Company's consolidation of a previously unconsolidated entity in the second quarter of 2019.
- (2) Homebuilding investments in unconsolidated entities as of November 30, 2018, does not include \$62.0 million of the negative investment balance for one unconsolidated entity as it was reclassified to other liabilities.

As of August 31, 2019 and November 30, 2018, the Company's recorded investments in Homebuilding unconsolidated entities were \$1.0 billion and \$870.2 million, respectively, while the underlying equity in Homebuilding unconsolidated entities partners' net assets as of August 31, 2019 and November 30, 2018 was \$1.3 billion and \$1.2 billion, respectively. The basis difference was primarily as a result of the Company contributing its investment in three strategic joint ventures with a higher fair value than book value for an investment in the FivePoint entity and deferring equity in earnings on land sales to the Company. Included in the Company's recorded investments in Homebuilding unconsolidated entities is the Company's 40% ownership of FivePoint. As of August 31, 2019 and November 30, 2018, the carrying amount of the Company's investment was \$380.5 million and \$342.7 million, respectively.



**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

During the nine months ended August 31, 2018, the Company sold 80% of a strategic joint venture to a third-party resulting in a gain of \$164.9 million recorded in Homebuilding other income, net within the accompanying Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

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

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
Non-recourse bank debt and other debt (partner's share of several recourse)	\$ 49,995	48,313
Non-recourse debt with completion guarantees	154,774	239,568
Non-recourse debt without completion guarantees	647,010	861,371
Non-recourse debt to the Company	851,779	1,149,252
The Company's maximum recourse exposure (1)	10,036	65,707
Debt issuance costs	(9,725)	(12,403)
Total debt (1)	\$ 852,090	1,202,556
The Company's maximum recourse exposure as a % of total JV debt	1%	5%

(1) As of August 31, 2019 and November 30, 2018, the Company's maximum recourse exposure was primarily related to the Company providing repayment guarantees on two and four unconsolidated entities' debt, respectively. The decrease in maximum recourse exposure and total debt was primarily related to the Company's consolidation of a previously unconsolidated entity in the second quarter of 2019.

In most instances in which the Company has guaranteed debt of a Homebuilding unconsolidated entity, the Company's partners have also guaranteed that debt and are required to contribute their share of the guarantee payments. 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 connection with many of the loans to 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 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 August 31, 2019 and November 30, 2018, the fair values of the repayment guarantees, maintenance guarantees, and completion guarantees were not material. The Company believes that as of August 31, 2019, in the event it becomes legally obligated to perform under a guarantee of the obligation of a Homebuilding unconsolidated entity due to a triggering event under a guarantee, the collateral would 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 with regard to obligations of its joint ventures (see Note 12 of the Notes to the Condensed Consolidated Financial Statements).

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**(5) Stockholders' Equity**

The following tables reflect 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 the three and nine months ended August 31, 2019 and 2018:

**Three months ended August 31, 2019**

(In thousands)	Total Equity	Class A Common Stock	Class B Common Stock	Additional Paid - in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interests
Balance at May 31, 2019	\$ 15,246,535	29,503	3,944	8,529,828	(537,106)	227	7,132,908	87,231
Net earnings (including net loss attributable to noncontrolling interests)	512,643	—	—	—	—	—	513,366	(723)
Employee stock and directors plans	(22,359)	206	—	(400)	(22,165)	—	—	—
Purchases of treasury stock	(295,930)	—	—	—	(295,930)	—	—	—
Amortization of restricted stock	34,048	—	—	34,048	—	—	—	—
Cash dividends	(12,899)	—	—	—	—	—	(12,899)	—
Receipts related to noncontrolling interests	18,458	—	—	—	—	—	—	18,458
Payments related to noncontrolling interests	(12,372)	—	—	—	—	—	—	(12,372)
Non cash activity related to noncontrolling interests	(2,357)	—	—	(3,772)	—	—	—	1,415
Total other comprehensive income, net of tax	180	—	—	—	—	180	—	—
Balance at August 31, 2019	\$ 15,465,947	29,709	3,944	8,559,704	(855,201)	407	7,633,375	94,009

**Nine months ended August 31, 2019**

(In thousands)	Total Equity	Class A Common Stock	Class B Common Stock	Additional Paid - in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests
Balance at November 30, 2018	\$ 14,682,957	29,499	3,944	8,496,677	(435,869)	(366)	6,487,650	101,422
Net earnings (including net loss attributable to noncontrolling interests)	1,170,936	—	—	—	—	—	1,174,748	(3,812)
Employee stock and directors plans	(23,050)	210	—	1,361	(24,621)	—	—	—
Purchases of treasury stock	(394,711)	—	—	—	(394,711)	—	—	—
Amortization of restricted stock	65,438	—	—	65,438	—	—	—	—
Cash dividends	(38,776)	—	—	—	—	—	(38,776)	—
Receipts related to noncontrolling interests	27,395	—	—	—	—	—	—	27,395
Payments related to noncontrolling interests	(35,689)	—	—	—	—	—	—	(35,689)
Non-cash consolidations, net	8,894	—	—	—	—	—	—	8,894
Cumulative-effect of accounting change (see Note 1 to the Notes to the Condensed Consolidated Financial Statements)	9,753	—	—	—	—	—	9,753	—
Non-cash activity related to noncontrolling interests	(7,973)	—	—	(3,772)	—	—	—	(4,201)
Total other comprehensive income, net of tax	773	—	—	—	—	773	—	—
Balance at August 31, 2019	\$ 15,465,947	29,709	3,944	8,559,704	(855,201)	407	7,633,375	94,009

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Three months ended August 31, 2018**

<i>(In thousands)</i>	Total Equity	Class A Common Stock	Class B Common Stock	Additional Paid - in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests
Balance at May 31, 2018	\$ 13,698,870	29,373	3,944	8,458,211	(164,552)	(339)	5,264,674	107,559
Net earnings (including net earnings attributable to noncontrolling interests)	467,620	—	—	—	—	—	453,211	14,409
Employee stock and directors plans	(20,943)	125	—	(95)	(20,969)	—	(4)	—
Amortization of restricted stock	21,918	—	—	21,918	—	—	—	—
Cash dividends	(13,205)	—	—	—	—	—	(13,205)	—
Receipts related to noncontrolling interests	126	—	—	—	—	—	—	126
Payments related to noncontrolling interests	(38,215)	—	—	—	—	—	—	(38,215)
Non-cash activity to noncontrolling interests	285	—	—	—	—	—	—	285
Total other comprehensive loss, net of tax	(276)	—	—	—	—	(276)	—	—
Balance at August 31, 2018	\$ 14,116,180	29,498	3,944	8,480,034	(185,521)	(615)	5,704,676	84,164

**Nine months ended August 31, 2018**

<i>(In thousands)</i>	Total Equity	Class A Common Stock	Class B Common Stock	Additional Paid - in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests
Balance at November 30, 2017	\$ 7,986,132	20,543	3,769	3,142,013	(136,020)	1,034	4,840,978	113,815
Net earnings (including net earnings attributable to noncontrolling interests)	919,286	—	—	—	—	—	899,683	19,603
Employee stock and directors plans	(45,148)	182	—	4,171	(49,501)	—	—	—
Stock issuance in connection with CalAtlantic acquisition	5,070,006	8,408	168	5,061,430	—	—	—	—
Conversion of convertible senior notes to Class A common stock	217,154	365	7	216,782	—	—	—	—
Amortization of restricted stock	55,638	—	—	55,638	—	—	—	—
Cash dividends	(35,985)	—	—	—	—	—	(35,985)	—
Receipts related to noncontrolling interests	4,008	—	—	—	—	—	—	4,008
Payments related to noncontrolling interests	(68,627)	—	—	—	—	—	—	(68,627)
Non-cash activity to noncontrolling interests	15,365	—	—	—	—	—	—	15,365
Total other comprehensive loss, net of tax	(1,649)	—	—	—	—	(1,649)	—	—
Balance at August 31, 2018	\$ 14,116,180	29,498	3,944	8,480,034	(185,521)	(615)	5,704,676	84,164

On October 3, 2019, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share on both its Class A and Class B common stock, payable on November 1, 2019 to holders of record at the close of business on October 18, 2019. On July 25, 2019, the Company paid cash dividends of \$0.04 per share on both its Class A and Class B common stock to holders of record at the close of business on July 11, 2019, as declared by its Board of Directors on June 26, 2019. The Company approved and paid cash dividends of \$0.04 per share on both its Class A and Class B common stock in each quarter for the year ended November 30, 2018.

In January 2019, the Company's Board of Directors authorized the repurchase of up to the lesser of \$1 billion in value, or 25 million in shares of the Company's outstanding Class A and Class B common stock. The repurchase has no expiration date. During the three months ended August 31, 2019, under this repurchase program, the Company repurchased 6.1 million shares of its Class A common stock for approximately \$295.9 million at an average share price of \$48.41. During the nine months ended August 31, 2019, under this repurchase program, the Company repurchased 8.1 million shares of its Class A common stock for approximately \$394.7 million at an average share price of \$48.65.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**(6) Income Taxes**

The provision for income taxes and effective tax rate were as follows:

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<i>(Dollars in thousands)</i>				
Provision for income taxes	\$154,440	98,298	374,670	306,870
Effective tax rate (1)	23.1%	17.8%	24.2%	25.4%

- (1) For the three and nine months ended August 31, 2019, the effective tax rate included state income tax expense and non-deductible executive compensation, partially offset by energy credits. For the three months ended August 31, 2018, the effective tax rate included tax benefits for tax accounting method changes implemented during the third quarter, energy credits and the domestic production activities deduction. For the nine months ended August 31, 2018, the effective tax rate included a non-cash one-time write down of the deferred tax assets due to the enactment of the Tax Cuts and Jobs Act, offset primarily by tax accounting method changes, energy tax credits and tax benefits for the domestic production activities deduction. Excluding the one-time non-cash deferred tax asset write down of \$68.6 million recorded in the first quarter of 2018 due to the tax reform bill and the \$34.1 million benefit recorded in the third quarter of 2018, primarily related to tax accounting method changes and energy credits, the tax rate for the nine months ended August 31, 2018 would have been 22.6%.

As of August 31, 2019 and November 30, 2018, the Company's deferred tax assets, net, included in the condensed consolidated balance sheets were \$370.0 million and \$515.5 million, respectively.

As of both August 31, 2019 and November 30, 2018, the Company had \$14.7 million of gross unrecognized tax benefits.

At August 31, 2019, the Company had \$55.0 million accrued for interest and penalties, which increased \$2.1 million during the nine months ended August 31, 2019. At November 30, 2018, the Company had \$52.9 million accrued for interest and penalties.

**(7) 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") is considered participating securities.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended August 31,		Nine Months Ended August 31,	
<i>(In thousands, except per share amounts)</i>	2019	2018	2019	2018
<b>Numerator:</b>				
Net earnings attributable to Lennar	\$ 513,366	453,211	1,174,748	899,683
Less: distributed earnings allocated to nonvested shares	119	105	312	319
Less: undistributed earnings allocated to nonvested shares	4,401	3,633	9,271	7,674
Numerator for basic earnings per share	508,846	449,473	1,165,165	891,690
Less: net amount attributable to noncontrolling interests in Rialto's Carried Interest Incentive Plan (1)	1,498	347	4,655	796
Plus: interest on convertible senior notes	—	—	—	80
Plus: undistributed earnings allocated to convertible shares	—	—	—	6
Numerator for diluted earnings per share	\$ 507,348	449,126	1,160,510	890,980
<b>Denominator:</b>				
Denominator for basic earnings per share - weighted average common shares outstanding	318,103	327,214	319,924	302,046
Effect of dilutive securities:				
Shared based payments	1	23	3	57
Convertible senior notes	—	—	—	732
Denominator for diluted earnings per share - weighted average common shares outstanding	318,104	327,237	319,927	302,835
<b>Basic earnings per share</b>	\$ 1.60	1.37	3.64	2.95
<b>Diluted earnings per share</b>	\$ 1.59	1.37	3.63	2.94

(1) The amounts presented relate to Rialto's Carried Interest Incentive Plan and represent the difference between the advanced tax distributions received from the Rialto funds included in the Lennar Other segment and the amount Lennar is assumed to own.

For both the three and nine months ended August 31, 2019 and 2018, there were no options to purchase shares of common stock that were outstanding and anti-dilutive.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**(8) Financial Services Segment**

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

<i>(In thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 228,217	188,485
Restricted cash	10,189	17,944
Receivables, net (1)	255,083	731,169
Loans held-for-sale (2)	1,228,592	1,213,889
Loans held-for-investment, net	73,366	70,216
Investments held-to-maturity	193,268	189,472
Investments available-for-sale (3)	3,597	4,161
Goodwill	215,516	237,688
Other assets (4)	121,958	125,886
	<u>\$ 2,329,786</u>	<u>2,778,910</u>
<b>Liabilities:</b>		
Notes and other debts payable	\$ 1,156,078	1,558,702
Other liabilities (5)	299,378	309,500
	<u>\$ 1,455,456</u>	<u>1,868,202</u>

- (1) Receivables, net primarily related to loans sold to investors for which the Company had not yet been paid as of August 31, 2019 and November 30, 2018, respectively.
- (2) Loans held-for-sale related to unsold residential and commercial loans carried at fair value.
- (3) Investments available-for-sale are carried at fair value with changes in fair value recorded as a component of accumulated other comprehensive income (loss) on the condensed consolidated balance sheet.
- (4) As of August 31, 2019 and November 30, 2018, other assets included mortgage loan commitments carried at fair value of \$25.9 million and \$16.4 million, respectively, and mortgage servicing rights carried at fair value of \$23.1 million and \$37.2 million, respectively.
- (5) As of August 31, 2019 and November 30, 2018, other liabilities included \$63.4 million and \$60.3 million, respectively, of certain of the Company's self-insurance reserves related to construction defects, general liability and workers' compensation. In addition, as of August 31, 2019 and November 30, 2018, other liabilities also included forward contracts carried at fair value of \$9.6 million and \$10.4 million, respectively.

In connection with the sale of the majority of its retail title agency business and title insurance underwriter in the first quarter of 2019, the Company provided seller financing and received a substantial minority equity ownership stake in the buyer. The combination of both the equity and debt components of this transaction caused the transaction not to meet the accounting requirements for sale treatment and, therefore, the Company is required to consolidate the buyer's results at this time.

At August 31, 2019, the Financial Services warehouse facilities used to fund residential mortgages were as follows:

<i>(In thousands)</i>	Maximum Aggregate Commitment
364-day warehouse repurchase facility that matures October 2019 (1)	\$ 500,000
364-day warehouse repurchase facility that matures November 2019 (2)	300,000
364-day warehouse repurchase facility that matures March 2020 (3)	300,000
364-day warehouse repurchase facility that matures June 2020	500,000
<b>Total</b>	<u>\$ 1,600,000</u>

- (1) Maximum aggregate commitment includes an uncommitted amount of \$400 million.
- (2) Maximum aggregate commitment includes an uncommitted amount of \$300 million.
- (3) Maximum aggregate commitment includes an uncommitted amount of \$300 million.

The Financial Services segment uses these facilities to finance its residential lending activities until the mortgage loans are sold to investors and the proceeds are collected. The facilities are non-recourse to the Company and are expected to be renewed or replaced with other facilities when they mature. Borrowings under the facilities and their prior year predecessors were \$887.8 million and \$1.3 billion at August 31, 2019 and November 30, 2018, respectively, and were collateralized by residential mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of \$913.9 million and \$1.3 billion at August 31, 2019 and November 30, 2018, 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

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

by collecting receivables on loans sold but not yet paid for. Without the facilities, the Financial Services segment would have to use cash from operations and other funding sources to finance its lending activities.

Substantially all of the residential loans the 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. Purchasers sometimes try to defray losses by purporting to have found inaccuracies related to sellers' representations and warranties in particular loan sale agreements. Mortgage investors could seek to have the Company buy back mortgage loans or compensate them for losses incurred on mortgage loans that the Company has sold based on claims that the Company breached its limited representations or warranties. The Company's mortgage operations have established accruals for possible losses associated with mortgage loans previously originated and sold to investors. The Company establishes accruals 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 residential 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 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 August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<i>(In thousands)</i>				
Loan origination liabilities, beginning of period	\$ 7,424	28,016	48,584	22,543
Provision for losses	1,006	1,059	2,593	2,696
Origination liabilities assumed related to CalAtlantic acquisition	—	20,500	—	24,459
Payments/settlements	(109)	(124)	(42,856)	(247)
Loan origination liabilities, end of period	\$ 8,321	49,451	8,321	49,451

*RMF - loans held-for-sale*

During the nine months ended August 31, 2019, RMF originated commercial loans with a total principal balance of \$984.5 million, of which \$969.2 million were recorded as loans held-for-sale, \$15.3 million were recorded as loans held-for-investments, and sold \$848.3 million of commercial loans into seven separate securitizations. As of August 31, 2019 and November 30, 2018, there were no unsettled transactions.

During the nine months ended August 31, 2018, RMF originated commercial loans with a total principal balance of \$997.5 million, all of which were recorded as loans held-for-sale, and sold \$1.1 billion of commercial loans into 12 separate securitizations.

At August 31, 2019, the RMF warehouse facilities were as follows:

<i>(In thousands)</i>	Maximum Aggregate Commitment
364-day warehouse repurchase facility that matures November 2019	\$ 200,000
364-day warehouse repurchase facility that matures December 2019	250,000
364-day warehouse repurchase facility that matures December 2019	200,000
364-day warehouse repurchase facility that matures December 2019	200,000
Total - Loans origination and securitization business	\$ 850,000
Warehouse repurchase facility that matures December 2019 (two - one year extensions) (1)	50,000
Total	\$ 900,000

(1) RMF uses this warehouse repurchase facility to finance the origination of floating rate accrual loans, which are reported as accrual loans within loans held-for-investment, net. There were borrowings under this facility of \$11.4 million as of August 31, 2019. There were no borrowings under this facility as of November 30, 2018.

Borrowings under the facilities that finance RMF's commercial loan originations and securitization activities were \$113.0 million and \$178.8 million as of August 31, 2019 and November 30, 2018, respectively, and were secured by a 75% interest in the originated commercial loans financed. The facilities require immediate repayment of the 75% interest in the secured commercial loans when the loans are sold in a securitization and the proceeds are collected. These warehouse repurchase facilities are non-recourse to the Company and are expected to be renewed or replaced with other facilities when

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

they mature. If the facilities are not renewed or replaced, the borrowings under the lines of credit will be paid off by selling the loans held-for-sale to investors. Without the facilities, the Financial Services segment would have to use cash from operations and other funding sources to finance its lending activities.

*Investments held-to-maturity*

At August 31, 2019 and November 30, 2018, the carrying value of Financial Services' commercial mortgage-backed securities ("CMBS") was \$166.7 million and \$137.0 million, respectively. These securities were purchased at discounts ranging from 6% to 84% with coupon rates ranging from 2.0% to 5.3%, stated and assumed final distribution dates between October 2027 and December 2028, and stated maturity dates between October 2050 and December 2051. The Financial Services segment reviews changes in estimated cash flows periodically to determine if an other-than-temporary impairment has occurred on its CMBS. Based on the segment's assessment, no impairment charges were recorded during either the three or nine months ended August 31, 2019 or 2018. The Financial Services segment classifies these securities as held-to-maturity based on its intent and ability to hold the securities until maturity. The Company has financing agreements to finance CMBS that have been purchased as investments by the Financial Services segment. At August 31, 2019 and November 30, 2018, the carrying amount, net of debt issuance costs, of outstanding debt in these agreements was \$155.2 million and \$123.7 million, respectively, and the interest is incurred at a fixed rate of 3.2% to 4.1%.

**(9) Multifamily Segment**

The Company is actively involved, primarily through unconsolidated entities, in the development, construction and property management of multifamily rental properties. The 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 Multifamily segment were as follows:

<i>(In thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 16,478	7,832
Receivables (1)	78,016	73,829
Land under development	284,595	277,894
Investments in unconsolidated entities	539,697	481,129
Other assets	102,056	33,535
	<u>\$ 1,020,842</u>	<u>874,219</u>
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 176,914	170,616
Notes payable (2)	36,140	—
	<u>\$ 213,054</u>	<u>170,616</u>

(1) Receivables primarily related to general contractor services, net of deferrals and management fee income receivables due from unconsolidated entities.

(2) Notes payable are net of debt issuance costs.

The unconsolidated entities in which the 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 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. Additionally, the Company guarantees the construction costs of the project as construction cost over-runs would be paid by the Company. Generally, these payments would increase the Company's investment in the entities and would increase its share of funds the entities distribute after the achievement of certain thresholds. As of both August 31, 2019 and November 30, 2018, the fair value of the completion guarantees was immaterial. Additionally, as of August 31, 2019 and November 30, 2018, the Multifamily segment had \$1.2 million and \$4.6 million, respectively, of letters of credit outstanding primarily for credit enhancements for the bank debt of certain of its unconsolidated entities and deposits on land purchase contracts. These letters of credit are included in the disclosure in Note 12 related to the Company's performance and financial letters of credit. As of August 31, 2019 and November 30, 2018, Multifamily segment's unconsolidated entities had non-recourse debt with completion guarantees of \$1.1 billion and \$1.0 billion, respectively.

In many instances, the Multifamily segment is appointed as the construction, development and property manager for certain of its Multifamily unconsolidated entities and receives fees for performing this function. During the three and nine months ended August 31, 2019, the Multifamily segment recorded fee income, net of deferrals, from its unconsolidated entities



**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

of \$14.3 million and \$40.7 million, respectively. During the three and nine months ended August 31, 2018, the Multifamily segment recorded fee income, net of deferrals, from its unconsolidated entities of \$12.2 million and \$36.1 million, respectively.

The Multifamily segment also provides general contractor services for construction of some of the rental properties owned by unconsolidated entities in which the Company has an investment. During the three and nine months ended August 31, 2019, the Multifamily segment provided general contractor services, net of deferrals, totaling \$83.2 million and \$264.8 million, respectively, which were partially offset by costs related to those services of \$79.9 million and \$254.5 million, respectively. During the three and nine months ended August 31, 2018, the Multifamily segment provided general contractor services, net of deferrals, totaling \$83.8 million and \$262.6 million, respectively, which were partially offset by costs related to those services of \$80.5 million and \$252.7 million, respectively.

Lennar Multifamily Venture I ("LMV I") is a long-term multifamily development investment vehicle involved in the development, construction and property management of class-A multifamily assets with \$2.2 billion in equity commitments, including a \$504 million co-investment commitment by Lennar comprised of cash, undeveloped land and preacquisition costs. During the nine months ended August 31, 2019, \$162.4 million in equity commitments were called, of which the Company contributed its portion of \$39.6 million. During the nine months ended August 31, 2019, the Company received \$12.3 million of distributions as a return of capital from LMV I. As of August 31, 2019, \$2.1 billion of the \$2.2 billion in equity commitments had been called, of which the Company had contributed \$480.4 million, representing its pro-rata portion of the called equity, resulting in a remaining equity commitment for the Company of \$23.6 million. As of August 31, 2019 and November 30, 2018, the carrying value of the Company's investment in LMV I was \$397.9 million and \$383.4 million, respectively.

In March 2018, the Multifamily segment completed the first closing of a second Multifamily Venture, Lennar Multifamily Venture II LP ("LMV II"), for the development, construction and property management of class-A multifamily assets. In June 2019, the Multifamily segment completed the final closing of LMV II which has approximately \$1.3 billion of equity commitments, including a \$381 million co-investment commitment by Lennar comprised of cash, undeveloped land and preacquisition costs. During the nine months ended August 31, 2019, \$200.8 million in equity commitments were called, of which the Company contributed \$54.9 million, which was made up of \$132.2 million of inventory and cash contributions, offset by \$77.3 million of distributions as a return of capital resulting in a remaining commitment for the Company of \$244.9 million. As of August 31, 2019, \$452.8 million of the \$1.3 billion in equity commitments had been called. As of August 31, 2019 and November 30, 2018, the carrying value of the Company's investment in LMV II was \$115.1 million and \$63.0 million, respectively. The difference between the Company's net contributions and the carrying value of the Company's investments was related to a basis difference. As of August 31, 2019, LMV II included 13 undeveloped multifamily assets totaling approximately 4,700 apartments with projected project costs of approximately \$2.0 billion.

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

**Balance Sheets**

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 28,260	61,571
Operating properties and equipment/construction in progress	4,188,948	3,708,613
Other assets	57,298	40,899
	<u>\$ 4,274,506</u>	<u>3,811,083</u>
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	\$ 200,850	199,119
Notes payable (1)	1,731,702	1,381,656
Equity	2,341,954	2,230,308
	<u>\$ 4,274,506</u>	<u>3,811,083</u>
Multifamily investments in unconsolidated entities	<u>\$ 539,697</u>	<u>481,129</u>

(1) Notes payable are net of debt issuance costs of \$21.5 million and \$15.7 million, as of August 31, 2019 and November 30, 2018, respectively.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Statements of Operations**

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<i>(Dollars in thousands)</i>				
Revenues	\$ 44,338	31,907	118,318	82,980
Costs and expenses	64,423	47,235	175,636	122,512
Other income, net	33,178	13,588	54,578	52,457
Net earnings (loss) of unconsolidated entities	\$ 13,093	(1,740)	(2,740)	12,925
Multifamily equity in earnings (loss) from unconsolidated entities and other gain (1)	\$ 7,883	(1,730)	15,446	15,293

- (1) During the three months ended August 31, 2019, the Multifamily segment sold, through its unconsolidated entities, one operating property resulting in the segment's \$12.6 million share of gain. During the nine months ended August 31, 2019, the Multifamily segment sold, through its unconsolidated entities, two operating properties and an investment in an operating property resulting in the segment's \$28.1 million share of gains. The gain of \$11.9 million recognized on the sale of the investment in an operating property and recognition of the Company's share of deferred development fees that were capitalized at the joint venture level are included in Multifamily equity in earnings (loss) from unconsolidated entities and other gain, and are not included in net earnings (loss) of unconsolidated entities. During the three and nine months ended August 31, 2018, the Multifamily segment sold one and four operating properties, respectively, through its unconsolidated entities resulting in the segment's \$1.7 million and \$23.3 million share of gains, respectively.

**(10) Lennar Other**

Lennar Other primarily includes fund investments the Company retained when it sold the Rialto asset and investment management platform, as well as strategic investments in technology companies.

The assets and liabilities related to Lennar Other were as follows:

<i>(In thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 5,362	24,334
Restricted cash	975	7,175
Real estate owned, net	2,943	25,632
Investments in unconsolidated entities	447,734	424,104
Investments held-to-maturity	60,803	59,974
Other assets	35,151	47,740
	<u>\$ 552,968</u>	<u>588,959</u>
<b>Liabilities:</b>		
Notes and other debts payable	\$ 15,131	14,488
Other liabilities	9,496	53,020
	<u>\$ 24,627</u>	<u>67,508</u>

*Investments held-to-maturity*

At August 31, 2019 and November 30, 2018, the carrying value of Lennar Other's CMBS was \$60.8 million and \$60.0 million, respectively. These securities were purchased at discounts ranging from 6.5% to 86.1% with coupon rates ranging from 1.3% to 4.0%, stated and assumed final distribution dates between November 2020 and October 2026, and stated maturity dates between November 2049 and March 2059. The Company reviews changes in estimated cash flows periodically to determine if an other-than-temporary impairment has occurred on its CMBS. Based on the Company's assessment, no impairment charges were recorded during either the three or nine months ended August 31, 2019 or 2018. The Company classifies these securities as held-to-maturity based on its intent and ability to hold the securities until maturity. The Company has financing agreements to finance CMBS that have been purchased as investments by the segment. At August 31, 2019 and November 30, 2018, the carrying amount, net of debt issuance costs, of outstanding debt in these agreements was \$13.2 million and \$12.6 million, respectively, and the interest is incurred at a rate of 4.2%.

**(11) Cash and Cash Equivalents and Restricted Cash**

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Due to the short maturity period of cash equivalents, the carrying amounts of these instruments approximate their fair values. Homebuilding 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

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

deposit to secure and support performance obligations. Financial Services' restricted cash primarily consists of cash balances required by certain warehouse lines of credit agreements and proceeds from loan sales not yet remitted to a warehouse bank. Financial Services' restricted cash also includes upfront deposits and application fees RMF receives before originating loans and is recognized as income once the loan has been originated, as well as cash held in escrow by the Company's loan servicer provider on behalf of customers and lenders that is disbursed in accordance with agreements between the transacting parties.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported in the condensed consolidated statements of cash flows to the respective condensed consolidated balance sheets:

<i>(In thousands)</i>	<b>August 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Homebuilding:</b>		
Cash and cash equivalents	\$ 795,405	833,274
Restricted cash	13,238	11,741
<b>Financial Services:</b>		
Cash and cash equivalents	228,217	165,051
Restricted cash	10,189	12,111
<b>Multifamily:</b>		
Cash and cash equivalents	16,478	13,748
<b>Lennar Other:</b>		
Cash and cash equivalents	5,362	36,343
Restricted cash	975	11,274
<b>Total cash and cash equivalents and restricted cash shown in the Condensed Consolidated Statements of Cash Flows</b>	<b>\$ 1,069,864</b>	<b>1,083,542</b>

Homebuilding cash and cash equivalents as of August 31, 2019 and November 30, 2018 included \$492.8 million and \$926.1 million, respectively, of cash held in escrow for approximately three days.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**(12) Homebuilding Senior Notes and Other Debts Payable**

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
Unsecured revolving credit facility	\$ 700,000	—
4.50% senior notes due 2019	599,848	599,176
6.625% senior notes due 2020 (1)	305,684	311,735
2.95% senior notes due 2020	299,275	298,838
8.375% senior notes due 2021 (1)	423,119	435,897
4.750% senior notes due 2021	498,697	498,111
6.25% senior notes due December 2021 (1)	311,510	315,283
4.125% senior notes due 2022	597,637	596,894
5.375% senior notes due 2022 (1)	258,912	261,055
4.750% senior notes due 2022	571,266	570,564
4.875% senior notes due December 2023	396,456	395,759
4.500% senior notes due 2024	646,622	646,078
5.875% senior notes due 2024 (1)	449,327	452,833
4.750% senior notes due 2025	497,447	497,114
5.25% senior notes due 2026 (1)	408,224	409,133
5.00% senior notes due 2027 (1)	352,988	353,275
4.75% senior notes due 2027	892,859	892,297
4.500% senior notes due 2019	—	499,585
0.25% convertible senior notes due 2019	—	1,291
Mortgage notes on land and other debt	865,145	508,950
	<u>\$ 9,075,016</u>	<u>8,543,868</u>

(1) These notes were obligations of CalAtlantic when it was acquired, and were subsequently exchanged in part for notes of Lennar Corporation as follows: \$267.7 million principal amount of 6.625% senior notes due 2020, \$397.6 million principal amount of 8.375% senior notes due 2021, \$292.0 million principal amount of 6.25% senior notes due 2021, \$240.8 million principal amount of 5.375% senior notes due 2022, \$421.4 million principal amount of 5.875% senior notes due 2024, \$395.5 million principal amount of 5.25% senior notes due 2026 and \$347.3 million principal amount of 5.00% senior notes due 2027. As part of purchase accounting, the senior notes have been recorded at their fair value as of the date of acquisition (February 12, 2018).

The carrying amounts of the senior notes in the table above are net of debt issuance costs of \$24.9 million and \$31.2 million as of August 31, 2019 and November 30, 2018, respectively.

In June 2019, the Company redeemed \$500 million aggregate principal amount of its 4.50% senior notes due June 2019. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest.

In April 2019, the Company amended the credit agreement governing its unsecured revolving credit facility (the "Credit Facility") to increase the commitments from \$2.3 billion to \$2.4 billion and extend the maturity one year to April 2024, with \$50 million maturing in June 2020. The Credit Facility has a \$400 million accordion feature, subject to additional commitments, thus the maximum borrowings are \$2.8 billion. Subsequent to August 31, 2019, our Credit Facility commitments were increased by \$50 million to total commitments of \$2.5 billion. 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 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. The Company believes it was in compliance with its debt covenants at August 31, 2019. In addition, the Company had \$305 million of letter of credit facilities with different financial institutions.

The Company's performance letters of credit outstanding were \$682.3 million and \$598.4 million, at August 31, 2019 and November 30, 2018, respectively. The Company's financial letters of credit outstanding were \$180.8 million and \$165.4 million, at August 31, 2019 and November 30, 2018, respectively. 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 August 31, 2019, the Company had outstanding surety bonds of \$2.9 billion including performance surety bonds related to site improvements at various projects (including certain projects in the Company's joint ventures) and

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

financial surety bonds. 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 August 31, 2019, there were approximately \$1.4 billion, or 47%, 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.

The Company's senior notes are guaranteed by substantially all of the Company's 100% owned homebuilding subsidiaries and some of the Company's other subsidiaries. Although the guarantees 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 Homebuilding other liabilities in the condensed consolidated balance sheets. The activity in the Company's warranty reserve was as follows:

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<i>(In thousands)</i>				
Warranty reserve, beginning of the period	\$ 291,624	294,710	319,109	164,619
Warranties issued	49,603	48,878	131,429	121,422
Adjustments to pre-existing warranties from changes in estimates (1)	1,097	(4,785)	(6,426)	5,310
Warranties assumed related to acquisitions	—	(5)	—	117,549
Payments	(51,808)	(40,575)	(153,596)	(110,677)
Warranty reserve, end of period	\$ 290,516	298,223	290,516	298,223

(1) The adjustments to pre-existing warranties from changes in estimates are primarily related to specific claims for certain of the Company's homebuilding communities and other adjustments.

**(14) Share-Based Payments**

During the three and nine months ended August 31, 2019, the Company granted employees 2.1 million nonvested shares. During the three and nine months ended August 31, 2018, the Company granted employees 1.3 million and 1.7 million nonvested shares, respectively. Compensation expense related to the Company's nonvested shares for the three and nine months ended August 31, 2019 was \$34.0 million and \$65.4 million, respectively. Compensation expense related to the Company's nonvested shares for the three and nine months ended August 31, 2018 was \$21.9 million and \$55.6 million, respectively.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**(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 August 31, 2019 and November 30, 2018, 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.

(In thousands)	Fair Value Hierarchy	August 31, 2019		November 30, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Financial Services:					
Loans held-for-investment, net	Level 3	\$ 73,366	69,830	70,216	63,794
Investments held-to-maturity	Level 3	\$ 166,672	200,743	136,982	149,767
Investments held-to-maturity	Level 2	\$ 26,596	27,824	52,490	52,220
Lennar Other:					
Investments held-to-maturity	Level 3	\$ 60,803	65,888	59,974	72,986
LIABILITIES					
Homebuilding senior notes and other debts payable	Level 2	\$ 9,075,016	9,461,643	8,543,868	8,336,166
Financial Services notes and other debts payable	Level 2	\$ 1,156,078	1,157,463	1,558,702	1,559,718
Multifamily notes payable	Level 2	\$ 36,140	36,140	—	—
Lennar Other notes and other debts payable	Level 2	\$ 15,131	15,131	14,488	14,488

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

**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 the short-term nature of the majority of the borrowings.

**Lennar Other**—The fair value for investments held-to-maturity is based on discounted cash flows. For notes and other debts payable, the fair values approximate their carrying value due to their short-term maturities.

**Homebuilding**—For senior notes and other debts payable, the fair value of fixed-rate borrowings is primarily 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.

**Multifamily**—For notes payable, the fair values approximate their carrying value due to variable interest pricing terms and the 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.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

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

<i>(In thousands)</i>	Fair Value Hierarchy	Fair Value at August 31, 2019	Fair Value at November 30, 2018
<b>Financial Services Assets (Liabilities):</b>			
RMF loans held-for-sale (1)	Level 3	\$ 178,704	61,691
Financial Services residential loans held-for-sale (2)	Level 2	\$ 1,049,888	1,152,198
Investments available-for-sale	Level 1	\$ 3,597	4,161
Mortgage loan commitments	Level 2	\$ 25,871	16,373
Forward contracts	Level 2	\$ (9,626)	(10,360)
Mortgage servicing rights	Level 3	\$ 23,072	37,206

- (1) The aggregate fair value of RMF loans held-for-sale of \$178.7 million at August 31, 2019 exceeded their aggregate principal balance of \$171.5 million by \$7.2 million. The aggregate fair value of RMF loans held-for-sale of \$61.7 million at November 30, 2018 exceeded their aggregate principal balance of \$61.0 million by \$0.7 million.
- (2) The aggregate fair value of Financial Services residential loans held-for-sale of \$1.0 billion at August 31, 2019 exceeded their aggregate principal balance of \$1.0 billion by \$37.7 million. The aggregate fair value of Financial Services residential loans held-for-sale of \$1.2 billion at November 30, 2018 exceeded their aggregate principal balance of \$1.1 billion by \$37.3 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:

**RMF 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.

**Financial Services residential 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 was included in Financial Services' loans held-for-sale as of August 31, 2019 and November 30, 2018. Fair value of servicing rights is determined based on actual sales of servicing rights on loans with similar characteristics.

**Financial Services investments available-for-sale** - The fair value of these investments is based on the quoted market prices for similar financial instruments.

**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 Financial Services segment has committed to originate the loans. The fair value of commitments to sell loan contracts is the estimated amount that the 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 Financial Services' other assets.

**Financial Services forward contracts** - Fair value is based on quoted market prices for similar financial instruments. The fair value of forward contracts was included in the Financial Services segment's other liabilities as of August 31, 2019 and November 30, 2018.

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The 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 August 31, 2019, the segment had open commitments amounting to \$1.6 billion to sell MBS with varying settlement dates through November 2019.

**Financial Services mortgage servicing rights** - Financial Services records mortgage servicing rights when it sells loans on a servicing-retained basis 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 August 31, 2019, the key assumptions used in determining the fair value include a 20.1% mortgage prepayment rate, a 12.4% discount rate and an 8.4% delinquency rate. The fair value of mortgage servicing rights is included in the Financial Services segment's other assets.

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 August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<i>(In thousands)</i>				
<b>Changes in fair value included in Financial Services revenues:</b>				
Loans held-for-sale	\$ (2,490)	(692)	397	(403)
Mortgage loan commitments	646	(5,810)	9,498	9,409
Forward contracts	1,646	3,550	734	(4,326)
Investments available-for-sale	—	166	176	292
<b>Changes in fair value included in other comprehensive income (loss), net of tax:</b>				
Financial Services investments available-for-sale	180	(110)	949	(1,357)

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



**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

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

	Three Months Ended August 31,			
	2019		2018	
	Financial Services			
	Mortgage servicing rights	RMF loans held-for-sale	Mortgage servicing rights	RMF loans held-for-sale
(In thousands)				
Beginning balance	\$ 29,419	259,599	34,592	325,373
Purchases/loan originations	449	263,888	1,734	333,680
Sales/loan originations sold, including those not settled	—	(347,713)	—	(516,958)
Disposals/settlements	(1,544)	—	(1,290)	—
Changes in fair value (1)	(5,252)	3,502	38	(1,400)
Interest and principal paydowns	—	(572)	—	23
Ending balance	\$ 23,072	178,704	35,074	140,718

	Nine Months Ended August 31,			
	2019		2018	
	Financial Services			
	Mortgage servicing rights	RMF loans held-for-sale	Mortgage servicing rights	RMF loans held-for-sale
(In thousands)				
Beginning balance	\$ 37,206	61,691	31,163	234,403
Purchases/loan originations	2,707	969,200	5,880	997,515
Sales/loan originations sold, including those not settled	—	(848,262)	—	(1,073,211)
Disposals/settlements	(3,830)	(9,920)	(5,830)	(19,600)
Changes in fair value (1)	(13,011)	6,825	3,861	1,970
Interest and principal paydowns	—	(830)	—	(359)
Ending balance	\$ 23,072	178,704	35,074	140,718

(1) Changes in fair value for RMF loans held-for-sale and Financial Services mortgage servicing rights are included in Financial Services' 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 represent only those assets whose carrying values were adjusted to fair value during the respective periods disclosed. The assets measured at fair value on a nonrecurring basis are summarized below:

	Fair Value Hierarchy	Three Months Ended August 31,					
		2019			2018		
		Carrying Value	Fair Value	Total Losses, Net (1)	Carrying Value	Fair Value	Total Losses, Net (1)
<i>(In thousands)</i>							
<b>Non-financial assets</b>							
<b>Homebuilding:</b>							
Finished homes and construction in progress (1)	Level 3	\$ 4,922	4,142	(780)	—	—	—
Land and land under development (1)	Level 3	\$ 1,300	85	(1,215)	25,173	13,373	(11,800)

  

	Fair Value Hierarchy	Nine Months Ended August 31,					
		2019			2018		
		Carrying Value	Fair Value	Total Losses, Net (1)	Carrying Value	Fair Value	Total Losses, Net (1)
<i>(In thousands)</i>							
<b>Non-financial assets</b>							
<b>Homebuilding:</b>							
Finished homes and construction in progress (1)	Level 3	\$ 4,922	4,142	(780)	—	—	—
Land and land under development (1)	Level 3	\$ 8,253	3,085	(5,168)	91,960	60,059	(31,901)

(1) Valuation adjustments were included in Homebuilding costs and expenses in the Company's condensed consolidated statements of operations and comprehensive income (loss).

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Finished homes and construction in progress are included within inventories. Inventories are stated at cost unless the inventory within a community is determined to be impaired, in which case the impaired inventory is written down to fair value. The Company disclosed its accounting policy related to inventories and its review for indicators of impairment in the Summary of Significant Accounting Policies in its Form 10-K for the year ended November 30, 2018.

The Company estimates the fair value of inventory evaluated for impairment based on market conditions and assumptions made by management at the time the inventory is evaluated, which may differ materially from actual results if market conditions or assumptions change. For example, changes in market conditions and other specific developments or changes in assumptions may cause the Company to re-evaluate its strategy regarding previously impaired inventory, as well as inventory not currently impaired but for which indicators of impairment may arise if market deterioration occurs, and certain other assets that could result in further valuation adjustments and/or additional write-offs of option deposits and pre-acquisition costs due to abandonment of those options contracts.

On a quarterly basis, the Company reviews its active communities for indicators of potential impairments. As of August 31, 2019 and 2018, there were 1,295 and 1,307 active communities, excluding unconsolidated entities, respectively. As of August 31, 2019, the Company identified 47 communities with 2,554 homesites and a corresponding carrying value of \$331.2 million as having potential indicators of impairment. For the nine months ended August 31, 2019, the Company recorded a valuation adjustment of \$2.0 million on 110 homesites in one community with a carrying value of \$6.2 million.

As of August 31, 2018, the Company identified 15 communities with 843 homesites and a corresponding carrying value of \$219.3 million as having potential indicators of impairment. For the nine months ended August 31, 2018, the Company recorded valuation adjustments of \$29.4 million on 688 homesites in five communities with a carrying value of \$56.5 million.

The table below summarizes the most significant unobservable inputs used in the Company's discounted cash flow model to determine the fair value of its communities for which the Company recorded valuation adjustments during the nine months ended August 31, 2019 and August 31, 2018:

	Nine Months Ended			
	August 31, 2019	August 31, 2018		
<b>Unobservable inputs</b>		<b>Range</b>		
Average selling price	\$167,000	\$233,000	-	\$843,000
Absorption rate per quarter (homes)	12	4	-	16
Discount rate	20%	20%		

**(16) Variable Interest Entities**

The Company evaluated the joint venture agreements of its joint ventures that were formed or that had reconsideration events, such as changes in the governing documents or to debt arrangements, during the nine months ended August 31, 2019. Based on the Company's evaluation, during the nine months ended August 31, 2019, the Company consolidated five entities that had a total combined assets and liabilities of \$505.2 million and \$602.1 million, respectively. During the nine months ended August 31, 2019, there were no VIEs that were deconsolidated.

*Consolidated VIEs*

As of August 31, 2019, the carrying amounts of the VIEs' assets and non-recourse liabilities that consolidated were \$1.0 billion and \$577.7 million, respectively. As of November 30, 2018, the carrying amounts of the VIEs' assets and non-recourse liabilities that consolidated were \$666.2 million and \$242.5 million, respectively. Those assets are owned by, and those liabilities are obligations of, the VIEs, not the Company.

The increase in VIEs' assets and non-recourse liabilities during the nine months ended August 31, 2019 was primarily due to the consolidation of an unconsolidated entity related to the sale of the majority of the Company's retail title agency business. In connection with the sale of the majority of its retail title agency business and title insurance underwriter in the first quarter of 2019, the Company provided seller financing and received a substantial minority equity ownership stake in the buyer. The combination of both the equity and debt components of this transaction caused the transaction not to meet the accounting requirements for sale treatment and, therefore, the Company is required to consolidate the buyer's results at this time.

**Lennar Corporation and Subsidiaries**  
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During the second quarter of 2019, the Company consolidated a previously unconsolidated entity, which resulted from a reconsideration event that required the reassessment of a homebuilding unconsolidated entity. The reconsideration event was the change of the entity's conclusion with respect to future capital calls required to fund operations and debt repayments. Upon reconsideration, the Company determined that the homebuilding entity continued to meet the accounting definition of a VIE and the Company was deemed to be the primary beneficiary. The Company consolidated the previously unconsolidated entity's net assets at estimated fair value. The determination of fair value of the homebuilding entity's net assets requires the discounting of estimated cash flows at a rate the Company believes a market participant would determine to be commensurate with the inherent risks associated with the homebuilding entity and related cash flow streams. The Company used a 15% discount rate in determining the fair value of the entity, which was subject to perceived risks associated with the entity's cash flow streams. There was no non-controlling interest recorded in consolidation. As a result, the Company recorded a one-time loss of \$48.9 million from the consolidation which was included in Homebuilding other income (expense), net on the condensed consolidated statements of operations. During the three months ended August 31, 2019, the Company bought out the partner's interest in the entity and therefore at August 31, 2019, the entity is no longer considered a VIE. At August 31, 2019, the consolidated homebuilding entity had total assets and liabilities of \$240.5 million and \$373.5 million, respectively.

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

*Unconsolidated VIEs*

At August 31, 2019 and November 30, 2018, the Company's recorded investments in VIEs that are unconsolidated and its estimated maximum exposure to loss were as follows:

(In thousands)	August 31, 2019		November 30, 2018	
	Investments in Unconsolidated VIEs	Lennar's Maximum Exposure to Loss	Investments in Unconsolidated VIEs	Lennar's Maximum Exposure to Loss
Homebuilding (1)	\$ 84,772	84,973	123,064	184,945
Multifamily (2)	520,786	797,167	463,534	710,754
Financial Services (3)	166,672	166,672	136,982	136,982
Lennar Other (4)	67,583	67,583	63,919	63,919
	<u>\$ 839,813</u>	<u>1,116,395</u>	<u>787,499</u>	<u>1,096,600</u>

- (1) As of August 31, 2019, the maximum exposure to loss of Homebuilding's investments in unconsolidated VIEs was limited primarily to its investments in the unconsolidated VIEs. As of November 30, 2018, the maximum exposure to loss of Homebuilding's investments in unconsolidated VIEs was limited to its investments in the unconsolidated VIEs, except with regard to repayment guarantees of one unconsolidated entity's debt of \$54.8 million.
- (2) As of August 31, 2019 and November 30, 2018, the maximum exposure to loss of Multifamily's investments in unconsolidated VIEs was limited to its investments in the unconsolidated VIEs, except with regard to the remaining equity commitment of \$268.6 million and \$237.0 million, respectively, to fund LMV I and LMV II for future expenditures related to the construction and development of its projects and \$1.2 million and \$4.6 million, respectively, of letters of credit outstanding for certain of the unconsolidated VIEs that could be drawn upon in the event of default under their debt agreements.
- (3) At both August 31, 2019 and November 30, 2018, the maximum recourse exposure to loss of the Financial Services segment was limited to its investments in the unconsolidated VIEs, which included \$166.7 million and \$137.0 million, respectively, related to the Financial Services' CMBS investments held-to-maturity.
- (4) At both August 31, 2019 and November 30, 2018, the maximum recourse exposure to loss of the Lennar Other segment was limited to its investments in the unconsolidated VIEs, which included \$60.8 million and \$60.0 million, respectively, related to the Lennar Other segment's CMBS investments held-to-maturity.

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

As of August 31, 2019, the Company and other partners did not have an obligation to make capital contributions to the VIEs, except for \$268.6 million remaining equity commitment to fund LMV I and LMV II for future expenditures related to the construction and development of the projects and \$1.2 million of letters of credit outstanding for certain Multifamily

unconsolidated VIEs that could be drawn upon in the event of default under their debt agreements. In addition, there are no liquidity arrangements or agreements to fund capital or purchase assets that could require the Company to provide financial support to the VIEs. Except for the unconsolidated VIEs discussed above, the Company and the other partners did not guarantee any debt of the other unconsolidated VIEs. While the Company has option contracts to purchase land from certain of its unconsolidated VIEs, the Company is not required to purchase the assets and could walk away from the contracts.

#### *Option Contracts*

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

The Company evaluates all option contracts for land to determine whether they are VIEs and, if so, whether the Company is the primary beneficiary of certain of these option contracts. Although the Company does not have legal title to the optioned land, if the Company is deemed to be the primary beneficiary or makes a significant deposit for optioned land, it may need to consolidate the land under option at the purchase price of the optioned land.

During the nine months ended August 31, 2019, consolidated inventory not owned increased by \$143.1 million with a corresponding increase to liabilities related to consolidated inventory not owned in the accompanying condensed consolidated balance sheet as of August 31, 2019. The increase was primarily related to the consolidation of option contracts, partially offset by the Company exercising its options to acquire land under previously consolidated contracts. To reflect the purchase price of the inventory consolidated, the Company had a net reclass related to option deposits from consolidated inventory not owned to land under development in the accompanying condensed consolidated balance sheet as of August 31, 2019. The liabilities related to consolidated inventory not owned primarily represent the difference between the option exercise prices for the optioned land and the Company's cash deposits.

The Company's exposure to losses related to its option contracts with third parties and unconsolidated entities consisted of its non-refundable option deposits and pre-acquisition costs totaling \$311.1 million and \$209.5 million at August 31, 2019 and November 30, 2018, respectively. Additionally, the Company had posted \$74.8 million and \$72.4 million of letters of credit in lieu of cash deposits under certain land and option contracts as of August 31, 2019 and November 30, 2018, respectively.

#### **(17) Commitments and Contingent Liabilities**

The Company is a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, the disposition of these matters will not have a material adverse effect on the Company's consolidated financial statements.

#### **(18) New Accounting Pronouncements**

In March 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"), which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight line basis over the term of the lease. Accounting for lessors remains largely unchanged from current GAAP. ASU 2016-02 will be effective for the Company's fiscal year beginning December 1, 2019 and subsequent interim periods. While the Company is continuing to evaluate the impact the adoption of ASU 2016-02 will have on the Company's condensed consolidated financial statements, the Company believes the adoption of ASU 2016-02 will have a material impact on the Company's condensed consolidated balance sheets due to the recognition of right-of-use assets and related liabilities, but the Company does not expect a material impact on the Company's condensed consolidated statements of operations or cash flows. Subsequent to the issuance of ASU 2016-02, the FASB issued ASUs 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*, 2018-10, *Codification Improvements to Topic 842, Leases*, 2018-11, *Leases* (Topic 842): *Targeted Improvements*, 2018-20, *Narrow-Scope Improvements for Lessors*, and 2019-01, *Leases* (Topic 842) *Codification Improvements*. These ASUs do not change the core principle of the guidance in ASU 2016-02. Instead these amendments are intended to clarify and improve operability of certain topics included within the credit losses standard. These ASUs will have the same effective date and transition requirements as ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. ASU 2016-13 will require immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, which will generally result in earlier recognition of allowances for credit losses on loans and other financial instruments. ASU 2016-13 is effective for the Company's fiscal year beginning December 1, 2020 and subsequent interim periods. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on its condensed consolidated financial statements. Subsequent to the issuance of ASU 2016-13, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses* and ASU 2019-05,

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

*Financial Instruments — Credit Losses (Topic 326) Targeted Transition Relief.* These ASUs do not change the core principle of the guidance in ASU 2016-13. Instead these amendments are intended to clarify and improve operability of certain topics included within the credit losses standard. These ASUs will have the same effective date and transition requirements as ASU 2016-13.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other* (Topic 350), *Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 will be effective for the Company's fiscal year beginning December 1, 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact the adoption of ASU 2017-04 will have on the Company's condensed consolidated financial statements.

**(19) Supplemental Financial Information**

The indentures governing the Company's 4.50% senior notes due 2019, 6.625% senior notes due 2020, 2.95% senior notes due 2020, 8.375% senior notes due 2021, 4.750% senior notes due 2021, 6.25% senior notes due 2021, 4.125% senior notes due 2022, 5.375% senior notes due 2022, 4.750% senior notes due 2022, 4.875% senior notes due 2023, 4.500% senior notes due 2024, 5.875% senior notes due 2024, 4.750% senior notes due 2025, 5.25% senior notes due 2026, 5.00% senior notes due 2027 and 4.75% senior notes due 2027 require that, if any of the Company's 100% owned subsidiaries, other than its finance company subsidiaries and foreign subsidiaries, directly or indirectly guarantee at least \$75 million principal amount of debt of Lennar Corporation, those subsidiaries must also guarantee Lennar Corporation's obligations with regard to its senior notes. The entities referred to as "guarantors" in the following tables are subsidiaries that are not finance company subsidiaries or foreign subsidiaries and were guaranteeing the senior notes because at August 31, 2019 they were guaranteeing Lennar Corporation's letter of credit facilities and its Credit Facility, disclosed in Note 12 of the Notes to the Condensed Consolidated Financial Statements. The guarantees are full, unconditional and joint and several and the guarantor subsidiaries are 100% directly or indirectly owned by Lennar Corporation. A subsidiary's guarantee of Lennar senior notes will be suspended at any time when it is not directly or indirectly guaranteeing at least \$75 million principal amount of debt of Lennar Corporation, and 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.

For purposes of the condensed consolidating statement of cash flows included in the following supplemental financial information, the Company's accounting policy is to treat cash received by Lennar Corporation (the "Parent") from its subsidiaries, to the extent of net earnings from such subsidiaries as a dividend and accordingly a return on investment within cash flows from operating activities. Distributions of capital received by the Parent from its subsidiaries are reflected as cash flows from investing activities. The cash outflows associated with the return on investment dividends and distributions of capital received by the Parent are reflected by the Guarantor and Non-Guarantor subsidiaries in the Dividends line item within cash flows from financing activities. All other cash flows between the Parent and its subsidiaries represent the settlement of receivables and payables between such entities in conjunction with the Parent's centralized cash management arrangement with its subsidiaries, which operates with the characteristics of a revolving credit facility, and are accordingly reflected net in the Intercompany line item within cash flows from investing activities for the Parent and net in the Intercompany line item within cash flows from financing activities for the Guarantor and Non-Guarantor subsidiaries.

Supplemental information for the subsidiaries that were guarantor subsidiaries at August 31, 2019 was as follows:

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Balance Sheet**  
**August 31, 2019**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>ASSETS</b>					
<b>Homebuilding:</b>					
Cash and cash equivalents, restricted cash and receivables, net	\$ 383,310	699,003	21,748	—	1,104,061
Inventories	—	18,496,698	351,472	—	18,848,170
Investments in unconsolidated entities	—	998,863	4,073	—	1,002,936
Goodwill	—	3,442,359	—	—	3,442,359
Other assets	347,411	651,596	201,097	(41,779)	1,158,325
Investments in subsidiaries	10,451,599	26,682	—	(10,478,281)	—
Intercompany	13,162,167	—	—	(13,162,167)	—
	24,344,487	24,315,201	578,390	(23,682,227)	25,555,851
<b>Financial Services</b>	—	253,881	2,077,040	(1,135)	2,329,786
<b>Multifamily</b>	—	—	1,020,842	—	1,020,842
<b>Lennar Other</b>	—	140,777	412,191	—	552,968
<b>Total assets</b>	\$ 24,344,487	24,709,859	4,088,463	(23,683,362)	29,459,447
<b>LIABILITIES AND EQUITY</b>					
<b>Homebuilding:</b>					
Accounts payable and other liabilities	\$ 826,969	1,833,573	308,995	(42,914)	2,926,623
Liabilities related to consolidated inventory not owned	—	298,724	—	—	298,724
Senior notes and other debts payable	8,145,580	882,357	47,079	—	9,075,016
Intercompany	—	11,298,276	1,863,891	(13,162,167)	—
	8,972,549	14,312,930	2,219,965	(13,205,081)	12,300,363
<b>Financial Services</b>	—	36,421	1,419,035	—	1,455,456
<b>Multifamily</b>	—	—	213,054	—	213,054
<b>Lennar Other</b>	—	—	24,627	—	24,627
<b>Total liabilities</b>	8,972,549	14,349,351	3,876,681	(13,205,081)	13,993,500
Stockholders' equity	15,371,938	10,360,508	117,773	(10,478,281)	15,371,938
Noncontrolling interests	—	—	94,009	—	94,009
<b>Total equity</b>	15,371,938	10,360,508	211,782	(10,478,281)	15,465,947
<b>Total liabilities and equity</b>	\$ 24,344,487	24,709,859	4,088,463	(23,683,362)	29,459,447

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Balance Sheet**  
**November 30, 2018**

<i>(In thousands)</i>	<b>Lennar Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Total</b>
<b>ASSETS</b>					
<b>Homebuilding:</b>					
Cash and cash equivalents, restricted cash and receivables, net	\$ 637,083	886,059	63,905	—	1,587,047
Inventories	—	16,679,245	389,459	—	17,068,704
Investments in unconsolidated entities	—	857,238	12,963	—	870,201
Goodwill	—	3,442,359	—	—	3,442,359
Other assets	339,307	878,582	164,848	(26,955)	1,355,782
Investments in subsidiaries	10,562,273	89,044	—	(10,651,317)	—
Intercompany	11,815,491	—	—	(11,815,491)	—
	<u>23,354,154</u>	<u>22,832,527</u>	<u>631,175</u>	<u>(22,493,763)</u>	<u>24,324,093</u>
<b>Financial Services</b>	—	232,632	2,547,167	(889)	2,778,910
<b>Multifamily</b>	—	—	874,219	—	874,219
<b>Lennar Other</b>	—	126,725	462,234	—	588,959
<b>Total assets</b>	<u>\$ 23,354,154</u>	<u>23,191,884</u>	<u>4,514,795</u>	<u>(22,494,652)</u>	<u>28,566,181</u>
<b>LIABILITIES AND EQUITY</b>					
<b>Homebuilding:</b>					
Accounts payable and other liabilities	\$ 804,232	1,977,579	303,473	(27,844)	3,057,440
Liabilities related to consolidated inventory not owned	—	162,090	13,500	—	175,590
Senior notes and other debts payable	7,968,387	523,589	51,892	—	8,543,868
Intercompany	—	10,116,590	1,698,901	(11,815,491)	—
	<u>8,772,619</u>	<u>12,779,848</u>	<u>2,067,766</u>	<u>(11,843,335)</u>	<u>11,776,898</u>
<b>Financial Services</b>	—	51,535	1,816,667	—	1,868,202
<b>Multifamily</b>	—	—	170,616	—	170,616
<b>Lennar Other</b>	—	—	67,508	—	67,508
<b>Total liabilities</b>	<u>8,772,619</u>	<u>12,831,383</u>	<u>4,122,557</u>	<u>(11,843,335)</u>	<u>13,883,224</u>
Stockholders' equity	14,581,535	10,360,501	290,816	(10,651,317)	14,581,535
Noncontrolling interests	—	—	101,422	—	101,422
<b>Total equity</b>	<u>14,581,535</u>	<u>10,360,501</u>	<u>392,238</u>	<u>(10,651,317)</u>	<u>14,682,957</u>
<b>Total liabilities and equity</b>	<u>\$ 23,354,154</u>	<u>23,191,884</u>	<u>4,514,795</u>	<u>(22,494,652)</u>	<u>28,566,181</u>

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)**  
**Three Months Ended August 31, 2019**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Homebuilding	\$ —	5,413,602	25,396	—	5,438,998
Financial Services	—	36,409	192,960	(4,867)	224,502
Multifamily	—	—	183,958	—	183,958
Lennar Other	—	—	9,600	—	9,600
Total revenues	—	5,450,011	411,914	(4,867)	5,857,058
<b>Cost and expenses:</b>					
Homebuilding	—	4,758,852	24,009	(929)	4,781,932
Financial Services	—	17,707	137,148	(5,051)	149,804
Multifamily	—	—	181,616	—	181,616
Lennar Other	—	—	2,734	—	2,734
Corporate general and administrative	86,846	4,503	—	1,266	92,615
Total costs and expenses	86,846	4,781,062	345,507	(4,714)	5,208,701
Homebuilding equity in loss from unconsolidated entities	—	(10,455)	(4)	—	(10,459)
Homebuilding other income (expense), net	(153)	7,101	5,274	153	12,375
Multifamily equity in earnings from unconsolidated entities and other gain	—	—	7,883	—	7,883
Lennar Other equity in earnings from unconsolidated entities	—	561	8,342	—	8,903
Lennar Other income, net	—	—	24	—	24
Earnings (loss) before income taxes	(86,999)	666,156	87,926	—	667,083
Benefit (provision) for income taxes	19,816	(151,808)	(22,448)	—	(154,440)
Equity in earnings from subsidiaries	580,549	42,876	—	(623,425)	—
Net earnings (including net loss attributable to noncontrolling interests)	513,366	557,224	65,478	(623,425)	512,643
Less: Net loss attributable to noncontrolling interests	—	—	(723)	—	(723)
<b>Net earnings attributable to Lennar</b>	<b>\$ 513,366</b>	<b>557,224</b>	<b>66,201</b>	<b>(623,425)</b>	<b>513,366</b>
<b>Other comprehensive income, net of tax:</b>					
Net unrealized gain on securities available-for-sale	\$ —	—	180	—	180
<b>Total other comprehensive income, net of tax</b>	<b>\$ —</b>	<b>—</b>	<b>180</b>	<b>—</b>	<b>180</b>
<b>Total comprehensive income attributable to Lennar</b>	<b>\$ 513,366</b>	<b>557,224</b>	<b>66,381</b>	<b>(623,425)</b>	<b>513,546</b>
<b>Total comprehensive loss attributable to noncontrolling interests</b>	<b>\$ —</b>	<b>—</b>	<b>(723)</b>	<b>—</b>	<b>(723)</b>



**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)**  
**Three Months Ended August 31, 2018**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Homebuilding	\$ —	5,266,053	19,689	—	5,285,742
Financial Services	—	104,233	158,996	(5,021)	258,208
Multifamily	—	—	101,064	—	101,064
Lennar Other	—	—	27,555	—	27,555
<b>Total revenues</b>	—	5,370,286	307,304	(5,021)	5,672,569
<b>Cost and expenses:</b>					
Homebuilding	—	4,649,490	18,211	3,387	4,671,088
Financial Services	—	89,902	118,856	(11,065)	197,693
Multifamily	—	—	103,187	—	103,187
Lennar Other	—	—	24,731	(3,213)	21,518
Acquisition and integration costs related to CalAtlantic	—	11,992	—	—	11,992
Corporate general and administrative	94,476	604	—	1,266	96,346
<b>Total costs and expenses</b>	94,476	4,751,988	264,985	(9,625)	5,101,824
Homebuilding equity in earnings (loss) from unconsolidated entities	—	(16,995)	256	—	(16,739)
Homebuilding other income, net	4,614	7,618	3,211	(4,604)	10,839
Multifamily equity in loss from unconsolidated entities and other gain	—	—	(1,730)	—	(1,730)
Lennar Other equity in earnings from unconsolidated entities	—	1,257	5,357	—	6,614
Lennar Other income (expense), net	—	122	(3,933)	—	(3,811)
Earnings (loss) before income taxes	(89,862)	610,300	45,480	—	565,918
Benefit (provision) for income taxes	13,688	(101,924)	(10,062)	—	(98,298)
Equity in earnings from subsidiaries	529,385	19,889	—	(549,274)	—
<b>Net earnings (including net earnings attributable to noncontrolling interests)</b>	453,211	528,265	35,418	(549,274)	467,620
Less: Net earnings attributable to noncontrolling interests	—	—	14,409	—	14,409
<b>Net earnings attributable to Lennar</b>	\$ 453,211	528,265	21,009	(549,274)	453,211
<b>Other comprehensive loss, net of tax:</b>					
Net unrealized loss on securities available-for-sale	\$ —	—	(110)	—	(110)
Reclassification adjustments for gains included in net earnings, net of tax	—	—	(166)	—	(166)
<b>Total other comprehensive loss, net of tax</b>	\$ —	—	(276)	—	(276)
<b>Total comprehensive income attributable to Lennar</b>	\$ 453,211	528,265	20,733	(549,274)	452,935
<b>Total comprehensive income attributable to noncontrolling interests</b>	\$ —	—	14,409	—	14,409

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)**  
**Nine Months Ended August 31, 2019**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Homebuilding	\$ —	14,202,932	55,386	—	14,258,318
Financial Services	—	121,679	464,938	(14,588)	572,029
Multifamily	—	—	428,764	—	428,764
Lennar Other	—	—	28,919	—	28,919
Total revenues	—	14,324,611	978,007	(14,588)	15,288,030
<b>Cost and expenses:</b>					
Homebuilding	—	12,546,016	55,910	6,100	12,608,026
Financial Services	—	76,914	368,926	(23,698)	422,142
Multifamily	—	—	431,510	—	431,510
Lennar Other	—	—	7,550	—	7,550
Corporate general and administrative	238,696	5,579	—	3,796	248,071
Total costs and expenses	238,696	12,628,509	863,896	(13,802)	13,717,299
Homebuilding equity in earnings (loss) from unconsolidated entities	—	(4,869)	268	—	(4,601)
Homebuilding other income (expense), net	(783)	(43,845)	8,517	786	(35,325)
Multifamily equity in earnings from unconsolidated entities and other gain	—	—	15,446	—	15,446
Lennar Other equity in earnings (loss) from unconsolidated entities	—	(7,024)	19,279	—	12,255
Lennar Other expense, net	—	—	(12,900)	—	(12,900)
Earnings (loss) before income taxes	(239,479)	1,640,364	144,721	—	1,545,606
Benefit (provision) for income taxes	57,906	(394,383)	(38,193)	—	(374,670)
Equity in earnings from subsidiaries	1,356,321	76,352	—	(1,432,673)	—
Net earnings (including net loss attributable to noncontrolling interests)	1,174,748	1,322,333	106,528	(1,432,673)	1,170,936
Less: Net loss attributable to noncontrolling interests	—	—	(3,812)	—	(3,812)
<b>Net earnings attributable to Lennar</b>	<b>\$ 1,174,748</b>	<b>1,322,333</b>	<b>110,340</b>	<b>(1,432,673)</b>	<b>1,174,748</b>
<b>Other comprehensive income, net of tax:</b>					
Net unrealized gain on securities available-for-sale	\$ —	—	949	—	949
Reclassification adjustments for loss included in earnings, net of tax	—	—	(176)	—	(176)
<b>Total other comprehensive income, net of tax</b>	<b>\$ —</b>	<b>—</b>	<b>773</b>	<b>—</b>	<b>773</b>
<b>Total comprehensive income attributable to Lennar</b>	<b>\$ 1,174,748</b>	<b>1,322,333</b>	<b>111,113</b>	<b>(1,432,673)</b>	<b>1,175,521</b>
<b>Total comprehensive loss attributable to noncontrolling interests</b>	<b>\$ —</b>	<b>—</b>	<b>(3,812)</b>	<b>—</b>	<b>(3,812)</b>

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)**  
**Nine Months Ended August 31, 2018**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Homebuilding	\$ —	12,942,016	69,816	—	13,011,832
Financial Services	—	277,502	441,517	(15,015)	704,004
Multifamily	—	—	312,013	—	312,013
Lennar Other	—	—	84,572	—	84,572
Total revenues	—	13,219,518	907,918	(15,015)	14,112,421
<b>Cost and expenses:</b>					
Homebuilding	—	11,640,728	69,826	630	11,711,184
Financial Services	—	254,130	331,181	(23,458)	561,853
Multifamily	—	—	317,572	—	317,572
Lennar Other	—	—	76,465	(6,582)	69,883
Acquisition and integration costs related to CalAtlantic	—	140,062	—	—	140,062
Corporate general and administrative	243,361	1,813	—	3,897	249,071
Total costs and expenses	243,361	12,036,733	795,044	(25,513)	13,049,625
Homebuilding equity in earnings (loss) from unconsolidated entities	—	(43,756)	219	—	(43,537)
Homebuilding other income, net	10,527	182,870	7,814	(10,498)	190,713
Multifamily equity in earnings from unconsolidated entities	—	—	15,293	—	15,293
Lennar Other equity in earnings from unconsolidated entities	—	1,852	18,277	—	20,129
Lennar Other income (expense), net	—	—	(19,238)	—	(19,238)
Earnings (loss) before income taxes	(232,834)	1,323,751	135,239	—	1,226,156
Benefit (provision) for income taxes	59,210	(327,148)	(38,932)	—	(306,870)
Equity in earnings from subsidiaries	1,073,307	58,807	—	(1,132,114)	—
Net earnings (including net earnings attributable to noncontrolling interests)	899,683	1,055,410	96,307	(1,132,114)	919,286
Less: Net earnings attributable to noncontrolling interests	—	—	19,603	—	19,603
<b>Net earnings attributable to Lennar</b>	<b>\$ 899,683</b>	<b>1,055,410</b>	<b>76,704</b>	<b>(1,132,114)</b>	<b>899,683</b>
<b>Other comprehensive loss, net of tax:</b>					
Net unrealized loss on securities available-for-sale	\$ —	—	(1,357)	—	(1,357)
Reclassification adjustments for gains included in earnings, net of tax	—	—	(292)	—	(292)
<b>Total other comprehensive loss, net of tax</b>	<b>\$ —</b>	<b>—</b>	<b>(1,649)</b>	<b>—</b>	<b>(1,649)</b>
<b>Total comprehensive income attributable to Lennar</b>	<b>\$ 899,683</b>	<b>1,055,410</b>	<b>75,055</b>	<b>(1,132,114)</b>	<b>898,034</b>
<b>Total comprehensive income attributable to noncontrolling interests</b>	<b>\$ —</b>	<b>—</b>	<b>19,603</b>	<b>—</b>	<b>19,603</b>

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Statement of Cash Flows**  
**Nine Months Ended August 31, 2019**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Cash flows from operating activities:</b>					
Net earnings (including net loss attributable to noncontrolling interests)	\$ 1,174,748	1,322,333	106,528	(1,432,673)	1,170,936
Distributions of earnings from guarantor and non-guarantor subsidiaries	1,356,321	76,352	—	(1,432,673)	—
Other adjustments to reconcile net earnings (including net loss attributable to noncontrolling interests) to net cash provided by operating activities	(1,261,601)	(1,342,672)	298,957	1,432,673	(872,643)
Net cash provided by operating activities	1,269,468	56,013	405,485	(1,432,673)	298,293
<b>Cash flows from investing activities:</b>					
Investments in and contributions to unconsolidated and consolidated entities, net of distributions of capital	—	(135,395)	55,802	—	(79,593)
Proceeds from sales of real estate owned	—	—	8,560	—	8,560
Proceeds from sale of investment in unconsolidated entities	—	—	17,790	—	17,790
Proceeds from sales of Financial Services' businesses	—	21,517	2,929	—	24,446
Other	(2,164)	34,935	(43,331)	—	(10,560)
Intercompany	(1,256,112)	—	—	1,256,112	—
Net cash provided by (used in) investing activities	(1,258,276)	(78,943)	41,750	1,256,112	(39,357)
<b>Cash flows from financing activities:</b>					
Net borrowings under unsecured revolving credit facilities	700,000	—	—	—	700,000
Net repayments under warehouse facilities	—	(9)	(423,114)	—	(423,123)
Net borrowings (repayments) on convertible senior notes, other borrowings, other liabilities, and other notes payable	(500,000)	(117,444)	21,521	—	(595,923)
Net repayments related to noncontrolling interests	—	—	(8,294)	—	(8,294)
Common stock:					
Issuances	388	—	—	—	388
Repurchases	(419,322)	—	—	—	(419,322)
Dividends	(38,776)	(1,322,333)	(110,340)	1,432,673	(38,776)
Intercompany	—	1,181,304	74,808	(1,256,112)	—
Net cash used in financing activities	(257,710)	(258,482)	(445,419)	176,561	(785,050)
Net increase (decrease) in cash and cash equivalents and restricted cash	(246,518)	(281,412)	1,816	—	(526,114)
Cash and cash equivalents and restricted cash at beginning of period	624,694	721,603	249,681	—	1,595,978
Cash and cash equivalents and restricted cash at end of period	\$ 378,176	440,191	251,497	—	1,069,864

**Lennar Corporation and Subsidiaries**  
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

**Condensed Consolidating Statement of Cash Flows**  
**Nine Months Ended August 31, 2018**

<i>(In thousands)</i>	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Cash flows from operating activities:</b>					
Net earnings (including net earnings attributable to noncontrolling interests)	\$ 899,683	1,055,410	96,307	(1,132,114)	919,286
Distributions of earnings from guarantor and non-guarantor subsidiaries	1,073,307	58,807	—	(1,132,114)	—
Other adjustments to reconcile net earnings (including net earnings attributable to noncontrolling interests) to net cash provided by (used in) operating activities	(1,142,909)	(102,940)	(79,134)	1,132,114	(192,869)
Net cash provided by operating activities	830,081	1,011,277	17,173	(1,132,114)	726,417
<b>Cash flows from investing activities:</b>					
Investments in and contributions to unconsolidated entities, net of distributions of capital	—	(67,664)	(6,915)	—	(74,579)
Proceeds from sales of real estate owned	—	—	28,697	—	28,697
Proceeds from sale of investment in unconsolidated entity	—	199,654	—	—	199,654
Purchases of commercial mortgage-backed securities bonds	—	—	(31,068)	—	(31,068)
Acquisition, net of cash and restricted cash acquired	(1,140,367)	22,654	39,368	—	(1,078,345)
Other	(27,136)	(20,555)	(15,542)	—	(63,233)
Distributions of capital from guarantor and non-guarantor subsidiaries	65,000	20,000	—	(85,000)	—
Intercompany	(1,035,226)	—	—	1,035,226	—
Net cash provided by (used in) investing activities	(2,137,729)	154,089	14,540	950,226	(1,018,874)
<b>Cash flows from financing activities:</b>					
Net borrowings (repayments) under unsecured revolving credit facilities	650,000	(454,700)	—	—	195,300
Net repayments under warehouse facilities	—	(81)	(100,882)	—	(100,963)
Debt issuance costs	(9,189)	—	(3,270)	—	(12,459)
Net payments on other borrowings, other liabilities, Lennar Other senior notes and other notes payable	—	(78,528)	(290,385)	—	(368,913)
Redemption of senior notes	(735,626)	(89,374)	—	—	(825,000)
Conversions and exchanges of convertible senior notes	—	(59,145)	—	—	(59,145)
Net payments related to noncontrolling interests	—	—	(64,619)	—	(64,619)
Common stock:					
Issuances	3,189	—	—	—	3,189
Repurchases	(49,490)	—	—	—	(49,490)
Dividends	(35,985)	(1,120,410)	(96,704)	1,217,114	(35,985)
Intercompany	—	651,665	383,561	(1,035,226)	—
Net cash used in financing activities	(177,101)	(1,150,573)	(172,299)	181,888	(1,318,085)
Net increase (decrease) in cash and cash equivalents and restricted cash	(1,484,749)	14,793	(140,586)	—	(1,610,542)
Cash and cash equivalents and restricted cash at beginning of period	1,938,555	366,946	388,583	—	2,694,084
Cash and cash equivalents and restricted cash at end of period	\$ 453,806	381,739	247,997	—	1,083,542

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included under Item 1 of this Report and our audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K, for our fiscal year ended November 30, 2018.

Some of the statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this Quarterly Report on Form 10-Q, are "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements contained herein may include opinions or beliefs regarding market conditions and similar matters. In many instances, those opinions and beliefs are based upon general observations by members of our management, anecdotal evidence and our experience in the conduct of our businesses, without specific investigation or analyses. Therefore, while they reflect our view of the industries and markets in which we are involved, they should not be viewed as reflecting verifiable views or views that are necessarily shared by all who are involved in those industries or markets. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements typically include the words "anticipate," "believe," "consider," "estimate," "expect," "forecast," "intend," "objective," "plan," "predict," "projection," "seek," "strategy," "target," "will" or other words of similar meaning.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from what is anticipated by our forward-looking statements. The most important factors that could cause actual results to differ materially from those anticipated by our forward-looking statements include, but are not limited to: an extended slowdown in the real estate markets across the nation, including a slowdown in the market for single family homes or the multifamily rental market; increases in operating costs, including costs related to construction materials, labor, real estate taxes and insurance, and our inability to manage our cost structure, both in our Homebuilding and Multifamily businesses; reduced availability of mortgage financing or increased interest rates; our inability to realize all of the anticipated synergy benefits from the CalAtlantic Group, Inc. ("CalAtlantic") acquisition or to realize them in the anticipated timeline; our inability to successfully execute our strategies, including our land lighter strategy; changes in general economic and financial conditions that reduce demand for our products and services, lower our profit margins or reduce our access to credit; our inability to acquire land at anticipated prices; the possibility that we will incur nonrecurring costs that affect earnings in one or more reporting periods; decreased demand for our homes or multifamily rental properties; the possibility that the Tax Cuts and Jobs Act will have more negative than positive impact on us; the possibility that the benefit from our increasing use of technology will not justify its cost; increased competition for home sales from other sellers of new and resale homes; our inability to pay down debt and opportunistically repurchase our stock; a decline in the value of our land inventories and resulting write-downs of the carrying value of our real estate assets; the failure of the participants in various joint ventures to honor their commitments; difficulty obtaining land-use entitlements or construction financing; natural disasters and other unforeseen events for which our insurance does not provide adequate coverage; new laws or regulatory changes that adversely affect the profitability of our businesses; our inability to refinance our debt on terms that are acceptable to us; and changes in accounting conventions that adversely affect our reported earnings.

Please see our Form 10-K for the fiscal year ended November 30, 2018 and other filings with the SEC for a further discussion of these and other risks and uncertainties which could affect our future results. We undertake no obligation, other than those imposed by securities laws, to publicly revise any forward-looking statements to reflect events or circumstances after the date of those statements or to reflect the occurrence of anticipated or unanticipated events.

### **Outlook**

During the third quarter, the housing market continued to improve. We saw traffic and sales continue to strengthen from last year's pause as lower interest rates and slower price appreciation positively impacted affordability. That, together with low unemployment, wage growth, consumer confidence and economic growth drove a more affordable housing market.

Stronger sales are driving higher-than-expected deliveries at stabilized margin levels as sales incentives have moderated, and we believe we are on track to deliver approximately 51,000 homes in fiscal 2019. Our average new orders sales price declined year-over-year and sequentially, reflecting our continued focus on the entry-level market and the first time homebuyer. While strong operating results drove the bottom line, our overall focus on inventory, land spend and shedding non-core assets has driven a strong and improving cash flow picture as well. We are reducing our overall inventory levels as we are focusing on our pivot to a land lighter strategy. From controlling the timing of land purchases, to reducing our years owned supply of homesites, to increasing the percentage of land controlled through options or agreements versus owned land, we are migrating towards a significantly smaller land inventory. Our target is to increase our controlled homesites to between 40% and 50% of our land needs and reduce our years owned supply of homesites to three years. We are also driving our asset-base lower as we continue to focus on monetizing non-core assets and migrating to our core pure-play homebuilding and financial services platform.

We expect to see our margins improve steadily throughout the remainder of the year as prices remain stable and incentives continue to subside. Accordingly, we expect to generate strong cash flow for the remainder of 2019 and into 2020, and to continue to use excess cash flow to pay down debt while opportunistically repurchasing stock. Through this expected strong cash flow and reduction in land spend, we anticipate being able to drive meaningfully greater returns over time.

Our size and scale in each of our strategic markets continues to facilitate the management of costs and production in a land and labor constrained market, and we believe this is going to continue into the fourth quarter. Our continued focus on technology and leveraging our size and scale is driving efficiencies that are reflected in our consistent improvement in SG&A and our bottom line. In the third quarter, our SG&A expenses as a percentage of home sale revenues continued its downward trend with our lowest third quarter level ever at 8.3%. Through our technology initiatives, we decreased loan origination costs in our financial services platform, which in part drove the segment's record earnings in the third quarter.

With a solid balance sheet, leading market positions and continued execution of our core operating strategies, we believe that we are well positioned to deliver strong and consistent performance for the remainder of 2019 and into 2020.

## **(1) Results of Operations**

### **Overview**

We historically have experienced, and expect to continue to experience, variability in quarterly results. Our results of operations for the three and nine months ended August 31, 2019 are not necessarily indicative of the results to be expected for the full year. Our homebuilding business is seasonal in nature and generally reflects higher levels of new home order activity in our second and third fiscal quarters and increased deliveries in the second half of our fiscal year. However, periods of economic downturn in the industry can alter seasonal patterns.

Our net earnings attributable to Lennar were \$513.4 million, or \$1.59 per diluted share (\$1.60 per basic share), in the third quarter of 2019, compared to net earnings attributable to Lennar of \$453.2 million, or \$1.37 per diluted share (\$1.37 per basic share), in the third quarter of 2018. Our net earnings attributable to Lennar were \$1.2 billion, or \$3.63 per diluted share (\$3.64 per basic share), in the nine months ended August 31, 2019, compared to net earnings attributable to Lennar of \$899.7 million, or \$2.94 per diluted share (\$2.95 per basic share), in the nine months ended August 31, 2018.

Financial information relating to our operations was as follows:

(In thousands)	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<b>Homebuilding revenues:</b>				
Sales of homes	\$ 5,330,694	5,223,787	14,114,939	12,858,937
Sales of land	104,338	61,955	134,576	152,895
Other homebuilding revenues	3,966	—	8,803	—
Total Homebuilding revenues	5,438,998	5,285,742	14,258,318	13,011,832
<b>Homebuilding costs and expenses:</b>				
Costs of homes sold	4,245,061	4,165,884	11,264,640	10,444,364
Costs of land sold	92,151	58,625	119,685	130,640
Selling, general and administrative	444,720	446,579	1,223,701	1,136,180
Total Homebuilding costs and expenses	4,781,932	4,671,088	12,608,026	11,711,184
<b>Homebuilding operating margins</b>	657,066	614,654	1,650,292	1,300,648
Homebuilding equity in loss from unconsolidated entities	(10,459)	(16,739)	(4,601)	(43,537)
Homebuilding other income (expense), net	12,375	10,839	(35,325)	190,713
<b>Homebuilding operating earnings</b>	658,982	608,754	1,610,366	1,447,824
Financial Services revenues	224,502	258,208	572,029	704,004
Financial Services costs and expenses	149,804	197,693	422,142	561,853
<b>Financial Services operating earnings</b>	74,698	60,515	149,887	142,151
Multifamily revenues	183,958	101,064	428,764	312,013
Multifamily costs and expenses	181,616	103,187	431,510	317,572
Multifamily equity in earnings (loss) from unconsolidated entities and other gain	7,883	(1,730)	15,446	15,293
<b>Multifamily operating earnings (loss)</b>	10,225	(3,853)	12,700	9,734
Lennar Other revenues	9,600	27,555	28,919	84,572
Lennar Other costs and expenses	2,734	21,518	7,550	69,883
Lennar Other equity in earnings from unconsolidated entities	8,903	6,614	12,255	20,129
Lennar Other income (expense), net	24	(3,811)	(12,900)	(19,238)
<b>Lennar Other operating earnings</b>	15,793	8,840	20,724	15,580
<b>Total operating earnings</b>	759,698	674,256	1,793,677	1,615,289
Acquisition and integration costs related to CalAtlantic	—	(11,992)	—	(140,062)
Corporate general and administrative expenses	(92,615)	(96,346)	(248,071)	(249,071)
<b>Earnings before income taxes</b>	\$ 667,083	565,918	1,545,606	1,226,156

#### *Effects of CalAtlantic Acquisition*

In fiscal year 2018, we exceeded our initial \$100 million synergy savings expectations from the CalAtlantic acquisition by \$70 million and we believe we are on track to meet our \$380 million synergies target for 2019. Our synergy savings have resulted from elimination of costs of having two publicly traded companies, significant reductions in combined headcount and renegotiation of both local and national supply contracts.

Homebuilding revenue and net earnings attributable to Lennar for the three and nine months ended August 31, 2018 included \$2.2 billion and \$4.7 billion, respectively, of home sales revenues, and earnings before income taxes included \$209.3 million and \$157.3 million, respectively, of a pre-tax earnings from CalAtlantic since the date of acquisition, which included acquisition and integration costs of \$12.0 million and \$140.1 million, respectively. These transaction expenses were included within acquisition and integration costs related to CalAtlantic in the accompanying condensed consolidated statement of operations for the three and nine months ended August 31, 2018.

#### *Three Months Ended August 31, 2019 versus Three Months Ended August 31, 2018*

Revenues from home sales increased 2% in the third quarter of 2019 to \$5.3 billion from \$5.2 billion in the third quarter of 2018. Revenues were higher primarily due to a 7% increase in the number of home deliveries, excluding unconsolidated entities, partially offset by a 5% decrease in the average sales price of homes delivered. New home deliveries, excluding



unconsolidated entities, increased to 13,513 homes in the third quarter of 2019 from 12,600 homes in the third quarter of 2018, as a result of an increase in home deliveries in all homebuilding segments. The average sales price of homes delivered was \$394,000 in the third quarter of 2019, compared to \$415,000 in the third quarter of 2018. The decrease in average sales price primarily resulted from continuing to shift to lower-priced communities and increased sales incentives, as well as product mix as a larger percentage of deliveries came from the East segment. Sales incentives offered to homebuyers were \$24,400 per home delivered in the third quarter of 2019, or 5.8% as a percentage of home sales revenue, compared to \$22,900 per home delivered in the third quarter of 2018, or 5.2% as a percentage of home sales revenue, and \$26,600 per home delivered in the second quarter of 2019, or 6.1% as a percentage of home sales revenue.

Gross margin on home sales were \$1.1 billion, or 20.4%, in the third quarter of 2019, compared to \$1.1 billion, or 20.3% (21.9% excluding purchase accounting), in the third quarter of 2018. The gross margin percentage on home sales increased primarily because the third quarter of 2018 included \$84.2 million or 160 basis points of backlog/construction in progress write-up related to purchase accounting adjustments on CalAtlantic homes that were delivered in that quarter. This was partially offset by higher construction costs and increased sales incentives.

Selling, general and administrative expenses were \$444.7 million in the third quarter of 2019, compared to \$446.6 million in the third quarter of 2018. As a percentage of revenues from home sales, selling, general and administrative expenses improved to 8.3% in the third quarter of 2019, from 8.5% in the third quarter of 2018, due to improved operating leverage primarily as a result of an increase in home deliveries.

Homebuilding equity in loss from unconsolidated entities, gross margin on land sales, homebuilding other income, net, and other homebuilding revenue totaled earnings of \$18.1 million in the third quarter of 2019, compared to a loss of \$2.6 million in the third quarter of 2018. Homebuilding equity in loss from unconsolidated entities was \$10.5 million in the third quarter of 2019, compared to \$16.7 million in the third quarter of 2018. In the third quarter of 2019, Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of net losses from one of our homebuilding unconsolidated entities. In the third quarter of 2018, Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of valuation adjustments related to assets of a homebuilding unconsolidated entity, partially offset by our share of net operating earnings from our other unconsolidated entities. Gross margin on land sales was \$12.2 million in the third quarter of 2019, compared to \$3.3 million in the third quarter of 2018. Homebuilding other income, net, was \$12.4 million in the third quarter of 2019, compared to \$10.8 million in the third quarter of 2018. Other homebuilding revenues were \$4.0 million in the third quarter of 2019.

Homebuilding interest expense was \$107.2 million in the third quarter of 2019 (\$98.0 million was included in costs of homes sold, \$3.6 million in costs of land sold and \$5.6 million in homebuilding other income, net), compared to \$86.9 million in the third quarter of 2018 (\$83.0 million was included in costs of homes sold, \$0.8 million in costs of land sold and \$3.1 million in homebuilding other income, net). Interest expense included in costs of homes sold increased primarily due to an increase in home deliveries. The prior year's interest expense was favorably impacted by purchase accounting related to the CalAtlantic acquisition.

During the third quarter of 2018, we recorded \$12.0 million of acquisition and integration costs related to CalAtlantic.

Operating earnings for the Financial Services segment were \$78.8 million in the third quarter of 2019 (which included \$74.7 million of operating earnings and an add back of \$4.1 million of net loss attributable to noncontrolling interests). Operating earnings in the third quarter of 2018 were \$60.5 million. Operating earnings increased due to an improvement in the mortgage business as a result of a higher capture rate of increased Lennar home deliveries, as well as reductions in loan origination costs driven in part by technology initiatives. These improvements more than offset the decrease in retail origination volume, as a result of the sale of substantially all of our retail mortgage business in the first quarter of 2019. Operating earnings of our title business decreased as a result of a decline in retail closed orders due to the sale of a majority of our retail agency business and title insurance underwriter in the first quarter of 2019. This decrease in retail volume was partially offset by an increase in captive business volume and a decrease in operating expenses.

Operating earnings for the Multifamily segment were \$10.5 million in the third quarter of 2019 (which included \$10.2 million of operating earnings and an add back of \$0.3 million of net loss attributable to noncontrolling interests), primarily due to the segment's \$12.6 million share of a gain as a result of the sale of an operating property by the segment's unconsolidated entities. In the third quarter of 2018, the Multifamily segment had an operating loss of \$3.9 million primarily driven by selling, general and administrative expenses of the segment and equity in loss related to Lennar Multifamily Venture I ("LMV I") and other Multifamily joint ventures as a result of incurring expenses that exceeded revenues while rental operations were reaching stabilization. This was partially offset by \$1.7 million of our share of gains from the sale of one operating property by a Lennar Multifamily unconsolidated entity as well as \$5.1 million of promote revenue related to two properties in LMV I.

Operating earnings for the Lennar Other segment were \$15.9 million in the third quarter of 2019 (which included \$15.8 million of operating earnings and an add back of \$0.1 million of net loss attributable to noncontrolling interests), compared to \$10.1 million in the third quarter of 2018 (which included \$8.8 million of operating earnings and an add back of \$1.2 million of net loss attributable to noncontrolling interests). Operating earnings in the third quarter of 2019 were primarily related to our equity in earnings from the Rialto fund investments that were retained when we sold the Rialto investment and asset management platform.

Corporate general and administrative expenses were \$92.6 million, or 1.6% as a percentage of total revenues, in the third quarter of 2019, compared to \$96.3 million, or 1.7% as a percentage of total revenues, in the third quarter of 2018. The decrease in corporate general and administrative expenses as a percentage of total revenues was due to improved operating leverage as a result of an increase in home deliveries.

In the third quarter of 2019 and 2018, we had tax provisions of \$154.4 million and \$98.3 million, respectively. Our overall effective income tax rates were 23.1% and 17.8% in the third quarter of 2019 and 2018, respectively. The effective tax rate for the three months ended August 31, 2019 included state income tax expense and non-deductible executive compensation, partially offset by energy credits. For the three months ended August 31, 2018, the effective tax rate included tax benefits for the tax accounting method changes implemented during the third quarter of 2018, energy credits, and the domestic production activities deduction.

#### *Nine Months Ended August 31, 2019 versus Nine Months Ended August 31, 2018*

*On February 12, 2018, Lennar Corporation completed its acquisition of CalAtlantic. Prior year information includes CalAtlantic only after the acquisition date.*

Revenues from home sales increased 10% in the nine months ended August 31, 2019 to \$14.1 billion from \$12.9 billion in the nine months ended August 31, 2018. Revenues were higher primarily due to an 11% increase in the number of home deliveries, excluding unconsolidated entities. New home deliveries, excluding unconsolidated entities, increased to 35,021 homes in the nine months ended August 31, 2019 from 31,412 homes in the nine months ended August 31, 2018, primarily as a result of an increase in home deliveries in all of Homebuilding's segments except Other. The average sales price of homes delivered was \$403,000 in the nine months ended August 31, 2019, compared to \$409,000 in the nine months ended August 31, 2018. The decrease in average sales price primarily resulted from continuing to shift to lower-priced communities and increased sales incentives as well as product mix as a larger percentage of deliveries came from the East segment. Sales incentives offered to homebuyers were \$25,400 per home delivered in the nine months ended August 31, 2019, or 5.9% as a percentage of home sales revenue, compared to \$22,800 per home delivered in the nine months ended August 31, 2018, or 5.3% as a percentage of home sales revenue.

Gross margin on home sales were \$2.9 billion, or 20.2%, in the nine months ended August 31, 2019, compared to \$2.4 billion, or 18.8% (21.7% excluding purchase accounting), in the nine months ended August 31, 2018. The gross margin percentage on home sales increased primarily because the nine months ended August 31, 2018 included \$376.0 million or 290 basis points of backlog/construction in progress write-up related to purchase accounting adjustments on CalAtlantic homes that were delivered in that period. This was partially offset by increased sales incentives and higher construction costs.

Selling, general and administrative expenses were \$1.2 billion in the nine months ended August 31, 2019, compared to \$1.1 billion in the nine months ended August 31, 2018. As a percentage of revenues from home sales, selling, general and administrative expenses improved to 8.7% in the nine months ended August 31, 2019, from 8.8% in the nine months ended August 31, 2018, due to improved operating leverage as a result of an increase in home deliveries.

Homebuilding equity in loss from unconsolidated entities, gross margin on land sales, homebuilding other income (expense), net, and other homebuilding revenue totaled a loss of \$16.2 million in the nine months ended August 31, 2019, compared to earnings of \$169.4 million in the nine months ended August 31, 2018. Homebuilding equity in loss from unconsolidated entities was \$4.6 million in the nine months ended August 31, 2019, compared to \$43.5 million in the nine months ended August 31, 2018. In the nine months ended August 31, 2019, Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of net operating losses from one of our homebuilding unconsolidated entities. In the nine months ended August 31, 2018, Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of valuation adjustments related to assets of a homebuilding unconsolidated entity and our share of net operating losses from our unconsolidated entities. Gross margin on land sales was \$14.9 million in the nine months ended August 31, 2019, compared to \$22.3 million in the nine months ended August 31, 2018. Homebuilding other income (expense), net, was (\$35.3) million in the nine months ended August 31, 2019, compared to \$190.7 million in the nine months ended August 31, 2018. Homebuilding other expense, net in the nine months ended August 31, 2019 was primarily due to a one-time loss of \$48.9 million from the consolidation of a previously unconsolidated entity. In the nine months ended August 31, 2018, Homebuilding

other income, net, was primarily related to a gain on the sale of an 80% interest in one of Homebuilding's strategic joint ventures, Treasure Island Holdings. In the nine months ended August 31, 2019, other homebuilding revenues were \$8.8 million.

Homebuilding interest expense was \$271.5 million in the nine months ended August 31, 2019 (\$255.4 million was included in costs of homes sold, \$4.5 million in costs of land sold and \$11.5 million in homebuilding other expense, net), compared to \$214.0 million in the nine months ended August 31, 2018 (\$203.2 million was included in costs of homes sold, \$2.2 million in costs of land sold and \$8.6 million in homebuilding other income, net). Interest expense included in costs of homes sold increased primarily due to an increase in home deliveries. The prior year's interest expense was favorably impacted by purchase accounting related to the CalAtlantic acquisition.

During the nine months ended August 31, 2018, we recorded \$140.1 million of acquisition and integration costs related to CalAtlantic.

Operating earnings for the Financial Services segment were \$163.0 million in the nine months ended August 31, 2019 (which included \$149.9 million of operating earnings and an add back of \$13.1 million of net loss attributable to noncontrolling interests), compared to \$142.2 million in the nine months ended August 31, 2018. Operating earnings increased due to an improvement in the mortgage business as a result of a higher capture rate of increased Lennar home deliveries, as well as reductions in loan origination costs driven in part by technology initiatives. These improvements more than offset the decrease in retail origination volume, as a result of the sale of substantially all of our retail mortgage business in the first quarter of 2019. Operating earnings of our title business decreased as a result of a decline in retail closed orders due to the sale of a majority of our retail agency business and title insurance underwriter in the first quarter of 2019. This decrease in retail volume was partially offset by an increase in captive business volume and a decrease in operating expenses.

Operating earnings for the Multifamily segment were \$13.4 million in the nine months ended August 31, 2019 (which included \$12.7 million of operating earnings and an add back of \$0.7 million of net loss attributable to noncontrolling interests), primarily due to the segment's \$16.3 million share of gains as a result of the sale of two operating properties by Multifamily's unconsolidated entities, \$11.9 million gain on the sale of an investment in an operating property and \$5.6 million of promote revenue related to three properties in LMV I, partially offset by general and administrative expenses. In the nine months ended August 31, 2018, the Multifamily segment had operating earnings of \$9.7 million primarily due to the segment's \$23.3 million share of gains as a result of the sale of four operating properties by Lennar Multifamily's unconsolidated entities and \$10.3 million of promote revenue related to four properties in LMV I, partially offset by general and administrative expenses.

Operating earnings for the Lennar Other segment were \$21.2 million in the nine months ended August 31, 2019 (which included \$20.7 million of operating earnings and an add back of \$0.4 million of net loss attributable to noncontrolling interests), compared to \$18.1 million in the nine months ended August 31, 2018 (which included \$15.6 million of operating earnings and an add back of \$2.6 million of net loss attributable to noncontrolling interests).

Corporate general and administrative expenses were \$248.1 million, or 1.6% as a percentage of total revenues, in the nine months ended August 31, 2019, compared to \$249.1 million, or 1.8% as a percentage of total revenues, in the nine months ended August 31, 2018. The decrease in corporate general and administrative expenses as a percentage of total revenues was due to improved operating leverage as a result of an increase in revenues.

In the nine months ended August 31, 2019 and 2018, we had tax provisions of \$374.7 million and \$306.9 million, respectively. Our overall effective income tax rates were 24.2% and 25.4% in the nine months ended August 31, 2019 and 2018, respectively. The effective tax rate for the nine months ended August 31, 2019 included state income tax expense and non-deductible executive compensation, partially offset by energy credits. For the nine months ended August 31, 2018, the effective tax rate included a \$68.6 million non-cash one-time write down of the deferred tax assets due to the enactment of the Tax Cuts and Jobs Act and state income tax expense, partially offset by a \$34.1 million benefit recorded in the third quarter of 2018, primarily related to tax accounting method changes and energy credits. Excluding the impact of the write down of the deferred tax assets and the benefit recorded in the third quarter of 2018, the effective tax rate for the nine months ended August 31, 2018 would have been 22.6%.

## Homebuilding Segments

In connection with the CalAtlantic acquisition, we experienced significant growth in our homebuilding operations. As a result, at the end of fiscal 2018, our chief operating decision makers ("CODM") reassessed how they evaluate the business and allocate resources. The CODM manage and assess our performance at a regional level. Therefore, in 2018 we performed an assessment of our operating segments in accordance with ASC 280, *Segment Reporting*, ("ASC 280") and determined that each of our four homebuilding regions, financial services operations, multifamily operations and Rialto operations are our operating segments. Prior to this change, in accordance with the aggregation criteria defined in ASC 280, our operating segments were aggregated into reportable segments, based primarily upon similar economic characteristics, geography and product type. In addition, in first quarter of 2019, as a result of the reclassification of Rialto Mortgage Finance ("RMF") and certain other Rialto assets from the Rialto segment to the Financial Services segment effective December 1, 2018, we renamed the Rialto segment as "Lennar Other" and included in this segment certain strategic technology investments, which were reclassified from the Homebuilding segments to Lennar Other. Prior periods have been reclassified to conform with the 2019 presentation. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to Homebuilding segments are to those four reportable segments.

At August 31, 2019, our reportable Homebuilding segments and Homebuilding Other consisted of homebuilding divisions located in:

**East:** Florida, New Jersey, North Carolina and South Carolina

**Central:** Georgia, Illinois, Indiana, Maryland, Minnesota, Tennessee and Virginia

**Texas:** Texas

**West:** Arizona, California, Colorado, Nevada, Oregon, Utah and Washington

**Other:** Urban divisions and other homebuilding related investments primarily in California, including FivePoint Holdings, LLC ("FivePoint")

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

***Selected Financial and Operational Data***

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<i>(In thousands)</i>				
<b>Homebuilding revenues:</b>				
<b>East:</b>				
Sales of homes	\$ 1,841,468	1,680,018	4,796,328	4,136,580
Sales of land	690	21,604	8,266	44,748
Other revenues	1,512	—	3,231	—
Total East	1,843,670	1,701,622	4,807,825	4,181,328
<b>Central:</b>				
Sales of homes	713,303	668,772	1,755,623	1,535,701
Sales of land	11,180	2,136	17,436	26,299
Other revenues	270	—	546	—
Total Central	724,753	670,908	1,773,605	1,562,000
<b>Texas:</b>				
Sales of homes	696,903	716,343	1,796,343	1,748,521
Sales of land	16,220	12,807	28,254	37,494
Other revenues	253	—	508	—
Total Texas	713,376	729,150	1,825,105	1,786,015
<b>West:</b>				
Sales of homes	2,060,740	2,149,156	5,738,881	5,402,779
Sales of land	1,247	25,408	5,619	44,354
Other revenues	1,336	—	2,743	—
Total West	2,063,323	2,174,564	5,747,243	5,447,133
<b>Other:</b>				
Sales of homes	18,280	9,498	27,764	35,356
Sales of land	75,001	—	75,001	—
Other revenues	595	—	1,775	—
Total Other	93,876	9,498	104,540	35,356
<b>Total homebuilding revenues</b>	<b>\$ 5,438,998</b>	<b>5,285,742</b>	<b>14,258,318</b>	<b>13,011,832</b>

(In thousands)	Three Months Ended August 31,		Nine Months Ended August 31,	
	2019	2018	2019	2018
<b>Homebuilding operating earnings:</b>				
<b>East:</b>				
Sales of homes	\$ 246,568	199,648	589,389	434,440
Sales of land	127	565	4,132	17,267
Other homebuilding revenues	1,512	—	3,231	—
Equity in loss from unconsolidated entities	(184)	(224)	(418)	(538)
Other income (expense), net	8,692	(784)	6,228	3,258
Total East	256,715	199,205	602,562	454,427
<b>Central:</b>				
Sales of homes	71,606	68,026	156,355	102,281
Sales of land	4,105	441	4,679	(445)
Other homebuilding revenues	270	—	546	—
Equity in earnings from unconsolidated entities	14	194	152	652
Other income, net	3,214	357	3,747	704
Total Central	79,209	69,018	165,479	103,192
<b>Texas:</b>				
Sales of homes	75,213	68,894	182,257	116,638
Sales of land	3,322	3,059	5,597	8,011
Other homebuilding revenues	253	—	508	—
Equity in earnings from unconsolidated entities	176	7	334	291
Other expense, net	(666)	(1,218)	(2,746)	(2,533)
Total Texas	78,298	70,742	185,950	122,407
<b>West:</b>				
Sales of homes	253,844	281,392	718,061	640,654
Sales of land (1)	727	(504)	(3,422)	(288)
Other homebuilding revenues	1,336	—	2,743	—
Equity in earnings (loss) from unconsolidated entities	655	(607)	158	(1,330)
Other income, net	2,862	11,769	5,449	17,038
Total West	259,424	292,050	722,989	656,074
<b>Other:</b>				
Sales of homes (2)	(6,318)	(6,636)	(19,464)	(15,620)
Sales of land	3,906	(231)	3,905	(2,290)
Other homebuilding revenues	595	—	1,775	—
Equity in loss from unconsolidated entities	(11,120)	(16,109)	(4,827)	(42,612)
Other income (expense), net (3)	(1,727)	715	(48,003)	172,246
Total Other	(14,664)	(22,261)	(66,614)	111,724
<b>Total homebuilding operating earnings</b>	<b>\$ 658,982</b>	<b>608,754</b>	<b>1,610,366</b>	<b>1,447,824</b>

(1) For the nine months ended August 31, 2019, sales of land included an impairment of \$4.0 million related to contracts to sell land.

(2) Operating earnings related to sales of homes in Homebuilding Other is negative because there were not sufficient home sales to offset period costs and selling, general and administrative expenses in our urban divisions.

(3) For the nine months ended August 31, 2019, other income (expense), net of Homebuilding Other was primarily due to a one-time loss of \$48.9 million from the consolidation of a previously unconsolidated entity. For the nine months ended August 31, 2018, other expense, net of Homebuilding Other included \$164.9 million related to a gain on the sale of an 80% interest in one of Homebuilding's strategic joint ventures, Treasure Island Holdings.

## Summary of Homebuilding Data

### Deliveries:

	Three Months Ended					
	Homes		Dollar Value (In thousands)		Average Sales Price	
	August 31,		August 31,		August 31,	
	2019	2018	2019	2018	2019	2018
East	5,450	4,862	\$ 1,844,192	1,680,018	\$ 338,000	346,000
Central	1,880	1,735	713,303	668,772	379,000	385,000
Texas	2,260	2,169	696,904	716,343	308,000	330,000
West	3,908	3,827	2,060,740	2,149,156	527,000	562,000
Other	24	20	18,280	21,059	762,000	1,053,000
Total	13,522	12,613	\$ 5,333,419	5,235,348	\$ 394,000	415,000

Of the total homes delivered listed above, nine homes with a dollar value of \$2.7 million and an average sales price of \$303,000 represent home deliveries from unconsolidated entities for the three months ended August 31, 2019, compared to 13 home deliveries with a dollar value of \$11.6 million and an average sales price of \$889,000 for the three months ended August 31, 2018.

	Nine Months Ended					
	Homes		Dollar Value (In thousands)		Average Sales Price	
	August 31,		August 31,		August 31,	
	2019	2018	2019	2018	2019	2018
East	14,123	12,172	\$ 4,805,792	4,136,580	\$ 340,000	340,000
Central	4,572	3,978	1,755,623	1,535,701	384,000	386,000
Texas	5,660	5,233	1,796,344	1,748,521	317,000	334,000
West	10,667	10,005	5,738,881	5,402,779	538,000	540,000
Other	49	85	43,312	80,483	884,000	947,000
Total	35,071	31,473	\$ 14,139,952	12,904,064	\$ 403,000	410,000

Of the total homes delivered listed above, 50 homes with a dollar value of \$25.0 million and an average sales price of \$500,000 represent home deliveries from unconsolidated entities for the nine months ended August 31, 2019, compared to 61 home deliveries with a dollar value of \$45.1 million and an average sales price of \$740,000 for the nine months ended August 31, 2018.

### Sales Incentives (1):

	Three Months Ended					
	Sales Incentives (In thousands)		Average Sales Incentives Per Home Delivered		Sales Incentives as a % of Revenue	
	August 31,		August 31,		August 31,	
	2019	2018	2019	2018	2019	2018
East	\$ 128,734	112,133	\$ 23,700	23,100	6.5%	6.3%
Central	49,519	44,065	26,300	25,400	6.5%	6.2%
Texas	67,156	72,946	29,700	33,600	8.8%	9.2%
West	83,505	58,521	21,400	15,300	3.9%	2.7%
Other	1,306	1,384	54,400	197,700	6.7%	12.7%
Total	\$ 330,220	289,049	\$ 24,400	22,900	5.8%	5.2%

	Nine Months Ended					
	Sales Incentives (In thousands)		Average Sales Incentives Per Home Delivered		Sales Incentives as a % of Revenue	
	August 31,		August 31,		August 31,	
	2019	2018	2019	2018	2019	2018
East	\$ 347,515	293,391	\$ 24,700	24,100	6.8%	6.6%
Central	130,321	105,227	28,500	26,500	6.9%	6.4%
Texas	166,867	172,786	29,500	33,000	8.5%	9.0%
West	241,818	140,886	22,700	14,100	4.0%	2.5%
Other	4,131	4,750	137,700	197,900	13.0%	11.8%
Total	\$ 890,652	717,040	\$ 25,400	22,800	5.9%	5.3%





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

## New Orders (2):

	Three Months Ended					
	Homes		Dollar Value (In thousands)		Average Sales Price	
	August 31,		August 31,		August 31,	
	2019	2018	2019	2018	2019	2018
East	5,340	5,224	\$ 1,757,051	1,779,825	\$ 329,000	341,000
Central	1,822	1,662	708,977	627,195	389,000	377,000
Texas	2,221	1,909	660,304	612,029	297,000	321,000
West	3,949	3,502	2,049,404	2,028,251	519,000	579,000
Other	37	22	33,896	23,589	916,000	1,072,000
Total	13,369	12,319	\$ 5,209,632	5,070,889	\$ 390,000	412,000

Of the total new orders listed above, 21 homes with a dollar value of \$7.3 million and an average sales price of \$349,000 represent new orders from unconsolidated entities for the three months ended August 31, 2019, compared to 13 new orders with a dollar value of \$9.8 million and an average sales price of \$751,000 for the three months ended August 31, 2018.

	Nine Months Ended					
	Homes		Dollar Value (In thousands)		Average Sales Price	
	August 31,		August 31,		August 31,	
	2019	2018	2019	2018	2019	2018
East	15,424	14,430	\$ 5,218,383	4,888,372	\$ 338,000	339,000
Central	5,306	4,451	2,044,653	1,721,263	385,000	387,000
Texas	6,069	5,629	1,861,849	1,822,235	307,000	324,000
West	11,481	10,633	5,977,758	5,970,570	521,000	562,000
Other	70	72	60,447	70,428	864,000	978,000
Total	38,350	35,215	\$ 15,163,090	14,472,868	\$ 395,000	411,000

Of the total new orders listed above, 68 homes with a dollar value of \$32.1 million and an average sales price of \$472,000 represent new orders from unconsolidated entities for the nine months ended August 31, 2019, compared to 54 new orders with a dollar value of \$38.9 million and an average sales price of \$721,000 for the nine months ended August 31, 2018.

(2) New orders represent the number of new sales contracts executed with homebuyers, net of cancellations, during the three and nine months ended August 31, 2019 and 2018.

## Backlog:

	Homes		Dollar Value (In thousands)		Average Sales Price	
	August 31,		August 31,		August 31,	
	2019	2018 (1)	2019	2018	2019	2018
East (2)	8,389	8,234	\$ 2,938,456	2,982,258	\$ 350,000	362,000
Central	2,720	2,472	1,079,283	974,388	397,000	394,000
Texas	2,557	2,623	826,226	922,425	323,000	352,000
West	5,215	5,875	2,726,329	3,454,519	523,000	588,000
Other	27	16	26,123	19,742	968,000	1,234,000
Total	18,908	19,220	\$ 7,596,417	8,353,332	\$ 402,000	435,000

Of the total homes in backlog listed above, 25 homes with a backlog dollar value of \$9.8 million and an average sales price of \$391,000 represent the backlog from unconsolidated entities at August 31, 2019, compared to 16 homes with a backlog dollar value of \$8.9 million and an average sales price of \$559,000 at August 31, 2018.

(1) During the nine months ended August 31, 2018, we acquired a total of 6,530 homes in backlog in connection with the CalAtlantic acquisition. Of the homes in backlog acquired, 2,151 homes were in the East, 1,275 homes were in the Central, 888 homes were in Texas and 2,216 homes were in the West.

(2) During the nine months ended August 31, 2019, we acquired 13 homes in backlog.

Backlog represents the number of homes under sales contracts. Homes are sold using sales contracts, which are generally accompanied by sales deposits. In some instances, purchasers are permitted to cancel sales if they fail to qualify for financing or under certain other circumstances. Various state and federal laws and regulations may sometimes give purchasers a right to

cancel homes in backlog. We do not recognize revenue on homes under sales contracts until the sales are closed and title passes to the new homeowners.

We experienced cancellation rates in our Homebuilding segments and Homebuilding other as follows:

	Three Months Ended		Nine Months Ended	
	August 31,		August 31,	
	2019	2018	2019	2018
East	14%	13%	15%	13%
Central	12%	11%	11%	9%
Texas	23%	23%	23%	18%
West	15%	15%	15%	12%
Other	—%	8%	5%	11%
Total	16%	15%	16%	13%

**Active Communities:**

	August 31,	
	2019	2018 (1)
East	444	482
Central	255	228
Texas	235	250
West	362	347
Other	4	5
Total	1,300	1,312

Of the total active communities listed above, five communities represent active communities being developed by unconsolidated entities as of both August 31, 2019 and 2018.

- (1) We acquired 542 active communities related to the CalAtlantic acquisition on February 12, 2018. Of the communities acquired, 177 were in the East, 135 were in the Central, 99 were in Texas and 131 were in the West.

The following table details our gross margins on home sales for the three and nine months ended August 31, 2019 and 2018 for each of our reportable Homebuilding segments and Homebuilding Other:

(Dollars in thousands)	Three Months Ended				Nine Months Ended			
	August 31,		August 31,		August 31,		August 31,	
	2019		2018 (1)		2019		2018 (1)	
<b>East:</b>								
Sales of homes	\$ 1,841,468		1,680,018		4,796,328		4,136,580	
Costs of homes sold	1,444,257		1,326,865		3,788,921		3,303,134	
Gross margins on home sales	397,211	21.6%	353,153	21.0%	1,007,407	21.0%	833,446	20.1%
<b>Central:</b>								
Sales of homes	713,303		668,772		1,755,623		1,535,701	
Costs of homes sold	581,617		542,242		1,440,049		1,296,121	
Gross margins on home sales	131,686	18.5%	126,530	18.9%	315,574	18.0%	239,580	15.6%
<b>Texas:</b>								
Sales of homes	696,903		716,343		1,796,343		1,748,521	
Costs of homes sold	555,561		576,338		1,435,311		1,446,998	
Gross margins on home sales	141,342	20.3%	140,005	19.5%	361,032	20.1%	301,523	17.2%
<b>West:</b>								
Sales of homes	2,060,740		2,149,156		5,738,881		5,402,779	
Costs of homes sold	1,646,254		1,710,233		4,569,646		4,363,544	
Gross margins on home sales	414,486	20.1%	438,923	20.4%	1,169,235	20.4%	1,039,235	19.2%
<b>Other:</b>								
Sales of homes	18,280		9,498		27,764		35,356	
Costs of homes sold (2)	17,372		10,206		30,713		34,919	
Gross margins on home sales	908	5.0%	(708)	(7.5)%	(2,949)	(10.6)%	437	1.2%
<b>Total gross margins on home sales</b>	<b>\$ 1,085,633</b>	<b>20.4%</b>	<b>1,057,903</b>	<b>20.3%</b>	<b>2,850,299</b>	<b>20.2%</b>	<b>2,414,221</b>	<b>18.8%</b>

(1) During the three and nine months ended August 31, 2018, gross margins on home sales included \$84.2 million and \$376.0 million, respectively, of purchase accounting adjustments on CalAtlantic homes in backlog/construction in progress that were delivered in the respective periods.

(2) Costs of homes sold include period costs in our urban divisions that impact costs of homes sold without any sales of homes revenue.

#### Three Months Ended August 31, 2019 versus Three Months Ended August 31, 2018

**Homebuilding East:** Revenues from home sales increased in the third quarter of 2019 compared to the third quarter of 2018, primarily due to an increase in the number of home deliveries in all the states in the segment, partially offset by a decrease in the average sales price of homes delivered in Florida. The increase in the number of home deliveries is primarily due to higher demand as the number of deliveries per active community increased. The decrease in the average sales price of homes delivered in Florida was primarily driven by a change in product mix due to a higher percentage of deliveries in lower-priced communities. Gross margin percentage on home deliveries in the third quarter of 2019 increased compared to the same period last year primarily due to purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the third quarter of 2018.

**Homebuilding Central:** Revenues from home sales increased in the third quarter of 2019 compared to the third quarter of 2018, primarily due to an increase in the number of home deliveries in all the states in the segment except Minnesota and Tennessee. The increase in the number of home deliveries was primarily due to an increase in active communities. The decrease in the number of home deliveries in Minnesota and Tennessee was primarily due to a decrease in deliveries per community as a result of timing of opening and closing of communities. Gross margin percentage on home deliveries in the third quarter of 2019 decreased compared to the same period last year primarily due to higher construction costs and increased sales incentives, partially offset by purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the third quarter of 2018.

**Homebuilding Texas:** Revenues from home sales decreased in the third quarter of 2019 compared to the third quarter of 2018, primarily due to a decrease in the average sales price of homes delivered, partially offset by an increase in the number of home deliveries. The decrease in average sales price of homes delivered was primarily due to closing out higher priced communities and shifting into lower priced communities. The increase in the number of deliveries was primarily due to higher demand as the number of deliveries per active community increased. Gross margin percentage on home deliveries in the third

quarter of 2019 increased compared to the same period last year primarily due to a decrease in sales incentives, a decrease in construction costs and purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the third quarter of 2018.

**Homebuilding West:** Revenues from home sales decreased in the third quarter of 2019 compared to the third quarter of 2018, primarily due to a decrease in the average sales price of homes delivered in Arizona, California, Nevada and Oregon, partially offset by an increase in the number of home deliveries in all states of the segment except California and Colorado. The decrease in the average sales price of homes delivered in Arizona, California, Nevada and Oregon was primarily driven by a change in product mix due to a higher percentage of deliveries in lower-priced communities. The decrease in the number of home deliveries in California was primarily due to a decrease in deliveries per community as a result of timing of opening and closing of communities. The decrease in the number of home deliveries in Colorado was primarily due to a decrease in active communities and timing of opening and closing of communities. Gross margin percentage on home deliveries in the third quarter of 2019 decreased slightly compared to the same period last year primarily due to an increase in sales incentives, partially offset by purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the third quarter of 2018.

*Nine Months Ended August 31, 2019 versus Nine Months Ended August 31, 2018*

**Homebuilding East:** Revenues from home sales increased in the nine months ended August 31, 2019 compared to the nine months ended August 31, 2018, primarily due to an increase in the number of home deliveries in all the states in the segment. The average sales price of homes delivered was consistent with slight decreases in Florida and New Jersey offset by increases in the Carolinas. The increase in the number of home deliveries was primarily due to higher demand as the number of deliveries per active community increased. Gross margin percentage on home deliveries in the nine months ended August 31, 2019 increased compared to the same period last year primarily due to purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the nine months ended August 31, 2018.

**Homebuilding Central:** Revenues from home sales increased in the nine months ended August 31, 2019 compared to the nine months ended August 31, 2018, primarily due to an increase in the number of home deliveries in all the states in the segment, except in Maryland and Tennessee, and an increase in the average sales price of homes delivered in Illinois and Virginia. This was partially offset by a decrease in the average sales price of homes delivered in Georgia, Indiana and Minnesota. The increase in the number of home deliveries was primarily due to an increase in active communities including communities acquired from CalAtlantic. The decrease in the number of home deliveries in Maryland and Tennessee was primarily due to a decrease in deliveries per community as a result of timing of opening and closing of communities. The increase in the average sales price of homes delivered in Illinois and Virginia was primarily due to an increase in home deliveries in higher-priced communities. The decrease in the average sales price of homes delivered in Georgia, Indiana, and Minnesota was primarily driven by a change in product mix due to closing out the remaining homes in higher-priced communities and opening lower-priced communities. Gross margin percentage on home deliveries in the nine months ended August 31, 2019 increased compared to the same period last year primarily due to purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the nine months ended August 31, 2018 and decreased sales incentives. This was partially offset by higher construction costs.

**Homebuilding Texas:** Revenues from home sales increased in the nine months ended August 31, 2019 compared to the nine months ended August 31, 2018, primarily due to an increase in the number of home deliveries, partially offset by a decrease in the average sales price. The increase in the number of home deliveries was primarily due to higher demand as the number of deliveries per active community increased. The decrease in average sales price of homes delivered was primarily due to closing out higher priced communities and shifting into lower priced communities. Gross margin percentage on home deliveries in the nine months ended August 31, 2019 increased compared to the same period last year primarily due to purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the nine months ended August 31, 2018 and decreased sales incentives.

**Homebuilding West:** Revenues from home sales increased in the nine months ended August 31, 2019 compared to the nine months ended August 31, 2018, primarily due to an increase in the number of home deliveries in all the states in the segment, except Colorado and Nevada, and an increase in the average sales price in all states in the segment, except Arizona. The increase in the number of home deliveries was primarily due to an increase in active communities including communities acquired from CalAtlantic. The decrease in the number of home deliveries in Colorado was primarily due to a decrease in active communities and timing of opening and closing of communities. The decrease in the number of home deliveries in Nevada was primarily due to a decrease in deliveries per active community as a result of timing of opening and closing communities. The increase in the average sales price of homes delivered was primarily due to an increase in home deliveries in higher-priced

communities, including higher-priced communities acquired from CalAtlantic. The decrease in average sales price of homes delivered in Arizona was primarily due to closing out higher priced communities and shifting into lower priced communities. Gross margin percentage on home deliveries in the nine months ended August 31, 2019 increased compared to the same period last year primarily due to purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage for those deliveries in the nine months ended August 31, 2018. This was partially offset by higher construction costs and increased sales incentives.

### Financial Services Segment

Our Financial Services reportable segment provides mortgage financing, title and closing services primarily for buyers of our homes. The segment also originates and sells into securitizations commercial mortgage loans through its RMF business. Our Financial Services segment sells substantially all of the residential 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, we retain potential liability for possible claims by purchasers that we breached certain limited industry-standard representations and warranties in the loan sale agreements.

The following table sets forth selected financial and operational information related to our Financial Services segment:

(Dollars in thousands)	Three Months Ended		Nine Months Ended	
	August 31,		August 31,	
	2019	2018	2019	2018
Revenues	\$ 224,502	258,208	572,029	704,004
Costs and expenses	149,804	197,693	422,142	561,853
Operating earnings	\$ 74,698	60,515	149,887	142,151
Net loss attributable to noncontrolling interests	(4,076)	—	(13,133)	—
Operating earnings net of noncontrolling interests	\$ 78,774	60,515	163,020	142,151
Dollar value of mortgages originated	\$ 2,883,000	3,044,000	7,440,000	7,941,000
Number of mortgages originated	9,200	10,000	23,700	26,400
Mortgage capture rate of Lennar homebuyers	77%	71%	75%	72%
Number of title and closing service transactions	14,300	32,500	42,400	87,300
Number of title policies issued	—	75,900	19,800	219,600

Consistent with our reversion to a pure-play homebuilder, during the first quarter of 2019, we sold the majority of our retail title agency business and title insurance underwriter, substantially all of our retail mortgage business and our real estate brokerage business. These transactions resulted in a net gain for the nine months ended August 31, 2019 of \$1.9 million.

In connection with the sale of the majority of our retail title agency business and title insurance underwriter, we provided seller financing and received a substantial minority equity ownership stake in the buyer. Due to the combination of both the equity and debt components of this transaction, the transaction did not meet the accounting requirements for sale treatment and, therefore, we are required to consolidate the buyer's results at this time.

At August 31, 2019 and November 30, 2018, the carrying value of Financial Services' commercial mortgage-backed securities ("CMBS") was \$166.7 million and \$137.0 million, respectively. These securities were purchased at discounts ranging from 6% to 84% with coupon rates ranging from 2.0% to 5.3%, stated and assumed final distribution dates between October 2027 and December 2028, and stated maturity dates between October 2050 and December 2051. The Financial Services segment classifies these securities as held-to-maturity based on its intent and ability to hold the securities until maturity.

#### Rialto Mortgage Finance

RMF originates and sells into securitizations five, seven and ten year commercial first mortgage loans, which are secured by income producing properties.

During the nine months ended August 31, 2019, RMF originated commercial loans with a total principal balance of \$984.5 million, of which \$969.2 million were recorded as loans held-for-sale and \$15.3 million were recorded as loans held-for-investments, and sold \$848.3 million of commercial loans into seven separate securitizations. As of November 30, 2018, there were no unsettled transactions.

During the nine months ended August 31, 2018, RMF originated commercial loans with a total principal balance of \$997.5 million, all of which were recorded as loans held-for-sale, and sold \$1.1 billion of loans into 12 separate securitizations.

## **Multifamily Segment**

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

As of August 31, 2019 and November 30, 2018, our condensed consolidated balance sheets had \$1.0 billion and \$874.2 million, respectively, of assets related to our Multifamily segment, which included investments in unconsolidated entities of \$539.7 million and \$481.1 million, respectively. Our net investment in the Multifamily segment as of August 31, 2019 and November 30, 2018 was \$799.6 million and \$703.6 million, respectively.

Our Multifamily segment had equity investments in 18 and 22 unconsolidated entities (including the Lennar Multifamily Venture I, "LMV I" and Lennar Multifamily Venture Fund II LP, "LMV II") as of August 31, 2019 and November 30, 2018, respectively. As of August 31, 2019, our Multifamily segment had interests in 58 communities with development costs of approximately \$6.8 billion, of which 25 communities were completed and operating, nine communities were partially completed and leasing, 19 communities were under construction and the remaining communities were owned by unconsolidated entities. As of August 31, 2019, our Multifamily segment also had a pipeline of potential future projects, which were under contract or had letters of intent, totaling approximately \$5.3 billion in development costs across a number of states that will be developed primarily by future unconsolidated entities.

LMV I is a long-term multifamily development investment vehicle involved in the development, construction and property management of class-A multifamily assets with \$2.2 billion in equity commitments, including a \$504 million co-investment commitment by us comprised of cash, undeveloped land and preacquisition costs.

In March 2018, the Multifamily segment completed the first closing of a second Multifamily Venture, LMV II, for the development, construction and property management of class-A multifamily assets. In June 2019, the Multifamily segment completed the final closing of LMV II which has approximately \$1.3 billion of equity commitments, including a \$381 million co-investment commitment by Lennar comprised of cash, undeveloped land and preacquisition costs.

## **Lennar Other Segment**

Our Lennar Other segment includes fund investments we retained subsequent to the sale of the Rialto investment and asset management platform as well as strategic investments in technology companies that are looking to improve the homebuilding and financial services industries to better serve our customers and increase efficiencies. As of August 31, 2019 and November 30, 2018, our balance sheet had \$553.0 million and \$589.0 million, respectively, of assets in the Lennar Other segment, which included investments in unconsolidated entities of \$447.7 million and \$424.1 million, respectively.

During the three and nine months ended August 31, 2019, our Lennar Other segment had operating earnings of \$15.8 million and \$20.7 million, respectively, which related to the fund investments we retained when we sold the Rialto investment and asset management platform as well as our strategic investments in technology companies. Operating earnings for the three and nine months ended August 31, 2018 were \$8.8 million and \$15.6 million, respectively, which primarily included the Rialto investment and asset management platform, which was sold on November 30, 2018, and the Rialto fund investments we retained when we sold the Rialto investment and asset management platform.

At August 31, 2019 and November 30, 2018, the carrying value of Lennar Other's CMBS was \$60.8 million and \$60.0 million, respectively. These securities were purchased at discounts ranging from 6.5% to 86.1% with coupon rates ranging from 1.3% to 4.0%, stated and assumed final distribution dates between November 2020 and October 2026, and stated maturity dates between November 2049 and March 2059. We classify these securities as held-to-maturity based on our intent and ability to hold the securities until maturity.

## **(2) Financial Condition and Capital Resources**

At August 31, 2019, we had cash and cash equivalents and restricted cash related to our homebuilding, financial services, multifamily and other operations of \$1.1 billion, compared to \$1.6 billion at November 30, 2018 and \$1.1 billion at August 31, 2018.

We finance all of our activities, including homebuilding, financial services, multifamily, other and general operating needs, primarily with cash generated from our operations, debt issuances and cash borrowed under our warehouse lines of credit and our unsecured revolving credit facility (the "Credit Facility").

### **Operating Cash Flow Activities**

During the nine months ended August 31, 2019 and 2018, cash provided by operating activities totaled \$298.3 million and \$726.4 million, respectively. During the nine months ended August 31, 2019, cash provided by operating activities was impacted primarily by our net earnings, a decrease in receivables of \$528.0 million, partially offset by an increase in inventories due to strategic land purchases, land development and construction costs of \$1.6 billion.

During the nine months ended August 31, 2018, cash provided by operating activities was positively impacted by our net earnings, an increase in accounts payable and other liabilities of \$341.4 million, deferred income tax expense of \$188.1 million and a decrease in loans held-for-sale of \$130.5 million, of which \$73.9 million related to RMF originated commercial loans and \$56.6 million related to mortgage, both of which are reported within the Financial Services segment. This was partially offset by an increase in inventories due to strategic land purchases, land development and constructions costs of \$725.0 million and an increase in other assets of \$193.8 million. For the nine months ended August 31, 2018, distributions of earnings from unconsolidated entities were \$90.4 million, which included (1) \$67.5 million from Homebuilding unconsolidated entities; (2) \$18.7 million from Multifamily unconsolidated entities; and (2) \$4.2 million from the unconsolidated Rialto real estate funds included in our Lennar Other segment.

### **Investing Cash Flow Activities**

During the nine months ended August 31, 2019 and 2018, cash used in investing activities totaled \$39.4 million and \$1.0 billion, respectively. During the nine months ended August 31, 2019, our cash used in investing activities was primarily due to cash contributions of \$329.9 million to unconsolidated entities, which included (1) \$196.4 million to Homebuilding unconsolidated entities, (2) \$80.2 million to Multifamily unconsolidated entities primarily for working capital; and (3) \$52.9 million to the unconsolidated Rialto real estate funds and strategic investments included in our Lennar Other segment; and \$69.6 million of net addition to operating properties and equipment. This was partially offset by distributions of capital from unconsolidated and consolidated entities of \$250.3 million, which included (1) \$107.2 million from Multifamily unconsolidated entities; (2) \$78.7 million from Homebuilding unconsolidated entities; (3) \$41.6 million from the unconsolidated Rialto real estate funds and strategic investments included in our Lennar Other segment; and (4) \$22.9 million from Financial Services consolidated entities. In addition, our cash used in investing activities was also offset by \$50.0 million of proceeds from the sale of two Homebuilding operating properties and other assets, and \$41.6 million of proceeds from the sales of available-for-sale securities.

During the nine months ended August 31, 2018, our cash used in investing activities was primarily due to our \$1.1 billion acquisition of CalAtlantic, net of cash acquired. In addition, we made cash contributions of \$302.3 million to unconsolidated entities, which included (1) \$156.7 million to Homebuilding unconsolidated entities, (2) \$93.8 million to Multifamily unconsolidated entities primarily for working capital, (3) \$51.9 million to the unconsolidated Rialto real estate funds included in our Lennar Other segment. Cash used in investing activities was also impacted by purchases of CMBS bonds by our Financial Services and Lennar Other segment. This was partially offset by the receipt of \$199.7 million of proceeds from the sale of an 80% interest in one of Homebuilding's strategic joint ventures, Treasure Island Holdings, and distributions of capital from unconsolidated entities of \$227.8 million, which included (1) \$93.8 million from Homebuilding unconsolidated entities, (2) \$96.8 million from Multifamily unconsolidated entities, (3) \$37.1 million from the interests in Rialto real estate funds included in our Lennar Other segment.

### **Financing Cash Flow Activities**

During the nine months ended August 31, 2019 and 2018, cash used in financing activities totaled \$785.1 million and \$1.3 billion, respectively. During the nine months ended August 31, 2019, cash used in financing activities was primarily impacted by (1) payment at maturity of \$500 million aggregate principal amount of our 4.50% senior notes due June 2019; (2) \$423.1 million of net repayments under our Financial Services' warehouse facilities, which included the RMF warehouse repurchase facilities; (3) \$154.7 million principal payment on other borrowings; and (4) repurchases of our common stock for \$419.3 million, which included \$394.7 million of repurchases of our stock under our repurchase program and \$24.6 million of repurchases related to our equity compensation plan. These were partially offset by (1) \$700.0 million of net borrowings under our Credit Facility; and (2) \$62.6 million proceeds from other borrowings.

During the nine months ended August 31, 2018, cash used in financing activities was primarily impacted by (1) payment at maturity of \$575 million aggregate principal amount of the 8.375% senior notes due 2018; (2) \$436.0 million of principal payments on other borrowings, which included \$350.8 million of aggregate principal payment on the Lennar Other segment's 7.00% senior notes due December 2018; (3) \$250 million aggregate principal redemption of the 6.95% senior notes due 2018; (4) \$101.0 million of net repayments under our Financial Services and RMF warehouse facilities; and (5) \$68.6 million of payments related to noncontrolling interests. This was partially offset by \$195.3 million of net borrowings under our Credit Facilities as we replaced the amount outstanding under the CalAtlantic revolving credit facility with borrowings under our unsecured revolving credit facility, which had \$650 million outstanding as of August 31, 2018.

Debt to total capital ratios are financial measures commonly used in the homebuilding industry and are presented to assist in understanding the leverage of our homebuilding operations. Homebuilding debt to total capital and net Homebuilding debt to total capital are calculated as follows:

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018	August 31, 2018
Homebuilding debt	\$ 9,075,016	8,543,868	9,407,987
Stockholders' equity	15,371,938	14,581,535	14,032,016
Total capital	\$ 24,446,954	23,125,403	23,440,003
Homebuilding debt to total capital	37.1%	36.9%	40.1%
Homebuilding debt	\$ 9,075,016	8,543,868	9,407,987
Less: Homebuilding cash and cash equivalents	795,405	1,337,807	833,274
Net Homebuilding debt	\$ 8,279,611	7,206,061	8,574,713
Net Homebuilding debt to total capital (1)	35.0%	33.1%	37.9%

- (1) Net Homebuilding debt to total capital is a non-GAAP financial measure defined as net Homebuilding debt (Homebuilding debt less Homebuilding cash and cash equivalents) divided by total capital (net Homebuilding debt plus stockholders' equity). Our management believes the ratio of net Homebuilding debt to total capital is a relevant and a useful financial measure to investors in understanding the leverage employed in our homebuilding operations. However, because net Homebuilding debt to total capital is not calculated in accordance with GAAP, this financial measure should not be considered in isolation or as an alternative to financial measures prescribed by GAAP. Rather, this non-GAAP financial measure should be used to supplement our GAAP results.

At August 31, 2019, Homebuilding debt to total capital improved compared to August 31, 2018, as a result of an increase in stockholders' equity primarily related to our net earnings, partially offset by stock repurchases. In addition, there was a decrease in Homebuilding debt. At August 31, 2019, Homebuilding debt to total capital was higher compared to November 30, 2018, as a result of an increase in Homebuilding debt primarily due to an increase in outstanding borrowings under our Credit Facility and from our consolidation of a previously unconsolidated entity in the second quarter of 2019. In addition, stock repurchases negatively impacted stockholders' equity. This was partially offset by an increase in stockholders' equity primarily related to our net earnings.

We are continually exploring various types of transactions to manage our leverage and liquidity positions, take advantage of market opportunities and increase our revenues and earnings. These transactions may include the issuance of additional indebtedness, the repurchase of our outstanding indebtedness for cash or equity, the repurchase of our common stock, the acquisition of homebuilders and other companies, the purchase or sale of assets or lines of business, the issuance of common stock or securities convertible into shares of common stock, and/or the pursuit other financing alternatives. In connection with some of our non-homebuilding businesses, we are also considering other types of transactions such as sales, restructurings, joint ventures, spin-offs or initial public offerings as we continue to move back towards being a pure play homebuilding company. During the first quarter of 2019, we sold the majority of our retail title agency business and title insurance underwriter. In addition, we sold our real estate brokerage business, which operated only in Florida, and substantially all of our retail mortgage business. At August 31, 2019, we had no agreements regarding any significant transactions.



The following table summarizes our Homebuilding senior notes and other debts payable including those we became subject to, on a consolidated basis, from the CalAtlantic acquisition:

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
Unsecured revolving credit facility	\$ 700,000	—
4.50% senior notes due 2019	599,848	599,176
6.625% senior notes due 2020 (1)	305,684	311,735
2.95% senior notes due 2020	299,275	298,838
8.375% senior notes due 2021 (1)	423,119	435,897
4.750% senior notes due 2021	498,697	498,111
6.25% senior notes due December 2021 (1)	311,510	315,283
4.125% senior notes due 2022	597,637	596,894
5.375% senior notes due 2022 (1)	258,912	261,055
4.750% senior notes due 2022	571,266	570,564
4.875% senior notes due December 2023	396,456	395,759
4.500% senior notes due 2024	646,622	646,078
5.875% senior notes due 2024 (1)	449,327	452,833
4.750% senior notes due 2025	497,447	497,114
5.25% senior notes due 2026 (1)	408,224	409,133
5.00% senior notes due 2027 (1)	352,988	353,275
4.75% senior notes due 2027	892,859	892,297
4.500% senior notes due 2019	—	499,585
0.25% convertible senior notes due 2019	—	1,291
Mortgage notes on land and other debt	865,145	508,950
	<u>\$ 9,075,016</u>	<u>8,543,868</u>

(1) These notes were obligations of CalAtlantic when it was acquired, and were subsequently exchanged in part for notes of Lennar Corporation as follows: \$267.7 million principal amount of 6.625% senior notes due 2020, \$397.6 million principal amount of 8.375% senior notes due 2021, \$292.0 million principal amount of 6.25% senior notes due 2021, \$240.8 million principal amount of 5.375% senior notes due 2022, \$421.4 million principal amount of 5.875% senior notes due 2024, \$395.5 million principal amount of 5.25% senior notes due 2026 and \$347.3 million principal amount of 5.00% senior notes due 2027. As part of purchase accounting, the senior notes have been recorded at their fair value as of the date of acquisition (February 12, 2018).

The carrying amounts of the senior notes in the table above are net of debt issuance costs of \$24.9 million and \$31.2 million as of August 31, 2019 and November 30, 2018, respectively.

Our Homebuilding average debt outstanding was \$9.2 billion with an average rate for interest incurred of 4.8% for the nine months ended August 31, 2019, compared to \$9.1 billion with an average rate for interest incurred of 4.8% for the nine months ended August 31, 2018. Interest incurred related to Homebuilding debt for the nine months ended August 31, 2019 was \$321.0 million, compared to \$314.0 million for the nine months ended August 31, 2018.

In April 2019, we amended our credit agreement governing our Credit Facility to increase the commitments from \$2.3 billion to \$2.4 billion and extend the maturity one year to April 2024, with \$50 million maturing in June 2020. Our Credit Facility has a \$400 million accordion feature, subject to additional commitments, thus the maximum borrowings are \$2.8 billion. Subsequent to August 31, 2019, our Credit Facility commitments were increased by \$50 million to total commitments of \$2.5 billion. The proceeds available under our Credit Facility, which are subject to specified conditions for borrowing, may be used for working capital and general corporate purposes. Our credit agreement also provides that up to \$500 million in commitments may be used for letters of credit. Under our Credit Facility agreement, we are 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. We believe we were in compliance with our debt covenants at August 31, 2019. In addition, we had \$305 million of letter of credit facilities with different financial institutions.

Our performance letters of credit outstanding were \$682.3 million and \$598.4 million, at August 31, 2019 and November 30, 2018, respectively. Our financial letters of credit outstanding were \$180.8 million and \$165.4 million at August 31, 2019 and November 30, 2018, respectively. Performance letters of credit are generally posted with regulatory bodies to guarantee the 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, as credit enhancements and as other collateral. Additionally, at

August 31, 2019, we had outstanding surety bonds of \$2.9 billion including performance surety bonds related to site improvements at various projects (including certain projects of our joint ventures) and financial surety bonds.

In June 2019, we redeemed \$500 million aggregate principal amount of our 4.500% senior notes due June 2019. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest.

Under the amended Credit Facility agreement executed in April 2019 (the "Credit Agreement"), as of the end of each fiscal quarter, we are required to maintain minimum consolidated tangible net worth of approximately \$7.1 billion plus the sum of 50% of the cumulative consolidated net income for each completed fiscal quarter subsequent to February 28, 2019, if positive, and 50% of the net cash proceeds from any equity offerings from and after February 28, 2019, minus the lesser of 50% of the amount paid after April 11, 2019 to repurchase common stock and \$375 million. We are required to maintain a leverage ratio that shall not exceed 65% and may be reduced by 2.5% per quarter if our interest coverage ratio is less than 2.25:1.00 for two consecutive fiscal calendar quarters. The leverage ratio will have a floor of 60%. If our interest coverage ratio subsequently exceeds 2.25:1.00 for two consecutive fiscal calendar quarters, the leverage ratio we will be required to maintain will be increased by 2.5% per quarter to a maximum of 65%. As of the end of each fiscal quarter, we are also required to maintain either (1) liquidity in an amount equal to or greater than 1.00x consolidated interest incurred for the last twelve months then ended or (2) an interest coverage ratio equal to or greater than 1.50:1.00 for the last twelve months then ended.

The following summarizes our required debt covenants and our actual levels or ratios with respect to those covenants as calculated per the Credit Agreement as of August 31, 2019:

<i>(Dollars in thousands)</i>	Covenant Level	Level Achieved as of August 31, 2019
Minimum net worth test	\$ 7,390,364	10,009,856
Maximum leverage ratio	65.0%	42.2%
Liquidity test (1)	1.00	2.01

(1) We are only required to maintain either (1) liquidity in an amount equal to or greater than 1.00x consolidated interest incurred for the last twelve months then ended or (2) an interest coverage ratio of equal to or greater than 1.50:1.00 for the last twelve months then ended. Although we are in compliance with our debt covenants for both calculations, we have only disclosed our liquidity test.

The terms minimum net worth test, maximum leverage ratio, liquidity test and interest coverage ratio used in the Credit Agreement are specifically calculated per the Credit Agreement and differ in specified ways from comparable GAAP or common usage terms.

Currently, substantially all of our 100% owned homebuilding subsidiaries are guaranteeing all our senior notes (the "Guaranteed Notes"). The guarantees are full and unconditional. The principal reason our 100% owned homebuilding subsidiaries are guaranteeing the Guaranteed Notes is so holders of the Guaranteed Notes will have rights at least as great with regard to those subsidiaries as any other holders of a material amount of our unsecured debt. Therefore, the guarantees of the Guaranteed Notes will remain in effect with regard to a guarantor subsidiary only while it guarantees a material amount of the debt of Lennar Corporation, as a separate entity, to others. At any time when a guarantor subsidiary is no longer guaranteeing at least \$75 million of Lennar Corporation's debt other than the Guaranteed Notes, either directly or by guaranteeing other subsidiaries' obligations as guarantors of Lennar Corporation's debt, the guarantor subsidiary's guarantee of the Guaranteed Notes will be suspended. Therefore, if the guarantor subsidiaries cease guaranteeing Lennar Corporation's obligations under our Credit Facility and our letter of credit facilities and are not guarantors of any new debt, the guarantor subsidiaries' guarantees of the Guaranteed Notes will be suspended until such time, if any, as they again are guaranteeing at least \$75 million of Lennar Corporation's debt other than the Guaranteed Notes.

If our guarantor subsidiaries are guaranteeing revolving credit lines totaling at least \$75 million, we will treat the guarantees of the Guaranteed Notes as remaining in effect even during periods when Lennar Corporation's borrowings under the revolving credit lines are less than \$75 million. 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.

At August 31, 2019, the Financial Services warehouse facilities used to fund residential mortgages were as follows:

<i>(In thousands)</i>	Maximum Aggregate Commitment
364-day warehouse repurchase facility that matures October 2019 (1)	\$ 500,000
364-day warehouse repurchase facility that matures November 2019 (2)	300,000
364-day warehouse repurchase facility that matures March 2020 (3)	300,000
364-day warehouse repurchase facility that matures June 2020	500,000
<b>Total</b>	<b>\$ 1,600,000</b>

- (1) Maximum aggregate commitment includes an uncommitted amount of \$400 million.  
(2) Maximum aggregate commitment includes an uncommitted amount of \$300 million.  
(3) Maximum aggregate commitment includes an uncommitted amount of \$300 million.

Our Financial Services segment uses these facilities to finance its residential mortgage lending activities until the mortgage loans are sold to investors and the proceeds are collected. The facilities are non-recourse to us and are expected to be renewed or replaced with other facilities when they mature. Borrowings under the facilities and their prior year predecessors were \$887.8 million and \$1.3 billion at August 31, 2019 and November 30, 2018, respectively, and were collateralized by mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of \$913.9 million and \$1.3 billion, at August 31, 2019 and November 30, 2018, respectively. Without the facilities, our Financial Services segment would have to use cash from operations and other funding sources to finance its residential mortgage lending activities. Since our Financial Services segment's borrowings under the warehouse repurchase facilities are generally repaid with the proceeds from the sale of mortgage loans and receivables on loans that secure those borrowings, the facilities are not likely to be a call on our current cash or future cash resources. If the facilities are not renewed or replaced, the borrowings under the lines of credit will be paid off by selling mortgage loans held-for-sale and by collecting on receivables on loans sold to investors but not yet paid for.

At August 31, 2019, the RMF warehouse facilities were as follows:

<i>(In thousands)</i>	Maximum Aggregate Commitment
364-day warehouse repurchase facility that matures November 2019	\$ 200,000
364-day warehouse repurchase facility that matures December 2019	250,000
364-day warehouse repurchase facility that matures December 2019	200,000
364-day warehouse repurchase facility that matures December 2019	200,000
<b>Total - Loans origination and securitization business</b>	<b>\$ 850,000</b>
Warehouse repurchase facility that matures December 2019 (two - one year extensions) (1)	50,000
<b>Total</b>	<b>\$ 900,000</b>

- (1) RMF uses this warehouse repurchase facility to finance the origination of floating rate accrual loans, which are reported as accrual loans within loans held-for-investment, net. There were borrowings under this facility of \$11.4 million as of August 31, 2019. There were no borrowings under this facility as of November 30, 2018.

Borrowings under the facilities that finance RMF's commercial loan originations and securitization activities were \$113.0 million and \$178.8 million as of August 31, 2019 and November 30, 2018, respectively, and were secured by a 75% interest in the originated commercial loans financed. The facilities require immediate repayment of the 75% interest in the secured commercial loans when the loans are sold in a securitization and the proceeds are collected. These warehouse repurchase facilities are non-recourse to us and are expected to be renewed or replaced with other facilities when they mature. If the facilities are not renewed or replaced, the borrowings under the lines of credit will be paid off by selling the loans held-for-sale to investors. Without the facilities, the Financial Services segment would have to use cash from operations and other funding sources to finance its lending activities.

### Changes in Capital Structure

In January 2019, our Board of Directors authorized us to repurchase up to the lesser of \$1 billion in value, or 25 million in shares, of our outstanding Class A and Class B common stock. The repurchase authorization has no expiration date. During the three months ended August 31, 2019, under this repurchase program, we repurchased 6.1 million shares of our Class A common stock for approximately \$295.9 million at an average share price of \$48.41. During the nine months ended August 31, 2019, under this repurchase program, we repurchased 8.1 million shares of our Class A common stock for approximately \$394.7 million at an average share price of \$48.65.

During the nine months ended August 31, 2019, treasury stock increased due to our repurchase of 8.1 million shares of Class A common stock during the nine months ended August 31, 2019 through our stock repurchase program and 0.6 million shares of Class A common stock primarily due to activity related to our equity compensation plan. During the nine months ended August 31, 2018, treasury stock increased by 1.0 million shares of Class A common stock primarily due to activity related to our equity compensation plan.

On July 25, 2019, we paid cash dividends of \$0.04 per share for both our Class A and Class B common stock to holders of record at the close of business on July 11, 2019, as declared by our Board of Directors on June 26, 2019. On October 3, 2019, our Board of Directors declared a quarterly cash dividend of \$0.04 per share on both our Class A and Class B common stock, payable on November 1, 2019 to holders of record at the close of business on October 18, 2019. We approved and paid cash dividends of \$0.04 per share for both our Class A and Class B common stock in each quarter for the year ended November 30, 2018.

Based on our current financial condition and credit relationships, we believe that our operations and borrowing resources will provide for our current and long-term capital requirements at our anticipated levels of activity.

## Off-Balance Sheet Arrangements

### Homebuilding: Investments in Unconsolidated Entities

At August 31, 2019, we had equity investments in 51 homebuilding and land unconsolidated entities (of which at August 31, 2019, three had recourse debt, seven had non-recourse debt and 41 had no debt) compared to 51 homebuilding and land unconsolidated entities at November 30, 2018. Historically, we have invested in unconsolidated entities that acquired and developed land (1) for our homebuilding operations or for sale to third parties or (2) for the construction of homes for sale to third-party homebuyers. Through these entities, we have primarily sought to reduce and share our risk by limiting the amount of our capital invested in land, while obtaining access to potential future homesites and allowing us to participate in strategic ventures. The use of these entities also, in some instances, has enabled us to acquire land to which we could not otherwise obtain access, or could not obtain access on as favorable terms, without the participation of a strategic partner. Participants in these joint ventures have been land owners/developers, other homebuilders and financial or strategic partners. Joint ventures with land owners/developers have given us access to homesites owned or controlled by our partners. Joint ventures with other homebuilders have provided us with the ability to bid jointly with our partners for large land parcels. Joint ventures with financial partners have allowed us to combine our homebuilding expertise with access to our partners' capital. Joint ventures with strategic partners have allowed us to combine our homebuilding expertise with the specific expertise (e.g. commercial or infill experience) of our partners. Each joint venture is governed by an executive committee consisting of members from the partners.

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

### Statements of Operations and Selected Information

	Three Months Ended		As of or for the	
	August 31,		Nine Months Ended	
	2019	2018	2019	2018
<i>(Dollars in thousands)</i>				
Revenues	\$ 74,939	153,136	231,269	322,277
Costs and expenses	99,611	195,525	313,725	451,627
Other income (1)	513	13,903	76,578	119,095
Net earnings of unconsolidated entities	\$ (24,159)	(28,486)	(5,878)	(10,255)
Homebuilding equity in loss from unconsolidated entities	\$ (10,459)	(16,739)	(4,601)	(43,537)
Homebuilding cumulative share of net earnings - deferred at August 31, 2019 and 2018, respectively			\$ 30,008	25,933
Homebuilding investments in unconsolidated entities			\$ 1,002,936	901,351
Equity of the Homebuilding unconsolidated entities			\$ 4,158,036	4,133,948
Homebuilding investment % in the unconsolidated entities (2)			24%	22%

- (1) During the nine months ended August 31, 2019, other income was primarily attributable to a \$64.9 million gain on the settlement of contingent consideration recorded by one Homebuilding unconsolidated entity, of which our pro-rata share was \$25.9 million. During the three and nine months ended August 31, 2018, other income was primarily due to FivePoint recording income resulting from the Tax Cuts and Jobs Act of 2017's reduction in its corporate tax rate to reduce its liability pursuant to its tax receivable agreement ("TRA Liability") with its non-controlling interests. However, we have a 70% interest in the FivePoint TRA Liability. Therefore, we did not include in Homebuilding's equity in loss from unconsolidated entities its pro-rata share of earnings related to our portion of the TRA Liability. As a result, our unconsolidated entities have net earnings, but we have an equity in loss from unconsolidated entities.

- (2) Our share of profit and cash distributions from the sales of land could be higher or lower compared to our ownership interest in unconsolidated entities if certain specified internal rate of return or cash flow milestones are achieved.

## Balance Sheets

<i>(In thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 536,251	781,833
Inventories	4,262,446	4,291,470
Other assets	1,012,391	1,045,274
	<u>\$ 5,811,088</u>	<u>6,118,577</u>
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	\$ 800,962	874,355
Debt (1)	852,090	1,202,556
Equity	4,158,036	4,041,666
	<u>\$ 5,811,088</u>	<u>6,118,577</u>

- (1) Debt presented above is net of debt issuance costs of \$9.7 million and \$12.4 million, as of August 31, 2019 and November 30, 2018, respectively. The decrease in debt was primarily related to the consolidation of an unconsolidated entity during the second quarter of 2019.

As of August 31, 2019 and November 30, 2018, our recorded investments in Homebuilding unconsolidated entities were \$1.0 billion and \$870.2 million, respectively, while the underlying equity related to our investments in Homebuilding unconsolidated entities partners' net assets as of August 31, 2019 and November 30, 2018 were \$1.3 billion and \$1.2 billion, respectively. The basis difference is primarily as a result of us contributing our investment in three strategic joint ventures with a higher fair value than book value for an investment in the FivePoint entity and deferring equity in earnings on land sales to us. Included in our recorded investments in Homebuilding unconsolidated entities is our 40% ownership of FivePoint. As of August 31, 2019 and November 30, 2018, the carrying amount of our investment was \$380.5 million and \$342.7 million, respectively.

During the nine months ended August 31, 2018, we sold 80% of a strategic joint venture to a third-party resulting in a gain of \$164.9 million recorded in Homebuilding other income, net within the accompanying Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

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

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

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
Debt (1)	\$ 852,090	1,202,556
Equity	4,158,036	4,041,666
Total capital	<u>\$ 5,010,126</u>	<u>5,244,222</u>
Debt to total capital of our unconsolidated entities	<u>17.0%</u>	<u>22.9%</u>

- (1) Debt presented above is net of debt issuance costs of \$9.7 million and \$12.4 million, as of August 31, 2019 and November 30, 2018, respectively. The decrease in debt was primarily related to our consolidation of a previously unconsolidated entity during the second quarter of 2019.

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

<i>(In thousands)</i>	August 31, 2019	November 30, 2018
Land development	\$ 922,056	805,678
Homebuilding	80,880	64,523
Total investments (1)	<u>\$ 1,002,936</u>	<u>870,201</u>

- (1) As of November 30, 2018, total investments does not include the (\$62.0) million balance for one unconsolidated entity as it was reclassified to other liabilities.

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

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

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

The total debt of Homebuilding unconsolidated entities in which we have investments, including Lennar's maximum recourse exposure, was as follows:

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
Non-recourse bank debt and other debt (partner's share of several recourse)	\$ 49,995	48,313
Non-recourse debt with completion guarantees	154,774	239,568
Non-recourse debt without completion guarantees	647,010	861,371
Non-recourse debt to Lennar	851,779	1,149,252
Lennar's maximum recourse exposure (1)	10,036	65,707
Debt issue costs	(9,725)	(12,403)
Total debt (1)	\$ 852,090	1,202,556
Lennar's maximum recourse exposure as a % of total JV debt	1%	5%

(1) As of August 31, 2019 and November 30, 2018, our maximum recourse exposure was primarily related to us providing repayment guarantees on two and four unconsolidated entities' debt, respectively. The decrease in maximum recourse exposure and total debt was primarily related to the consolidation of a previously unconsolidated entity during the second quarter of 2019.

The recourse debt exposure in the previous table represents our maximum exposure to loss from guarantees and does not take into account the underlying value of the collateral or the other assets of the borrowers that are available to repay debt or to reimburse us for any payments on our guarantees.

In addition, in most instances in which we have guaranteed debt of a Homebuilding unconsolidated entity, our partners have also guaranteed that debt and are required to contribute their share of the guarantee payment. In a repayment guarantee, we and our venture partners guarantee repayment of a portion or all of the debt in the event of a default before the lender would have to exercise its rights against the collateral.

In connection with many of the loans to Homebuilding unconsolidated entities, we and our joint venture partners (or entities related to them) have been required to give guarantees of completion to the lenders. Those completion guarantees may require that the guarantors complete the construction of the improvements for which the financing was obtained. If the construction is to be done in phases, the guarantee generally is limited to completing only the phases as to which construction has already commenced and for which loan proceeds were used. If we are required to make a payment under any guarantee, the payment would generally constitute a capital contribution or loan to the Homebuilding unconsolidated entity and increase our share of any funds the unconsolidated entity distributes.

As of August 31, 2019 and November 30, 2018, the fair values of the repayment, maintenance, and completion guarantees were not material. We believe that as of August 31, 2019, in the event we become legally obligated to perform under a guarantee of the obligation of a Homebuilding unconsolidated entity due to a triggering event under a guarantee, the collateral would be sufficient to repay at least a significant portion of the obligation or we and our partners would contribute additional capital into the venture. In certain instances, we have placed performance letters of credit and surety bonds with municipalities with regard to obligations of our joint ventures (see Note 12 of the Notes to Condensed Consolidated Financial Statements).

The following table summarizes the principal maturities of our Homebuilding unconsolidated entities ("JVs") debt as per current debt arrangements as of August 31, 2019 and it does not represent estimates of future cash payments that will be made to reduce debt balances. Many JV loans have extension options in the loan agreements that would allow the loans to be extended into future years.

(In thousands)	Principal Maturities of Unconsolidated JVs by Period					
	Total JV Debt	2019	2020	2021	Thereafter	Other
Maximum recourse debt exposure to Lennar	\$ 10,036	—	—	3,770	6,266	—
Debt without recourse to Lennar	851,779	5,316	131,681	175,813	538,969	—
Debt issuance costs	(9,725)	—	—	—	—	(9,725)
Total	\$ 852,090	5,316	131,681	179,583	545,235	(9,725)

The table below indicates the assets, debt and equity of our 10 largest Homebuilding unconsolidated joint venture investments by the carrying value of Lennar's investment as of August 31, 2019:

(Dollars in thousands)	Lennar's Investment	Total JV Assets	Maximum Recourse Debt Exposure to Lennar	Total Debt Without Recourse to Lennar	Total JV Debt	Total JV Equity	JV Debt to Total Capital Ratio
<b>Top Ten JVs (1):</b>							
FivePoint	\$ 380,476	2,877,045	—	500,000	500,000	1,908,774	21%
Dublin Crossings	78,395	243,387	—	—	—	218,606	—%
Heritage Fields El Toro	45,131	1,191,172	—	5,919	5,919	1,027,979	1%
Hawk Land Investors	43,588	5,899	—	—	—	5,859	—%
SC East Landco	42,705	101,675	—	—	—	101,461	—%
Greenbriar Investor	37,200	—	—	—	—	—	—%
Mesa Canyon Community Partners	35,515	145,264	—	39,500	39,500	105,965	27%
E.L. Urban Communities	35,437	46,101	—	20,902	20,902	22,381	48%
BHCSP	33,682	97,251	3,770	26,391	30,161	55,579	35%
Runkle Canyon	33,056	66,181	—	—	—	66,112	—%
10 largest JV investments	765,185	4,773,975	3,770	592,712	596,482	3,512,716	15%
Other JVs	237,751	1,037,113	6,266	259,067	265,333	645,320	29%
Total	\$ 1,002,936	5,811,088	10,036	851,779	861,815	4,158,036	17%
Debt issuance costs			—	(9,725)	(9,725)		
Total JV debt			\$ 10,036	842,054	852,090		

(1) The 10 largest joint ventures by carrying value presented above represent the majority of our total JVs assets and equity, 38% of the total maximum recourse debt exposure to Lennar and 70% of total JV debt without recourse to Lennar. In addition, the majority of the joint ventures presented in the table above operate in our Homebuilding West segment except FivePoint, Heritage Fields El Toro, Greenbriar Investor and E.L. Urban Communities which are in Homebuilding Other and Hawk Land Investors which is in Homebuilding East.

#### Multifamily: Investments in Unconsolidated Entities

At August 31, 2019, Multifamily had equity investments in 18 unconsolidated entities that are engaged in multifamily residential developments (of which seven had non-recourse debt and 11 had no debt), compared to 22 unconsolidated entities at November 30, 2018. We invest in unconsolidated entities that acquire and develop land to construct multifamily rental properties. Through these entities, we are focusing on developing a geographically diversified portfolio of institutional quality multifamily rental properties in select U.S. markets. Initially, we participated in building multifamily developments and selling them soon after they were completed. Recently, however, we have been focused on developing properties with the intention of retaining them. Participants in these joint ventures have been financial partners. Joint ventures with financial partners have allowed us to combine our development and construction expertise with access to our partners' capital. Each joint venture is governed by an operating agreement that provides significant substantive participating voting rights on major decisions to our partners.

LMV I is a long-term multifamily development investment vehicle involved in the development, construction and property management of class-A multifamily assets with \$2.2 billion in equity commitments, including a \$504 million co-investment commitment by us comprised of cash, undeveloped land and preacquisition costs. LMV I has 39 multifamily assets totaling approximately 11,700 apartments with projected project costs of \$4.1 billion as of August 31, 2019. There are 22 completed and operating multifamily assets with 6,200 apartments. During the nine months ended August 31, 2019, \$162.4



million in equity commitments were called, of which we contributed \$39.6 million representing our pro-rata portion of the called equity. During the nine months ended August 31, 2019, we received \$12.3 million of distributions as a return of capital from LMV I. As of August 31, 2019, \$2.1 billion of the \$2.2 billion in equity commitments had been called, of which we had contributed \$480.4 million representing our pro-rata portion of the called equity, resulting in a remaining equity commitment for us of \$23.6 million. As of August 31, 2019 and November 30, 2018, the carrying value of our investment in LMV I was \$397.9 million and \$383.4 million, respectively.

In March 2018, our Multifamily segment completed the first closing of a second Multifamily Venture, LMV II, for the development, construction and property management of class-A multifamily assets. In June 2019, our Multifamily segment completed the final closing of LMV II, which has approximately \$1.3 billion of equity commitments, including a \$381 million co-investment commitment by us comprised of cash, undeveloped land and preacquisition costs. During the nine months ended August 31, 2019, \$200.8 million in equity commitments were called, of which we contributed \$54.9 million, which was made up of \$132.2 million of inventory and cash contributions, offset by \$77.3 million of distributions as a return of capital resulting in a remaining commitment for us of \$244.9 million. As of August 31, 2019, \$452.8 million of the \$1.3 billion in equity commitments had been called. As of August 31, 2019 and November 30, 2018, the carrying value of our investment in LMV II was \$115.1 million and \$63.0 million, respectively. The difference between our net contributions and the carrying value of our investments was related to a basis difference. As of August 31, 2019, LMV II included 13 undeveloped multifamily assets totaling approximately 4,700 apartments with projected project costs of approximately \$2.0 billion.

We regularly monitor the results of our unconsolidated joint ventures and any trends that may affect their future liquidity or results of operations. We also monitor the performance of joint ventures in which we have investments on a regular basis to assess compliance with debt covenants. For those joint ventures not in compliance with the debt covenants, we evaluate and assess possible impairment of our investment. We believe all of the joint ventures were in compliance with their debt covenants at August 31, 2019.

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

### **Balance Sheets**

<i>(Dollars in thousands)</i>	August 31, 2019	November 30, 2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 28,260	61,571
Operating properties and equipment/construction in progress	4,188,948	3,708,613
Other assets	57,298	40,899
	<u>\$ 4,274,506</u>	<u>3,811,083</u>
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	\$ 200,850	199,119
Notes payable (1)	1,731,702	1,381,656
Equity	2,341,954	2,230,308
	<u>\$ 4,274,506</u>	<u>3,811,083</u>

(1) Notes payable are net of debt issuance costs of \$21.5 million and \$15.7 million, as of August 31, 2019 and November 30, 2018, respectively.

The following table summarizes the principal maturities of our Multifamily unconsolidated entities debt as per current debt arrangements as of August 31, 2019 and it does not represent estimates of future cash payments that will be made to reduce debt balances.

<i>(In thousands)</i>	Principal Maturities of Unconsolidated JVs by Period					
	Total JV Debt	2019	2020	2021	Thereafter	Other
Debt without recourse to Lennar	\$ 1,753,201	31,020	794,517	290,898	636,766	—
Debt issuance costs	(21,499)	—	—	—	—	(21,499)
Total	<u>\$ 1,731,702</u>	<u>31,020</u>	<u>794,517</u>	<u>290,898</u>	<u>636,766</u>	<u>(21,499)</u>



## Statements of Operations and Selected Information

(Dollars in thousands)	Three Months Ended		As of or for the Nine Months Ended	
	August 31,		August 31,	
	2019	2018	2019	2018
Revenues	\$ 44,338	31,907	118,318	82,980
Costs and expenses	64,423	47,235	175,636	122,512
Other income, net	33,178	13,588	54,578	52,457
Net earnings (loss) of unconsolidated entities	\$ 13,093	(1,740)	(2,740)	12,925
Multifamily equity in earnings (loss) from unconsolidated entities and other gain (1)	\$ 7,883	(1,730)	15,446	15,293
Our investments in unconsolidated entities			\$ 539,697	482,241
Equity of the unconsolidated entities			\$ 2,341,954	2,203,792
Our investment % in the unconsolidated entities			23%	22%

- (1) During the three months ended August 31, 2019, our Multifamily segment sold, through its unconsolidated entities, one operating property resulting in the segment's \$12.6 million share of gain. During the nine months ended August 31, 2019, our Multifamily segment sold, through its unconsolidated entities, two operating properties and an investment in an operating property resulting in the segment's \$28.1 million share of gains. The gain of \$11.9 million recognized on the sale of the investment in an operating property and recognition of our share of deferred development fees that were capitalized at the joint venture level are included in Multifamily equity in earnings (loss) from unconsolidated entities and other gain, and are not included in net earnings (loss) of unconsolidated entities. During the three and nine months ended August 31, 2018, our Multifamily segment sold one and four operating properties, respectively, through its unconsolidated entities resulting in the segment's \$1.7 million and \$23.3 million share of gains, respectively.

### Lennar Other: Investments in Unconsolidated Entities

We sold our Rialto Management Group on November 30, 2018. We retained our fund investments along with our carried interests in various Rialto funds and investments in other balance sheet assets. Our limited partner investments in Rialto funds and investment vehicles totaled \$297.9 million at August 31, 2019. We are committed to invest as much as an additional \$49.0 million in Rialto funds.

As part of the sale of the Rialto investment and asset management platform, we retained our ability to receive a portion of payments with regard to carried interests if funds meet specified performance thresholds. We will periodically receive advance distributions related to the carried interests in order to cover income tax obligations resulting from allocations of taxable income to the carried interests. These distributions are not subject to clawbacks but will reduce future carried interest payments to which we become entitled from the applicable funds and have been recorded as revenues.

The following table represents amounts our Lennar Other segment would have received had the Rialto funds ceased operations and hypothetically liquidated all their investments at their estimated fair values on August 31, 2019, both gross and net of amounts already received as advanced tax distributions and amounts paid as carried interest. The actual amounts we may receive could be materially different from amounts presented in the table below.

(In thousands)	August 31, 2019			
	Hypothetical Carried Interest	Paid as Advanced Tax Distribution	Paid as Carried Interest	Hypothetical Carried Interest, Net (2)
Rialto Real Estate Fund, LP (1)	\$ 182,688	52,711	53,917	76,060
Rialto Real Estate Fund II, LP (1)	107,852	21,423	465	85,964
Rialto Real Estate Fund III, LP (1)	78,218	18,151	—	60,067
	\$ 368,758	92,285	54,382	222,091

- (1) Gross of interests of participating employees (refer to note below).
- (2) Rialto previously adopted carried interest plans under which we and participating employees will receive 60% and 40%, respectively, of carried interest payments, net of expenses, received by entities that are general partners of a number of Rialto funds or other investment vehicles. When Rialto Management Group was sold, we retained our right to receive 60% of the distributions of carried interest payments received from funds that existed at the time of the sale.

In connection with our strategic technology initiatives, at August 31, 2019 and November 30, 2018, we had strategic equity investments in 14 and nine unconsolidated entities, respectively, which totaled \$149.9 million and \$126.7 million, respectively.

### Option Contracts

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

The table below indicates the number of homesites owned and homesites to which we had access through option contracts with third parties ("optioned") or unconsolidated JVs (i.e., controlled homesites) at August 31, 2019 and 2018:

August 31, 2019	Controlled Homesites			Owned Homesites	Total Homesites
	Optioned	JVs	Total		
East	31,489	16,613	48,102	80,074	128,176
Central	7,540	132	7,672	32,036	39,708
Texas	24,049	—	24,049	37,603	61,652
West	8,193	3,304	11,497	64,627	76,124
Other	—	1,310	1,310	3,234	4,544
Total homesites	71,271	21,359	92,630	217,574	310,204

  

August 31, 2018	Controlled Homesites			Owned Homesites	Total Homesites
	Optioned	JVs	Total		
East	21,388	3,482	24,870	72,812	97,682
Central	5,854	—	5,854	32,386	38,240
Texas	10,757	—	10,757	32,096	42,853
West	7,894	6,049	13,943	67,355	81,298
Other	—	1,276	1,276	250	1,526
Total homesites	45,893	10,807	56,700	204,899	261,599

We evaluate certain option contracts for land to determine whether they are VIEs and, if so, whether we are the primary beneficiary of certain of these option contracts. Although we do not have legal title to the optioned land, if we are deemed to be the primary beneficiary or make a significant deposit for optioned land, we may need to consolidate the land under option at the purchase price of the optioned land. Consolidated land purchase options are reflected in the accompanying condensed consolidated balance sheets as consolidated inventory not owned. Over the next several years, we plan to increase the controlled homesites to 40%-50% of our entire homesite inventory from approximately 30% as of August 31, 2019. Recently, we have undertaken several strategic land initiatives which include acquiring fully developed homesites from regional developers and may also include building homes in bulk for landowners who will retain them as rental properties.

During the nine months ended August 31, 2019, consolidated inventory not owned increased by \$143.1 million with a corresponding increase to liabilities related to consolidated inventory not owned in the accompanying condensed consolidated balance sheet as of August 31, 2019. The increase was primarily due to the consolidation of option contracts, partially offset by us exercising our options to acquire land under previously consolidated contracts. To reflect the purchase price of the inventory that was consolidated, we had a net reclass related to option deposits from consolidated inventory not owned to land under development in the accompanying condensed consolidated balance sheet as of August 31, 2019. The liabilities related to consolidated inventory not owned primarily represent the difference between the option exercise prices for the optioned land and our cash deposits.

Our exposure to losses related to option contracts with third parties and unconsolidated entities consisted of non-refundable option deposits and pre-acquisition costs totaling \$311.1 million and \$209.5 million at August 31, 2019 and November 30, 2018, respectively. Additionally, we had posted \$74.8 million and \$72.4 million of letters of credit in lieu of cash deposits under certain land and option contracts as of August 31, 2019 and November 30, 2018, respectively.

## **Contractual Obligations and Commercial Commitments**

Our contractual obligations and commercial commitments have not changed materially from those reported in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended November 30, 2018.

We are subject to the usual obligations associated with entering into contracts (including option contracts) for the purchase, development and sale of real estate in the routine conduct of our business. Option contracts for the purchase of land generally enable us to defer acquiring portions of properties owned by third parties or unconsolidated entities until we have determined whether to exercise our options. This reduces our financial risk associated with land holdings. At August 31, 2019, we had access to 92,630 homesites through option contracts with third parties and unconsolidated entities in which we have investments. At August 31, 2019, we had \$311.1 million of non-refundable option deposits and pre-acquisition costs related to certain of these homesites and had posted \$74.8 million of letters of credit in lieu of cash deposits under certain land and option contracts.

At August 31, 2019, we had letters of credit outstanding in the amount of \$863.1 million (which included the \$74.8 million of letters of credit described above). These letters of credit are generally posted either with regulatory bodies to guarantee our performance of certain development and construction activities, or in lieu of cash deposits on option contracts, for insurance risks, credit enhancements and as other collateral. Additionally, at August 31, 2019, we had outstanding surety bonds of \$2.9 billion including performance surety bonds related to site improvements at various projects (including certain projects of our joint ventures) and financial surety bonds. Although significant development and construction activities have been completed related to these site improvements, these bonds are generally not released until all of the development and construction activities are completed. As of August 31, 2019, there were approximately \$1.4 billion, or 47%, of anticipated future costs to complete related to these site improvements. We do not presently anticipate any draws upon these bonds or letters of credit, but if any such draws occur, we do not believe they would have a material effect on our financial position, results of operations or cash flows.

Our Financial Services segment had a pipeline of residential mortgage loan applications in process of \$4.3 billion at August 31, 2019. Loans in process for which interest rates were committed to the borrowers totaled approximately \$775.2 million as of August 31, 2019. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments is expected to expire without being exercised by the borrowers or because borrowers may not meet certain criteria at the time of closing, the total commitments do not necessarily represent future cash requirements.

Our Financial Services segment uses mandatory mortgage-backed securities ("MBS") forward commitments, option contracts, futures contracts and investor commitments to hedge our mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk associated with MBS forward commitments, option contracts, futures contracts and loan sales transactions is managed by limiting our counterparties to investment banks, federally regulated bank affiliates and other investors meeting our credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At August 31, 2019, we had open commitments amounting to \$1.6 billion to sell MBS with varying settlement dates through November 2019 and there were no open futures contracts.

### **(3) New Accounting Pronouncements**

See Note 18 of the Notes to Condensed Consolidated Financial Statements included under Item 1 of this Report for a discussion of new accounting pronouncements applicable to our company.

### **(4) Critical Accounting Policies**

We believe that there have been no significant changes to our critical accounting policies during the nine months ended August 31, 2019 as compared to those we disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, for the year ended November 30, 2018, except those policies as a result of the adoption of ASC 606 as of December 1, 2018, for which we updated our revenue recognition policies as noted in Note 1 of the Notes to the Condensed Consolidated Financial Statements and as included below:

#### *Revenue Recognition*

Homebuilding revenues and related profits from sales of homes are recognized at the time of the closing of a sale, when title to and possession of the property are transferred to the homebuyer. Our performance obligation, to deliver the agreed-upon home, is generally satisfied in less than one year from the original contract date. Cash proceeds from home closings held in escrow for our benefit, typically for approximately three days, are included in Homebuilding cash and cash equivalents in the Condensed Consolidated Balance Sheets and disclosed in footnote 11 of the Notes to the Condensed Consolidated Financial Statements. Contract liabilities include customer deposits liabilities related to sold but undelivered homes that are included in

other liabilities in the Condensed Consolidated Balance Sheets. We periodically elect to sell parcels of land to third parties. Cash consideration from land sales is typically due on the closing date, which is generally when performance obligations are satisfied and revenue is recognized as title to and possession of the property are transferred to the buyer.

Our financial services' operations recognize revenues as follows: Title premiums on policies issued directly by us are recognized as revenue on the effective date of the title policies. Escrow fees and loan origination revenues are recognized at the time the related real estate transactions are completed, usually upon the close of escrow. Revenues from title policies issued by independent agents are recognized as revenue when notice of issuance is received from the agent, which is generally when cash payment is received by us.

Our Multifamily segment provides management services with respect to the development, construction and property management of rental projects in joint ventures in which we have investments. As a result, the Multifamily segment earns and receives fees, which are generally based upon a stated percentage of development and construction costs and a percentage of gross rental collections. These fees are recorded over the period in which the services are performed using an input method, which properly depicts the level of effort required to complete the management services. In addition, the Multifamily segment provides general contractor services for the construction of some of its rental projects and recognizes the revenue over the period in which the services are performed using an input method, which properly depicts the level of effort required to complete the construction services. These customer contracts require us to provide management and general contractor services which represents a performance obligation that we satisfy over time. Management fees and general contractor services in the Multifamily segment are included in Multifamily revenue.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

As of August 31, 2019, we had \$700 million of outstanding borrowings under our Credit Facility.

As of August 31, 2019, borrowings under Financial Services' warehouse repurchase facilities totaled \$887.8 million under residential loan facilities and \$113 million under RMF facilities.

**Information Regarding Interest Rate Sensitivity**  
**Principal (Notional) Amount by**  
**Expected Maturity and Average Interest Rate**  
**August 31, 2019**

	Three Months Ending November 30,	Years Ending November 30,							Fair Value at August 31,
(Dollars in millions)	2019	2020	2021	2022	2023	2024	Thereafter	Total	2019
LIABILITIES:									
Homebuilding:									
Senior Notes and other debts payable:									
Fixed rate	\$ 610.3	1,017.5	1,065.0	1,755.0	72.7	1,511.1	2,189.1	8,220.7	8,653.3
Average interest rate	4.5%	4.0%	6.0%	4.8%	4.2%	5.0%	4.9%	4.9%	—
Variable rate	\$ —	69.7	44.5	—	—	685.4	—	799.6	808.3
Average interest rate	—	4.7%	2.5%	—	—	3.8%	—	3.8%	—
Financial Services:									
Notes and other debts payable:									
Fixed rate	\$ 0.1	—	—	—	—	—	155.2	155.3	156.7
Average interest rate	5.5%	—	—	—	—	—	3.4%	3.4%	—
Variable rate	\$ 1,000.8	—	—	—	—	—	—	1,000.8	1,000.8
Average interest rate	4.0%	—	—	—	—	—	—	4.0%	—
Multifamily:									
Notes payable:									
Variable rate	\$ 36.1	—	—	—	—	—	—	36.1	36.1
Average interest rate	4.3%	—	—	—	—	—	—	4.3%	—
Lennar Other:									
Notes and other debts payable:									
Fixed rate	\$ 1.9	—	—	—	—	—	—	1.9	1.9
Average interest rate	2.9%	—	—	—	—	—	—	2.9%	—
Variable rate	\$ 13.2	—	—	—	—	—	—	13.2	13.2
Average interest rate	4.2%	—	—	—	—	—	—	4.2%	—

For additional information regarding our market risk refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the year ended November 30, 2018.

#### **Item 4. Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on their participation in that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of August 31, 2019 to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed in our reports filed or furnished under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Our CEO and CFO also participated in an evaluation by our management of any changes in our internal control over financial reporting that occurred during the quarter ended August 31, 2019. That evaluation did not identify any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Part II. Other Information**

##### **Item 1. Legal Proceedings**

We are a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, the disposition of these matters will not have a material adverse effect on our condensed consolidated financial statements.

In August 2019, a subsidiary of ours was notified by the Massachusetts Department of Environmental Protection of the subsidiary's non-compliance with the Massachusetts Contingency Plan regulations related to the clean-up of certain materials at a development formerly owned by that subsidiary in Hingham, MA. We expect to pay a monetary settlement to resolve this matter, which we do not currently expect will be material.

##### **Item 1A. Risk Factors**

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended November 30, 2018.

##### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about our repurchases of common stock during the three months ended August 31, 2019:

Period:	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (2)
June 1 to June 30, 2019	1,718	\$ 46.33	—	23,000,000
July 1 to July 31, 2019	3,440,582	\$ 47.47	2,991,893	20,008,107
August 1 to August 31, 2019	3,118,669	\$ 49.47	3,118,107	16,890,000

- (1) Includes shares of Class A common stock withheld by us to cover withholding taxes due, at the election of certain holders of nonvested shares, with market value approximating the amount of withholding taxes due.
- (2) In January 2019, our Board of Directors authorized a stock repurchase program, which replaced the June 2001 stock repurchase program, under which we are authorized to purchase up to the lesser of \$1.0 billion in value, or 25 million in shares, of our outstanding Class A or Class B common stock. This repurchase authorization has no expiration.

##### **Items 3 - 5. Not Applicable**

## Item 6. Exhibits

- 3.1 [By-Laws of Lennar Corporation, as amended effective June 26, 2019 - Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, dated June 26, 2019.](#)
- 10.1\*\*\* [2019 Award Agreements for Stuart Miller, Rick Beckwitt and Jonathan Jaffe - Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, dated June 25, 2019.](#)
- 10.2\*\*\* [Form of 2019 Award Agreement under the Company's 2016 Equity Incentive Plan for Stuart Miller, Rick Beckwitt and Jonathan Jaffe - Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K, dated June 25, 2019.](#)
- 10.3\*\*\* [2019 Award Agreements for Diane Bessette, Mark Sustana, Jeff McCall and Bruce Gross - Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K, dated June 25, 2019.](#)
- 31.1 [Rule 13a-14\(a\) certification by Rick Beckwitt, Chief Executive Officer.](#)
- 31.2 [Rule 13a-14\(a\) certification by Diane Bessette, Vice President, Chief Financial Officer and Treasurer.](#)
- 32. [Section 1350 certifications by Rick Beckwitt, Chief Executive Officer, and Diane Bessette, Vice President, Chief Financial Officer and Treasurer.](#)
- 101. The following financial statements from Lennar Corporation's Quarterly Report on Form 10-Q for the quarter ended August 31, 2019, filed on October 8, 2019, were formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) the Notes to Condensed Consolidated Financial Statements.
  - 101.INS\* iXBRL Instance Document.
  - 101.SCH\* iXBRL Taxonomy Extension Schema Document.
  - 101.CAL\* iXBRL Taxonomy Extension Calculation Linkbase Document.
  - 101.DEF\* iXBRL Taxonomy Extension Definition.
  - 101.LAB\* iXBRL Taxonomy Extension Label Linkbase Document.
  - 101.PRE\* iXBRL Taxonomy Presentation Linkbase Document.
- 104\*\* The cover page from Lennar Corporation's Quarterly Report on Form 10-Q for the quarter ended August 31, 2019 was formatted in iXBRL.

\* Filed herewith.

\*\* Included in Exhibit 101.

\*\*\* Management contract or compensatory plan or arrangement.

SIGNATURES

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

**Lennar Corporation**

(Registrant)

Date: October 8, 2019

/s/ Diane Bessette

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Diane Bessette

Vice President, Chief Financial Officer and  
Treasurer

Date: October 8, 2019

/s/ David Collins

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David Collins

Controller



### Chief Executive Officer's Certification

I, Rick Beckwitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennar Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 8, 2019

/s/ Rick Beckwitt

Name: Rick Beckwitt

Title: Chief Executive Officer

**Chief Financial Officer's Certification**

I, Diane Bessette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennar Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 8, 2019

/s/ Diane Bessette

Name: Diane Bessette

Title: Vice President, Chief Financial Officer and Treasurer

**Officers' Section 1350 Certifications**

Each of the undersigned officers of Lennar Corporation, a Delaware corporation (the “Company”), hereby certifies that (i) the Company's Quarterly Report on Form 10-Q for the period ended August 31, 2019 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and (ii) the information contained in the Company's Quarterly Report on Form 10-Q for the period ended August 31, 2019 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 8, 2019

/s/ Rick Beckwitt

Name: Rick Beckwitt

Title: Chief Executive Officer

Date: October 8, 2019

/s/ Diane Bessette

Name: Diane Bessette

Title: Vice President, Chief Financial Officer and  
Treasurer