

LENNAR CORP /NEW/

Form 10-K

January 28, 2019

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

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended November 30, 2018  
Commission file number 1-11749**

# Lennar Corporation

(Exact name of registrant as specified in its charter)

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

700 Northwest 107th Avenue, Miami, Florida 33172

(Address of principal executive offices) (Zip Code)

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

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

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

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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 Act). YES  NO   
The aggregate market value of the registrant's Class A and Class B common stock held by non-affiliates of the registrant (286,258,248 shares of Class A common stock and 15,650,943 shares of Class B common stock) as of May 31, 2018, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$15,431,622,455.

As of December 31, 2018, the registrant had outstanding 286,454,512 shares of Class A common stock and 37,743,361 shares of Class B common stock.

**DOCUMENTS INCORPORATED BY REFERENCE:**

**Related Section Documents**

III Definitive Proxy Statement to be filed pursuant to Regulation 14A on or before March 30, 2019.

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**LENNAR CORPORATION**

**FORM 10-K**

**For the fiscal year ended November 30, 2018**

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**PART I**

**Item 1. Business**

**Overview of Lennar Corporation**

We are the largest homebuilder in the United States in terms of consolidated revenue, an originator of residential and commercial mortgage loans, and a developer of multifamily rental properties in various U.S. markets primarily through unconsolidated entities. In addition, we are involved in ventures, and have interests in companies, that are engaged in applying technology to purchasing, residing in and selling homes.

Our homebuilding operations are the most substantial part of our business, comprising \$19.1 billion in revenues, or approximately 93% of consolidated revenues, in fiscal 2018.

As of November 30, 2018, our reportable homebuilding segments and Homebuilding Other had 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, including FivePoint

Our other reportable segments are Lennar Financial Services, Lennar Multifamily and Rialto. Financial information about our Homebuilding, Lennar Financial Services, Lennar Multifamily and Rialto operations, including our former Rialto Capital Management investment and asset management platform ("Rialto Management Group"), which we sold on November 30, 2018, is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, which is Item 7 of this Report, and our consolidated financial statements and the notes to our consolidated financial statements, which are included in Item 8 of this Report. As of December 1, 2018, our reportable segments in addition to homebuilding were Lennar Financial Services, including Rialto Mortgage Finance ("RMF"), Lennar Multifamily and Corporate and Other.

**A Brief History of Our Company**

Our company was founded as a local Miami homebuilder in 1954. We completed our initial public offering in 1971 and listed our common stock on the New York Stock Exchange in 1972. During the 1980s and 1990s, we entered and expanded operations in a number of homebuilding markets, including California, Florida and Texas, through both organic growth and acquisitions, such as Pacific Greystone Corporation in 1997. In 2000, we acquired U.S. Home Corporation, which expanded our operations into New Jersey, Maryland, Virginia, Minnesota and Colorado and strengthened our position in other states. From 2002 through 2005, we acquired several regional homebuilders, which brought us into new markets and strengthened our position in several existing markets. From 2010 through 2013, we expanded our homebuilding operations into Georgia, Oregon, Washington and Tennessee. In 2017, we acquired WCI Communities, Inc. ("WCI"), a homebuilder of luxury single and multifamily homes, including a small number of luxury high-rise tower units, in Florida. In February 2018, we acquired CalAtlantic Group, Inc. ("CalAtlantic"), a major homebuilder which was building homes across the homebuilding spectrum, from entry level to luxury, in 43 metropolitan statistical areas spanning 19 states, and providing mortgage, title and escrow services. As a result, we became the nation's largest homebuilder in terms of consolidated revenues, with fiscal year 2018 revenues of \$20.6 billion.

We are currently focused on maintaining moderate growth in community count and homes sales, reducing homebuilding costs through volume purchasing, increasing the efficiencies in our building process and reducing selling, general and administrative expenses by using technology and innovative strategies to reduce customer acquisition costs. We are also focused on a soft-pivot land strategy, shortening the average time between when we acquire land and when we expect to begin building homes on it. This decreases the percentage of homesites we need to purchase outright versus control through options or other arrangements, as well as increases the rate of return on our homebuilding investment and generating net cash flow. In addition we are focused on our strategic investments in technology companies that are looking to improve the homebuilding and financial services industry to better serve our customers and increase efficiencies.

In 2017, we decided to increase our focus on our core homebuilding and related finance businesses, and to dispose of some of our non-core businesses. During fiscal 2018 and the early part of 2019, we disposed of our Rialto Management Group, the majority of our retail title business, our title insurance underwriting business and our real estate brokerage business and contracted to sell our business of offering residential mortgages to non-Lennar homebuyers.

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In addition to focusing on growing our core operating platforms, Lennar Homebuilding and Lennar Financial Services, we have also been focusing on maximizing the value of our other businesses, including Lennar Multifamily, our approximately 40% interest in FivePoint Holdings, LLC ("FivePoint"), a publicly traded company that is developing three large multi-use planned developments in California, and our strategic investments in technology companies that are looking to improve the homebuilding and financial services industry to better serve our customers and increase efficiencies.

## Homebuilding Operations

### Overview

Our homebuilding operations 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 unconsolidated entities in which we have investments. New home deliveries, including deliveries from unconsolidated entities, were 45,627 in fiscal 2018, compared to 29,394 in fiscal 2017 and 26,563 in fiscal 2016. The increase in fiscal 2018 resulted primarily from the acquisition of CalAtlantic in February 2018. We primarily sell single-family attached and detached homes in communities targeted to first-time, move-up, active adult, and luxury homebuyers. The average sales price of a Lennar home varies depending on product and geographic location. For fiscal 2018, the average sales price, excluding deliveries from unconsolidated entities, was \$413,000, compared to \$376,000 in fiscal 2017 and \$361,000 in fiscal 2016.

We operate primarily under the Lennar brand name. Our homebuilding mission is focused on the profitable development of residential communities. Key elements of our strategy include:

*Strong Operating Margins* - We believe our purchasing leverage combined with our attractive land purchases position us for strong operating margins.

*Everything's Included® Approach* - We are focused on distinguishing our products, including through our Everything's Included® approach, which maximizes our purchasing power, enables us to include luxury features as standard items in our homes and simplifies our homebuilding operations.

*Innovative Homebuilding* - We are constantly innovating the homes we build to create products that better meet our customers' needs and desires. Our Next Gen® home, or a home within a home, provides a unique new home solution for multi-generational households as homebuyers often need to accommodate children and parents to share the cost of their mortgage and other living expenses.

*Flexible Operating Structure* - Our local operating structure gives us the flexibility to make operating decisions based on local homebuilding conditions and customer preferences, while our centralized management structure provides oversight for our homebuilding operations.

*Digital Marketing* - We are increasingly advertising homes through digital channels, which is significantly increasing the efficiency of our marketing efforts.

*Strategic partners and investments* - We partner with and/or invest in technology companies that are looking to improve the homebuilding and financial services industry to better serve our customers and increase efficiencies.

*Soft-pivot land strategy* - We are focused on shortening the average time between when we acquire land and when we expect to begin building homes on it.

### Diversified Program of Property Acquisition

We generally acquire land for development and for the construction of homes that we sell to homebuyers. Land purchases are subject to specified underwriting criteria and are made through our diversified program of property acquisition, which may consist of:

- Acquiring land directly from individual land owners/developers or homebuilders;

- Acquiring local or regional homebuilders that own, or have options to purchase, land in strategic markets;

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

- Acquiring parcels of land through joint ventures or partnerships, which among other benefits, limits the amount of our capital invested in land while helping to ensure our access to potential future homesites and allowing us to participate

in strategic ventures;

• Investing in regional developers in exchange for preferential land purchase opportunities; and

• Acquiring land in conjunction with Lennar Multifamily.

At November 30, 2018, we owned 201,648 homesites and had access through option contracts to an additional 68,623 homesites, of which 59,289 homesites were through option contracts with third parties and 9,334 homesites were through

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option contracts with unconsolidated entities in which we have investments. At November 30, 2017, we owned 141,126 homesites and had access through option contracts to an additional 37,527 homesites, of which 32,082 homesites were through option contracts with third parties and 5,445 homesites were through option contracts with unconsolidated entities in which we had investments.

### Construction and Development

Through our own efforts and those of unconsolidated entities in which Lennar Homebuilding has investments, we are involved in all phases of planning and building in our residential communities, including land acquisition, site planning, preparation and improvement of land and design, construction and marketing of homes. We use independent subcontractors for most aspects of home construction. At November 30, 2018, we were actively building and marketing homes in 1,329 communities, including five communities being constructed by unconsolidated entities. This was an increase from 765 communities, including four communities being constructed by unconsolidated entities, in which we were actively building and marketing homes at November 30, 2017.

We generally supervise and control the development of land and the design and building of our residential communities with a relatively small labor force. We hire subcontractors for site improvements and virtually all of the work involved in the construction of homes. Arrangements with our subcontractors generally provide that our subcontractors will complete specified work in accordance with price and time schedules and in compliance with applicable building codes and laws. The price schedules may be subject to change to meet changes in labor and material costs or for other reasons. Although homebuilders throughout the country have recently encountered shortages of materials and skilled labor, because of our size we have been less affected by these shortages than many of our competitors. We believe that the current sources and availability of raw materials and labor to our subcontractors are in most locations adequate for our planned levels of operation. We generally do not own heavy construction equipment. We finance construction and land development activities primarily with cash generated from operations and corporate debt.

For additional information about our investments in and relationships with unconsolidated entities, see Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

### Marketing

We offer a diversified line of homes for first-time, move-up, active adult, luxury and multi-generational homebuyers in a variety of locations ranging from urban infill communities to suburban golf course communities. Our Everything's Included<sup>®</sup> marketing program simplifies the home buying experience by including the most desirable features as standard items. This marketing program enables us to differentiate our homes from those of our competitors by including luxury items as standard features at competitive pricing, while reducing construction and overhead costs through a simplified construction process, product standardization and volume purchasing. In addition, we include solar power, built in wireless capability and home automation in many of the homes we sell, which enhances our brand and improves our ability to generate traffic and sales.

We sell our homes primarily from models that we have designed and constructed. We employ new home consultants who are paid salaries, commissions or both to conduct on-site sales of our homes. We also sell homes through independent realtors.

Most recently our marketing strategy has increasingly involved advertising through digital channels including paid search, display advertising, social media and e-mail marketing, all of which drive traffic to our website, [www.lennar.com](http://www.lennar.com). This has allowed us to attract more qualified and knowledgeable homebuyers and has helped us reduce our selling, general and administrative expenses as a percentage of home sales revenues. However, we also continue to advertise through more traditional media, including newspapers, radio advertisements and other local and regional publications and on billboards where appropriate. We tailor our marketing strategy and message based on the community being advertised and the customers being targeted, such as advertising our active adult communities in areas where prospective active adult homebuyers live or will potentially want to purchase.

### Quality Service

We continually strive to improve homeowner customer satisfaction throughout the pre-sale, sale, construction, closing and post-closing periods. We strive to create a quality home buying experience for our customers through the participation of sales associates, on-site construction supervisors and customer care associates, all working in a team

effort, which we believe leads to enhanced customer retention and referrals. The quality of our homes is substantially affected by the efforts of on-site management and others engaged in the construction process, by the materials we use in particular homes, and by other similar factors.

We warrant our new homes against defective materials and workmanship for a minimum period of one year after the date of closing. Although we subcontract virtually all segments of construction to others and our contracts call for the

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subcontractors to repair or replace any deficient items related to their trades, we are primarily responsible to the homebuyers for the correction of any deficiencies.

### **Local Operating Structure and Centralized Management**

We balance a local operating structure with centralized corporate level management. Our local operating structure consists of homebuilding divisions across the country, each of which is usually managed by a division president, a controller and personnel focused on land entitlement, acquisition and development, sales, construction, customer service and purchasing. This local operating structure gives our division presidents and their teams, who generally have significant experience in the homebuilding industry, and in most instances, in their particular markets, the flexibility to make local operating decisions, including land identification, entitlement and development, the management of inventory levels for our current sales volume, community development, home design, construction and marketing of our homes. We centralize at the corporate level decisions related to our overall strategy, acquisitions of land and businesses, risk management, financing, cash management and information systems.

### **Backlog**

Backlog represents the number of homes under sales contracts. Homes are sold using sales contracts, which are generally accompanied by deposits. In some instances, purchasers are permitted to cancel sales contracts if they fail to qualify for financing or under certain other circumstances. We experienced a cancellation rate of 15% in both 2018 and 2017, and 16% in 2016. We do not recognize revenue on homes under sales contracts until the sales are closed and title passes to the new homeowners.

The backlog dollar value including unconsolidated entities at November 30, 2018 was \$6.6 billion, compared to \$3.6 billion at November 30, 2017 and \$2.9 billion at November 30, 2016. We expect that substantially all homes currently in backlog will be delivered in fiscal year 2019.

### **Lennar Homebuilding Investments in Unconsolidated Entities**

We create and participate in joint ventures that acquire and develop land for our homebuilding operations, for sale to third parties or for use in the ventures' own homebuilding operations. Through these joint ventures, we reduce the amount we invest in potential future homesites, thereby reducing risks associated with land acquisitions, and, in some instances, we obtain access to land to which we could not otherwise have obtained access or could not have obtained access on as favorable terms. As of November 30, 2018 and 2017, we had 59 and 38 Lennar Homebuilding unconsolidated joint ventures, respectively, in which we were participating, and our maximum recourse debt exposure related to Lennar Homebuilding unconsolidated joint ventures was \$65.7 million and \$69.2 million, respectively. At November 30, 2018, the 59 unconsolidated joint ventures includes 20 unconsolidated entities in which CalAtlantic or a subsidiary is the participant. This is discussed in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

**FivePoint** - We own an approximately 40% interest in FivePoint, the publicly traded developer of three large master planned mixed-use developments in California (Newhall Ranch, Great Park Neighborhoods, and the San Francisco Shipyard and Candlestick Point). As of November 30, 2018, the carrying amount of our investment in FivePoint was \$342.7 million.

### **Homebuilding Ancillary Businesses**

We have ancillary business activities that are related to our homebuilding business, but are not components of our core homebuilding operations.

**Sunstreet** - Our solar business is focused on providing homeowners through solar purchases or lease programs, high-efficiency solar power systems that generate much of a home's annual expected energy needs. In fiscal 2018, Sunstreet operated in California, Colorado, Delaware, Florida, Maryland, Nevada, Oregon, South Carolina, Texas and Washington. During the year ended November 30, 2017, we monetized \$200 million of future lease payments related to solar systems.

**Strategic Technology Investments** - We strategically invest in technology initiatives that help us enhance the homebuying experience, reduce our SG&A and stay at the forefront of homebuilding innovation. Our strategic investments include Opendoor, a company that uses technology to streamline the home buying and selling process; Blend, a company that provides a digital mortgage application platform; Hippo Analytics, a company that provides home insurance in a more efficient and effective way; States Title, a company that builds a predictive analytics

platform for title insurers; and Notarize, a company that provides online notarizations. At November 30, 2018, our investment in strategic technology ventures was \$117.6 million.

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**Lennar Financial Services Operations**

**Residential Mortgage Financing**

We offer conforming conventional, FHA-insured and VA-guaranteed residential mortgage loan products and other home mortgage products primarily to buyers of our homes through our financial services subsidiary, Eagle Home Mortgage, LLC, from locations in most of the states in which we have homebuilding operations, as well as some other states. In 2018, our financial services subsidiaries provided loans to 73% of our homebuyers who obtained mortgage financing in areas where we offered services. Because of the availability of mortgage loans from our financial services subsidiaries, as well as from independent mortgage lenders, we believe almost all credit worthy potential purchasers of our homes have access to financing.

During 2018, we originated approximately 36,500 residential mortgage loans totaling \$11.1 billion, compared to 31,600 residential mortgage loans totaling \$9.0 billion during 2017. Substantially all of the residential mortgage loans we originate are sold within a short period in the secondary mortgage market, a majority of them 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.

Occasional claims of this type are a normal incident of our loan securitization activities. We do not believe that the ultimate resolution of these claims will have a material adverse effect on our business or financial position.

We finance our mortgage loan activities with borrowings under our financial services warehouse facilities or from our operating funds. At November 30, 2018, Lennar Financial Services had four warehouse facilities maturing at various dates through fiscal 2019 with a total maximum aggregate commitment of \$1.9 billion including an uncommitted amount of \$950 million. We expect the facilities to be renewed or replaced with other facilities when they mature. We have a corporate risk management policy under which we hedge our interest rate risk on rate-locked loan commitments and loans held-for-sale to mitigate exposure to interest rate fluctuations.

**Title and Other Insurance and Closing Services**

During 2018, we provided title insurance and closing services to our homebuyers and others in approximately 118,000 real estate transactions, and issued approximately 297,600 title insurance policies through our underwriter subsidiary, North American Title Insurance Company, compared to approximately 110,000 real estate transactions and 314,800 title insurance policies during 2017. Title and closing services by our insurance agency subsidiaries are provided in 35 states. Title insurance services are provided in 39 states. In December 2018, we agreed to sell to States Title the majority of our retail title insurance business and underwriting business in return for, among other consideration, an ownership interest in States Title. We retained our title agency business that provides services to our homebuyers and rebranded it as CalAtlantic Title.

During 2018, we also provided our homebuyers and others with personal lines, property and casualty insurance products through our insurance agency subsidiary, North American Advantage Insurance Services, LLC, which operates in the same states as our homebuilding divisions, as well as other states. During 2018 and 2017, we issued, as agent, approximately 19,800 and 12,800 new homeowner policies, respectively, and renewed approximately 37,400 and 26,500 homeowner policies, respectively.

**Commercial Mortgage Origination**

Our RMF subsidiary originates and sells into securitizations five, seven and ten year first mortgage loans, which are secured by income producing commercial properties. RMF also originates floating rate loans secured by commercial real estate properties, many of which are undergoing transition, including properties undergoing lease-up, sell-out and renovation or repositioning. In order to finance RMF lending activities, as of November 30, 2018, RMF had five warehouse repurchase financing agreements maturing between November 2019 and December 2019 with commitments totaling \$900 million, which includes \$50 million for floating rate loans. Prior to the sale of our Rialto Management Group on November 30, 2018, RMF was part of the Rialto operations, but, effective December 1, 2018, RMF became part of Lennar Financial Services.

**Lennar Multifamily Operations**

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

Our Lennar Multifamily segment is one of the largest developers of apartment communities across the country. At November 30, 2018, it had interests in 55 communities with development costs of approximately \$6.3 billion, of which 23 communities were completed and operating, 5 communities were partially completed and leasing, 19 communities were under construction and the remaining communities were either owned or under contract. As of November 30, 2018, our Lennar Multifamily segment had a pipeline of future projects totaling \$3.5 billion in anticipated development costs across a number of states that will be developed primarily by unconsolidated entities.



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Our Lennar Multifamily segment had equity investments in 22 and 27 unconsolidated entities (including the Lennar Multifamily Ventures, described below) as of November 30, 2018 and 2017, respectively. During the year ended November 30, 2018, our Lennar Multifamily segment sold, through its unconsolidated entities, 6 operating properties and an investment in an operating property resulting in the segment's \$61.2 million share of gains. During both years ended November 30, 2017 and 2016, our Lennar Multifamily segment sold seven operating properties, through its unconsolidated entities, resulting in the segment's \$96.7 million and \$91.0 million share of gains, respectively. Originally, our Lennar Multifamily segment focused on building multifamily properties and selling them shortly after they were completed. However, more recently we have focused on creating and participating in ventures that build multifamily properties with the intention of retaining them after they are completed. The Lennar Multifamily Venture Fund I LP (the "Venture Fund") 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. As of November 30, 2018, \$1.8 billion of the \$2.2 billion in equity commitments had been called, of which we had contributed our share of \$440.8 million, resulting in a remaining equity commitment by us of \$63.2 million.

In March 2018, the Lennar Multifamily segment completed the first closing of a second Lennar Multifamily Venture, Lennar Multifamily Venture Fund II LP ("Venture Fund II") for the development, construction and property management of class-A multifamily assets. As of November 30, 2018, Venture II had received \$787 million of equity commitments, including a \$255 million co-investment commitment by us comprised of cash, undeveloped land and preacquisition costs. As of November 30, 2018, \$252.1 million in equity commitments were called, of which we had contributed our share of \$81.2 million, resulting in a remaining equity commitment for the Company of \$173.8 million. Venture II is currently seeded with eight undeveloped multifamily assets that were previously purchased by our Lennar Multifamily segment, which will contain approximately 3,000 apartments with projected project costs of approximately \$1.3 billion.

For additional information about our investments in and relationships with unconsolidated entities, see Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

#### **Former Rialto Capital Management Operations**

Until November 30, 2018, we had a group of subsidiaries, including Rialto Capital Management, LLC, that primarily managed real estate related investment funds and other real estate related investment vehicles. We sold the Rialto Management Group on November 30, 2018. However, we retained the right to receive carried interest distributions from some of the funds and other investment vehicles. We also retained limited partner investments in Rialto funds and investment vehicles that totaled \$297.4 million as of November 30, 2018, and are committed to invest as much as an additional \$71.6 million in Rialto funds.

#### **Seasonality**

We historically have experienced, and expect to continue to experience, variability in quarterly results. Our homebuilding business is seasonal in nature and generally reflects higher levels of new home order activity in our second fiscal quarter and increased deliveries in the second half of our fiscal year. However, periods of economic downturn in the industry can alter seasonal patterns.

#### **Competition**

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

- Everything's Included<sup>®</sup> marketing program, which simplifies the home buying experience by including most desirable features as standard items;

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Innovative home designs, such as our Next Gen<sup>®</sup> homes that provide both privacy and togetherness for multi-generational families;

Inclusion of built-in Wi-Fi and advanced technology in many of our homes;

Financial position, where we continue to focus on inventory management and liquidity;

Access to land, particularly in land-constrained markets;

Pricing to current market conditions through sales incentives offered to homebuyers;

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Cost efficiencies realized through our national purchasing programs and production of value-engineered homes; and  
Quality construction and home warranty programs, which are supported by a responsive customer care team.

Our size and scale in leading markets

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

Our RMF commercial mortgage origination and sale business competes with a wide variety of banks and other lenders that offer small and mid-sized mortgage loans to commercial enterprises. Competition is based primarily on service, price and relationships with mortgage brokers and other referral sources. RMF is run by highly seasoned managers who have been originating and securitizing loans for over 27 years and can benefit from long-standing relationships with referral sources, as well as being able to leverage Lennar's infrastructure facilities for rapid market entrances and analysis. We believe these factors give RMF an advantage over many of the lenders with which it competes.

Additionally, we believe access to Lennar's local homebuilding teams provides RMF with a distinct advantage in its evaluation of real estate assets.

Our multifamily operations compete with other multifamily apartment developers and operators, including REITs, across the United States. In addition, our multifamily operations compete in securing capital, partners and equity, and in securing tenants within the large supply of already existing rental apartments. Principal competitive factors include location, rental price and quality, and management of the apartment buildings.

### **Regulation**

The residential communities and multifamily apartment developments that we build are subject to a large variety of local, state and federal statutes, ordinances, rules and regulations relating to, among other things, zoning, construction permits or entitlements, construction materials, density, building design and property elevation, building codes and handling of waste. These include laws requiring the use of construction materials that reduce the need for energy-consuming heating and cooling systems. These laws and regulations are subject to frequent change and often increase construction costs. For example, the California Energy Commission recently adopted a requirement that beginning in 2020, most newly built homes in California must have rooftop solar panels. In some instances, we must comply with laws that require commitments from us to provide roads and other offsite infrastructure, and may require them to be in place prior to the commencement of new construction. These laws and regulations are usually administered by counties and municipalities and may result in fees and assessments or building moratoriums. In addition, certain new development projects are subject to assessments for schools, parks, streets and highways and other public improvements, the costs of which can be substantial. Also, some states are attempting to make homebuilders responsible for violations of wage and other labor laws by their subcontractors.

Residential homebuilding and apartment development are also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. These environmental laws include such areas as storm water and surface water management, soil, groundwater and wetlands protection, subsurface conditions and air quality protection and enhancement. Environmental laws and existing conditions may result in delays, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict homebuilding activity in environmentally sensitive regions or areas. For example, a 2015 decision of the California Supreme Court significantly delayed the start, and increased the cost of a California master planned mixed-use development by a company in which we have a significant investment.

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

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

statutory disclosure requirements relating to the marketing and sale of new homes. These disclosure requirements vary widely from state-to-state. In addition, some states require that each new home be registered with the state at or before the time title is transferred to a buyer (e.g., the Texas Residential Construction Commission Act). In some states, we are required to be registered as a licensed contractor and comply with applicable rules and regulations. In various states, our new home consultants are required to be registered as licensed real estate agents and to adhere to the laws governing the practices of real estate agents.

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

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and privacy disclosures, forms of policies and premiums. The Dodd-Frank Wall Street Reform and Consumer Protection Act contains a number of requirements relating to mortgage lending and securitizations. These include, among others, minimum standards for lender practices, limitations on certain fees and a requirement that the originator of loans that are securitized retain a portion of the risk, either directly or by holding interests in the securitizations.

Several federal, state and local laws, rules, regulations and ordinances, including, but not limited to, the Federal Fair Debt Collection Practices Act ("FDCPA") and the Federal Trade Commission Act and comparable state statutes, regulate consumer debt collection activity. Although, for a variety of reasons, we may not be specifically subject to the FDCPA or to some state statutes that govern debt collectors, it is our policy to comply with applicable laws in our collection activities. To the extent that some or all of these laws apply to our collection activities, our failure to comply with such laws could have a material adverse effect on us. We are also subject to regulations promulgated by the Federal Consumer Financial Protection Bureau regarding residential mortgage loans.

**Associates**

At November 30, 2018, we employed 11,626 individuals (excluding persons employed by Rialto Management Group which was sold on that day) of whom 7,844 were involved in the Lennar Homebuilding operations, 3,230 were involved in the Lennar Financial Services operations, 518 were involved in the Lennar Multifamily operations and 34 were involved in the RMF operations, compared to November 30, 2017, when we employed 9,111 individuals of whom 4,900 were involved in the Lennar Homebuilding operations, 3,414 were involved in the Lennar Financial Services operations, 462 were involved in the Lennar Multifamily operations and 335 were involved in our former Rialto operations (including RMF). The sale of the majority of our retail title business, title insurance underwriter and Berkshire Hathaway real estate brokerage business in the first quarter of fiscal year 2019 will result in a reduction in our associates of approximately 1,600 individuals that are involved in these businesses. We do not have collective bargaining agreements relating to any of our associates. However, we subcontract many phases of our homebuilding operations and some of the subcontractors we use have employees who are represented by labor unions.

**NYSE Certification**

On April 11, 2018, we submitted our Annual CEO Certification to the New York Stock Exchange ("NYSE") in accordance with NYSE's listing standards. The certification was not qualified in any respect.

**Available Information**

Our Form 10-K and all other reports and amendments filed with or furnished to the SEC are publicly available free of charge on the investor relations section of the Lennar website as soon as reasonably practicable after we file such materials with, or furnish them to, the SEC. Our website is [www.lennar.com](http://www.lennar.com). We caution you that the information on our website is not part of this or any other report we file with, or furnish to, the SEC.

**Item 1A. Risk Factors.**

The following are what we believe to be the principal risks that could materially affect us and our businesses.

**Market and Economic Risks*****A downturn in the homebuilding market could adversely affect our operations.***

In the first half of fiscal 2018, we continued to experience an improving housing market, and we saw increases in new sales contracts signed and homes delivered compared with the prior year. However, demand for new homes is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, the availability of financing and interest rate levels. During the second half of fiscal 2018, demand for new homes slowed as a result of higher prices and higher interest rates. We believe the reduced demand is temporary, but that may not be the case. The economic downturn in 2007-2010 severely affected both the number of homes we could sell and the prices for which we could sell them. A continuation of the recent reduced demand for new homes could have a similar effect on us.

***We and other homebuilders have been experiencing significant cost increases.***

During fiscal 2018, we encountered significant increases in the costs of labor and materials. The increased labor costs were primarily the result of shortages of skilled labor in many parts of the country. The increase in material costs were due to inflationary pressures and, during the middle part of the year, to tariffs on Canadian lumber and other imported

building materials. Inability to pass on all the increased costs to homebuyers puts downward pressure on our operating margins in the later months of 2018 and could continue to affect our operating margins in 2019.

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Table of Contents***An increase in mortgage interest rates could decrease our buyers' ability or desire to obtain financing and adversely affect our business or financial results.***

Mortgage rates are currently low as compared to most historical periods; however, they increased during the past year as the Federal Reserve Board raised its benchmark rate several times, and they appear likely to increase further in 2019. When interest rates increase, the cost of owning a new home increases, which usually reduces the number of potential buyers who can afford to purchase a home. The cost of mortgage financing could result in a decline in the demand for our homes.

***During the prior economic downturn, we had to take significant write-downs on the carrying values of land we owned and of option values. A future decline in land values could result in similar write-downs.***

Inventory risks are substantial for our homebuilding business. There are risks inherent in controlling, owning and developing land and if housing demand declines, we may own land or homesites we acquired at costs we will not be able to recover fully, or on which we cannot build and sell homes profitably. This is particularly true when entitled land becomes scarce, as it has recently, and the cost of purchasing such land is relatively high. Also, there can be significant fluctuations in the value of our owned undeveloped land, building lots and housing inventories related to changes in market conditions. As a result, our deposits for building lots controlled under option or similar contracts may be put at risk, we may have to sell homes or land for lower than anticipated profit margins or we may have to record inventory impairment charges with regard to our developed and undeveloped land and lots. When demand for homes fell during the 2007-2010 recession, we were required to take significant write-downs of the carrying value of our land inventory and we elected not to exercise many options to purchase land, even though that required us to forfeit deposits and write-off pre-acquisition costs. Although we have reduced our exposure to costs of that type, a certain amount of exposure is inherent in our homebuilding business. If market conditions were to deteriorate significantly in the future, we could again be required to make significant write downs with regard to our land inventory, which would decrease the asset values reflected on our balance sheet and adversely affect our earnings and our stockholders' equity.

***Homebuilding, mortgage lending and multifamily rentals are very competitive industries, and competitive conditions could adversely affect our business or financial results.***

**Homebuilding.** The homebuilding industry is highly competitive. Homebuilders compete not only for homebuyers, but also for desirable land, financing, raw materials, skilled management and labor resources. We compete in each of our markets with numerous national, regional and local homebuilders. We also compete with sellers of existing homes, including foreclosed homes, and with rental housing. These competitive conditions can reduce the number of homes we deliver, negatively impact our selling prices, reduce our profit margins, and cause impairments in the value of our inventory or other assets. Competition can also affect our ability to acquire suitable land, raw materials and skilled labor at acceptable prices or other terms.

**Lennar Financial Services.** Our Lennar Financial Services residential and commercial lending businesses compete with other residential and commercial mortgage lenders, including national, regional and local banks and other financial institutions. Mortgage lenders who have greater access to low cost funds, superior technologies or different lending criteria than we do may be able to offer more attractive financing to potential customers than we can.

**Lennar Multifamily.** Our multifamily rental business competes with other multifamily apartment developers and operators at locations across the U.S. where we have investments in rental properties. We also compete in securing partners, equity capital and debt financing, and we compete for tenants with the large supply of already existing or newly built rental apartments, as well as with sellers of homes. These competitive conditions could negatively impact the ability of the ventures in which we are participating to find renters for the apartments they are building or the prices for which those apartments can be rented.

**Operational Risks*****We may be subject to significant potential liabilities as a result of warranty and liability claims made against us.***

As a homebuilder, we are subject in the ordinary course of our business to warranty and construction defect claims. We are also subject to claims for injuries that occur in the course of construction activities. We record warranty and other reserves for the homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes we build. We have, and many of our subcontractors have, general liability,

property, workers compensation and other business insurance. These insurance policies are intended to protect us against risk of loss from claims, subject to self-insured retentions, deductibles and coverage limits. However, it is possible that this insurance will not be adequate to address all warranty, construction defect and liability claims to which we are subject. Additionally, the coverage offered and the availability of general liability insurance for construction defects are currently limited and policies that can be obtained are costly and often include exclusions based upon past losses those insurers suffered as a result of use of defective products in homes we and many other homebuilders built. As a result, an increasing number of our subcontractors are unable to obtain insurance, and we have in



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many cases had to waive our customary insurance requirements, which increases our and our insurers' exposure to claims and increases the possibility that our insurance will not be adequate to protect us against all the costs we incur.

***Products supplied to us and work done by subcontractors can expose us to risks that could adversely affect our business.***

We rely on subcontractors to perform the actual construction of our homes, and in many cases, to select and obtain building materials. Despite our detailed specifications and quality control procedures, in some cases, subcontractors may use improper construction processes or defective materials. Defective products widely used by the homebuilding industry can result in the need to perform extensive repairs to large numbers of homes. The cost of complying with our warranty obligations may be significant if we are unable to recover the cost of repairs from subcontractors, materials suppliers and insurers.

We also can suffer damage to our reputation, and may be exposed to possible liability, if subcontractors fail to comply with applicable laws, including laws involving things that are not within our control. When we learn about possibly improper practices by subcontractors, we try to cause the subcontractors to discontinue them. However, we may not always be able to do that, and even when we can, it may not avoid claims against us relating to what the subcontractors already did.

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

During 2018, we experienced increases in the prices of some building materials and shortages of skilled labor in some areas. We generally are unable to pass on increases in construction costs to customers who have already entered into purchase contracts, as those contracts generally fix the price of the homes at the time the contracts are signed, which may be well in advance of the construction of the homes. Increases in construction costs that exceeded our increase in home pricing eroded our operating margins in the latter part of fiscal 2018 and may continue to reduce our operating margins, particularly if pricing competition or weak demand restricts our ability to pass additional costs of materials and labor on to homebuyers.

***Reduced numbers of home sales extend the time it takes us to recover land purchase and property development costs.***

We incur many costs even before we begin to build homes in a community. Depending on the stage of development a land parcel is in when we acquire it, these may include costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities, and taxes and other costs related to ownership of the land on which we plan to build homes. If the rate at which we sell and deliver homes slows, or if we delay the opening of new home communities, we may incur additional pre-construction costs and it may take longer for us to recover our costs.

***Increased interest rates will increase the cost of the homes we build.***

Our business requires us to finance much of the cost of developing our residential communities. One of the ways we do this is with bank borrowings. At November 30, 2018, we had a \$2.6 billion revolving credit facility with a group of banks (the "Credit Facility"), which includes a \$315 million accordion feature, subject to additional commitments. The interest on borrowings under the Credit Facility is at rates based on prevailing short term rates from time to time. Due in part to Federal Reserve Bank actions, short term interest rates increased during fiscal 2018 and are likely to increase during fiscal 2019. This increases the cost of the homes we build, which either makes those homes more expensive for homebuyers, which is likely to reduce demand, or lowers our operating margins, or both.

***Failure to comply with the covenants and conditions imposed by our credit facilities could restrict future borrowing or cause our debt to become immediately due and payable.***

The agreement governing our Credit Facility (the "Credit Agreement") makes it a default if we fail to pay principal or interest when it is due (subject in some instances to grace periods) or to comply with various covenants, including covenants regarding financial ratios. In addition, our Lennar Financial Services segment has warehouse facilities to finance its residential lending activities and our RMF commercial lending group has warehouse facilities to finance its mortgage origination activities. If we default under the Credit Agreement or our warehouse facilities, the lenders will have the right to terminate their commitments to lend and to require immediate repayment of all outstanding borrowings. This could reduce our available funds at a time when we are having difficulty generating all the funds we need from our operations, in capital markets or otherwise, and restrict our ability to obtain financing in the future. In

addition, if we default under the Credit Agreement or our warehouse facilities, it could cause the amounts outstanding under our senior notes to become immediately due and payable, which would have a material adverse impact on our consolidated financial condition.

***We have a substantial level of indebtedness, which may have an adverse effect on our business or limit our ability to take advantage of business, strategic or financing opportunities.***

As of November 30, 2018, our consolidated debt, net of debt issuance costs, and excluding amounts outstanding under our credit facilities, was \$8.7 billion. The indentures governing our senior notes do not restrict our incurrence of future secured or unsecured debt, and the agreement governing our Credit Facility allows us to incur a substantial amount of future unsecured debt. Among other things, we incurred a substantial amount of debt in connection with our acquisition of CalAtlantic during

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2018. We substantially reduced our outstanding indebtedness during the remainder of 2018, but we still have a significant amount of indebtedness. Our reliance on debt to help support our operations exposes us to a number of risks, including:

- we may be more vulnerable to general adverse economic and homebuilding industry conditions;
- we may have to pay higher interest rates upon refinancing indebtedness if interest rates rise, thereby reducing our earnings and cash flows;
- we may find it difficult, or may be unable, to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements that would be in our best long-term interests;
- we may be required to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our debt, reducing the cash flow available to fund operations and investments;
- we may have reduced flexibility in planning for, or reacting to, changes in our businesses or the industries in which they are conducted;
- we may have a competitive disadvantage relative to other companies in our industry that are less leveraged; and
- we may be required to sell debt or equity securities or sell some of our core assets, possibly on unfavorable terms, in order to meet payment obligations.

***Our inability to obtain performance bonds or post letters of credit could adversely affect our results of operations and cash flows.***

We often are required to provide surety bonds to secure our performance or obligations under construction contracts, development agreements and other arrangements. At November 30, 2018, we had outstanding surety bonds of \$2.7 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 development and construction activities are completed. Our ability to obtain surety bonds primarily depends upon our credit rating, financial condition, past performance and similar factors, the capacity of the surety market and the underwriting practices of surety bond issuers. Our ability to obtain surety bonds also can be impacted by the willingness of insurance companies to issue performance bonds for construction and development activities. If we are unable to obtain surety bonds when required, our results of operations and cash flows could be adversely affected.

***Our Lennar Financial Services segment, including RMF, has warehouse facilities that mature in fiscal year 2019, and if we could not renew or replace these facilities, we probably would have to reduce our mortgage lending and origination activities.***

Our Lennar Financial Services segment, excluding RMF, has committed and uncommitted amounts under four warehouse repurchase credit facilities that totaled \$1.9 billion as of November 30, 2018, all of which will mature at various dates through fiscal 2019. Subsequent to November 30, 2018, the warehouse repurchase credit facility due in December 2018 was extended to February 2019. Our Lennar Financial Services segment uses these facilities to finance its residential mortgage lending activities until the mortgage loans it originates are sold to investors. In addition, RMF, our commercial mortgage lending subsidiary which on December 1, 2018, was moved into our Lennar Financial Services segment, has committed amounts under five warehouse repurchase credit facilities that totaled \$900 million as of November 30, 2018, all of which will mature between November 2019 and December 2019. RMF uses these facilities primarily to finance its commercial mortgage loan origination activities. We expect these facilities to be renewed or replaced with other facilities when they mature. If we were unable to renew or replace these facilities on favorable terms or at all when they mature, that could seriously impede the activities of our Lennar Financial Services segment, which would have a material adverse impact on our financial results.

***We conduct some of our operations through joint ventures with independent third parties and we can be adversely impacted by our joint venture partners' failures to fulfill their obligations or decisions to act contrary to our wishes.***

In our Homebuilding and Lennar Multifamily segments, we participate in joint ventures in order to help us acquire attractive land positions, to manage our risk profile and to leverage our capital base. In certain circumstances, joint venture participants, including us, are required to provide guarantees of obligations relating to the joint ventures, such as completion and environmental guarantees. If a joint venture partner does not perform its obligations, we may be required to bear more than our proportional share of the cost of fulfilling them. For example, in connection with our

Lennar Multifamily business, and its joint ventures, we and the other venture participants have guaranteed obligations to complete construction of multifamily residential buildings at agreed upon costs, which could make us and the other venture participants responsible for cost over-runs. Although all the participants in a venture are normally responsible for sharing the costs of fulfilling obligations of that type, if some of the venture participants are unable or unwilling to meet their share of the obligations, we may be held responsible for some or all of the defaulted payments. In addition, because we do not have a controlling interest in most of the joint ventures in which we participate, we may not be able to cause joint ventures to sell assets, return invested capital or take other actions when such actions might be in our best interest.

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Several of the joint ventures in which we participate will in the relatively near future be required to repay, refinance, renegotiate or extend their borrowings. If any of those joint ventures are unable to do this, we could be required to provide at least a portion of the funds the joint ventures need to be able to repay the borrowings and to finance the activities for which they were incurred, which could adversely affect our financial position.

***The loss of the services of members of our senior management or a significant number of our operating employees could negatively affect our business.***

Our success depends to a significant extent upon the performance and active participation of our senior management, many of whom have been with us for a significant number of years. If we were to lose members of our senior management, we might not be able to find appropriate replacements on a timely basis and our operations could be negatively affected. Also, the loss of a significant number of operating employees and our inability to hire qualified replacements could have a material adverse effect on our business.

***Our access to capital and our ability to obtain additional financing could be affected by any downgrade of our credit ratings.***

Our corporate credit rating and ratings of our senior notes affect, among other things, our ability to access new capital, especially debt, and the costs of that new capital. A substantial portion of our access to capital is through the issuance of senior notes, of which we have approximately \$8.0 billion outstanding, net of debt issuance costs as of November 30, 2018. Among other things, we rely on proceeds of debt issuances to pay the principal of existing senior notes when they mature. Negative changes in the ratings of our senior notes could make it difficult for us to sell senior notes in the future and could result in more stringent covenants and higher interest rates with regard to new senior notes we issue.

***We will have to replace or repay a substantial amount of debt in fiscal year 2019.***

We have a substantial amount of debt that matures in fiscal year 2019. We have \$1.1 billion of senior notes that mature in fiscal year 2019 and we will have to replace or renew a total of \$2.1 billion of warehouse lines used by Lennar Financial Services, including RMF as they mature. If we cannot replace or renew this debt when we need it, our operations could be adversely affected.

***Natural disasters and severe weather conditions could delay deliveries and increase costs of new homes in affected areas, which could harm our sales and results of operations.***

Many of our homebuilding operations are conducted in areas that are subject to natural disasters, including hurricanes, earthquakes, droughts, floods, wildfires and severe weather. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs by damaging inventories and lead to shortages of labor and materials in areas affected by the disasters, and can negatively impact the demand for new homes in affected areas. If our insurance does not fully cover business interruptions or losses resulting from these events, our results of operations could be adversely affected. In the third and fourth quarters of 2017, our homebuilding operation was disrupted due to impacts from Hurricanes Harvey and Irma, which caused delays of 550 home deliveries that were pushed into fiscal 2018. In the third quarter of fiscal 2018, our homebuilding operations in the Houston area were affected by heavy rain that caused flooding.

***If our homebuyers are not able to obtain suitable financing, that would reduce demand for our homes and our home sales revenues.***

Most purchasers of our homes obtain mortgage loans to finance a substantial portion of the purchase price of the homes they purchase. While the majority of our homebuyers obtain their mortgage financing from Lennar Financial Services, others obtain mortgage financing from banks and other independent lenders. The uncertainties in the mortgage markets and increased government regulation could adversely affect the ability of potential homebuyers to obtain financing for home purchases, making it difficult for them to purchase our homes. Among other things, changes made by Fannie Mae, Freddie Mac and FHA/VA to sponsored mortgage programs, as well as changes made by private mortgage insurance companies, have reduced the ability of many potential homebuyers to qualify for mortgages. Principal among these are higher income requirements, larger required down payments, increased reserves and higher required credit scores. In addition, there has been uncertainty regarding the future of Fannie Mae and Freddie Mac, including proposals that they reduce or terminate their role as the principal sources of liquidity in the secondary market for mortgage loans. It is not clear how, if Fannie Mae and Freddie Mac were to curtail their

secondary market mortgage loan purchases, the liquidity they provide would be replaced. There is a substantial possibility that substituting an alternate source of liquidity would increase mortgage interest rates, which would increase the buyers' effective costs of paying for the homes we sell, and therefore could reduce demand for our homes and adversely affect our results of operations.

Table of Contents***Our Lennar Financial Services segment can be adversely affected by reduced demand for our homes or by a slowdown in mortgage refinancings.***

Approximately 76% of the residential mortgage loans made by our Lennar Financial Services segment in 2018 were made to buyers of homes we built and we anticipate that the percentage will increase in fiscal 2019. Therefore, a decrease in the demand for our homes would adversely affect the revenues of this segment of our business. In addition, the revenues of our Lennar Financial Services segment would be adversely affected by a continued decrease in refinance transactions, if mortgage interest rates continue to rise.

***If our ability to sell mortgages into the secondary market is impaired, that could significantly reduce our ability to sell homes unless we are willing to become a long-term investor in loans we originate.***

Substantially all of the residential mortgage loans we originate are sold within a short period in the secondary mortgage market on a servicing released, non-recourse basis. If we became unable to sell residential mortgage loans into the secondary mortgage market or directly to Fannie Mae and Freddie Mac, we would have to either curtail our origination of residential mortgage loans, which among other things, could significantly reduce our ability to sell homes, or commit our own funds to long term investments in mortgage loans, which, in addition to requiring us to deploy substantial amounts of our own funds, could delay the time when we recognize revenues from home sales on our statements of operations.

***We may be liable for certain limited representations and warranties we make in connection with sale of loans.***

While substantially all of the residential mortgage loans we originate are sold within a short period in the secondary mortgage market on a servicing released, non-recourse basis, we remain responsible for certain limited representations and warranties we make in connection with such sales. Mortgage investors sometimes seek to have us buy back mortgage loans or compensate them for losses incurred on mortgage loans that we have sold based on claims that we breached our limited representations or warranties. In addition, when RMF sells loans to securitization trusts or other purchasers, it gives limited industry standard representations and warranties about the loans, which, if incorrect, may require it to repurchase the loans, replace them with substitute loans or indemnify persons for losses or expenses incurred as a result of breaches of representations and warranties. If we have significant liabilities with respect to such claims, it could have an adverse effect on our results of operations, and possibly our financial condition.

***We have a substantial investment in funds managed by Rialto Capital Management.***

In November 2018, we sold Rialto Capital Management and other subsidiaries that are involved in advising funds and investment vehicles that invest in real estate related assets. However, we retained investments in those funds and other investment vehicles totaling almost \$297.4 million, and we have commitments to invest another \$71.6 million. When we made those investments and commitments, Rialto Capital Management was a wholly owned subsidiary, which, among other things, enabled us to participate in decisions regarding senior management personnel. Subsequent to the sale, we no longer have any more influence than other large investors over decisions regarding senior management of Rialto Capital Management.

**Regulatory Risks*****We may be adversely impacted by legal and regulatory changes.***

We are subject with regard to almost all of our activities to a variety of federal, state and local laws and regulations. Laws and regulations, and policies under or interpretations of existing laws and regulations, change frequently. Our businesses could be adversely affected by changes in laws, regulations, policies or interpretations or by our inability to comply with them without making significant changes in our businesses.

***We may be adversely impacted by laws and regulations directed at the financial industry.***

New or modified regulations and related regulatory guidance focused on the financial industry may have adverse effects on aspects of our businesses. For example, in October 2014, final rules were promulgated under the Dodd-Frank Wall Street Reform Act that require mortgage lenders or third-party B-piece buyers to retain a portion of the credit risk related to securitized loans. We have determined that the rules do not affect our residential mortgage lending operations at this time; however, the rules may adversely impact our RMF subsidiary's commercial mortgage lending operations. The rules have been in effect for several years; however, their long term impact is still undetermined. If, in the future, the rules cause a decrease in the price of CMBS and/or a decrease in the overall volume of CMBS related loan purchases in the industry, this could negatively impact the financial results of our RMF

business. In addition, if our residential mortgage lending operations became subject to these rules in the future, that would substantially increase the amount we would have to invest in our mortgage lending operations and increase our risks with regard to loans we originate and sell in the secondary mortgage market.



Table of Contents***Governmental regulations regarding land use and environmental matters could increase the cost and limit the availability of our development and homebuilding projects and adversely affect our business or financial results.***

We are subject to extensive and complex laws and regulations that affect the land development, homebuilding and apartment development process, including laws and regulations related to zoning, permitted land uses, levels of density, building design, elevation of properties, water and waste disposal and use of open spaces. These regulations often provide broad discretion to the administering governmental authorities as to the conditions we must meet prior to development or construction being approved, if they are approved at all. We are also subject to determinations by governmental authorities as to the adequacy of water or sewage facilities, roads and other local services with regard to particular residential communities. New housing developments may also be subject to various assessments for schools, parks, streets and other public improvements. In addition, in many markets government authorities have implemented no growth or growth control initiatives. Any of these can limit, delay, or increase the costs of land development or home construction.

We are also subject to a variety of local, state and federal laws and regulations concerning protection of the environment. In some of the markets where we operate, we are required by law to pay environmental impact fees, use energy-saving construction materials and give commitments to municipalities to provide infrastructure such as roads and sewage systems. We generally are required to obtain permits, entitlements and approvals from local authorities to commence and carry out residential development or home construction. These permits, entitlements and approvals may, from time-to-time, be opposed or challenged by local governments, environmental advocacy groups, neighboring property owners or other possibly interested parties, adding delays, costs and risks of non-approval to the process. Violations of environmental laws and regulations can result in injunctions, civil penalties, remediation expenses, and other costs. In addition, some environmental laws impose strict liability, which means that we may be held liable for unlawful environmental conditions on property we own which we did not create.

We are also subject to laws and regulations related to workers' health and safety, and there are efforts to subject homebuilders like us to other labor related laws or rules, some of which may make us responsible for things done by our subcontractors over which we have little or no control. In addition, our residential mortgage subsidiary is subject to various state and federal statutes, rules and regulations, including those that relate to lending operations and other areas of mortgage origination and loan servicing. The impact of those statutes, rules and regulations can increase our homebuyers' costs of financing, and our cost of doing business, as well as restricting our homebuyers' access to some types of loans.

Our obligation to comply with the laws and regulations under which we operate, and our need to ensure that our associates, subcontractors and other agents comply with these laws and regulations, could result in delays in construction and land development, cause us to incur substantial costs and prohibit or restrict land development and homebuilding activity in certain areas in which we operate. Budget reductions by state and local governmental agencies may increase the time it takes to obtain required approvals and therefore may aggravate the delays we encounter. Government agencies also routinely initiate audits, reviews or investigations of our business practices to ensure compliance with applicable laws and regulations, which can cause us to incur costs or create other disruptions in our businesses that can be significant.

***We can be injured by improper acts of persons over whom we do not have control.***

Although we expect all of our associates (i.e., employees), officers and directors to comply at all times with all applicable laws, rules and regulations, there may be instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable laws, regulations or governmental guidelines. When we learn of practices that do not comply with applicable laws or regulations, including practices relating to homes, buildings or multifamily rental properties we build or finance, we move actively to stop the non-complying practices as soon as possible and we have taken disciplinary action with regard to associates of ours who were aware of non-complying practices and did not take steps to address them, including in some instances terminating their employment. However, regardless of the steps we take after we learn of practices that do not comply with applicable laws or regulations, we can in some instances be subject to fines or other governmental penalties, and our reputation can be injured, due to the practices' having taken place.

***We could be hurt by efforts to impose liabilities or obligations on persons with regard to labor law violations by other persons whose employees perform contracted services.***

The homes we sell are built by employees of subcontractors and other contract parties. We do not have the ability to control what these contract parties pay their employees or the work rules they impose on their employees. However, various governmental agencies are trying to hold contract parties like us responsible for violations of wage and hour laws and other work-related laws by firms whose employees are performing contracted for services. In 2015 the National Labor Relations Board ("NLRB") issued a decision that made it possible that someone like us, who uses subcontractors, could be viewed as a joint employer of the subcontractors' employees. A subsequent NLRB decision (which was withdrawn for procedural reasons) and an appellate court decision questioned aspects of the 2015 decision and the NLRB has issued a proposed rule that, if adopted, would make it much less likely that we could be deemed to be a joint employer of our subcontractors' employees. While the future of joint employer liability remains uncertain, if we were deemed to be a joint employer of our subcontractors'

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employees, we could become responsible for collective bargaining obligations of, and labor law violations by, our subcontractors. Governmental rulings that make us responsible for labor practices by our subcontractors could create substantial exposures for us in situations that are not within our control.

**Other Risks**

***Our results of operations could be adversely affected if legal claims against us are not resolved in our favor.***

In the ordinary course of our business, we are subject to legal claims by homebuyers, borrowers against whom we have instituted foreclosure proceedings, persons with whom we have land purchase contracts and a variety of other persons. We establish reserves against legal claims and we believe that, in general, legal claims will not have a material adverse effect on our business or financial condition. However, if the amounts we are required to pay as a result of claims against us substantially exceed the sums anticipated by our reserves, the need to pay those amounts could have an adverse effect on our results of operations for the periods when we are required to make the payments.

***Information technology failures and data security breaches could harm our business.***

We rely extensively on information technology ("IT") systems, including Internet sites, data hosting facilities and other hardware and software platforms, some of which are hosted by third parties, to assist in conducting our businesses. Our IT systems, like those of most companies, may be vulnerable to a variety of interruptions, including, but not limited to, natural disasters, telecommunications failures, hackers, and other security issues. Moreover, our computer systems, like those of most companies, are subjected to computer viruses or other malicious codes, and to cyber or phishing-attacks. We have installed and continually upgrade an array of protections against cyber intrusions. The risk of cyber intrusion is one of the areas of risk as to which there are regular periodic presentations to our Board. However, computer intrusion efforts are becoming increasingly sophisticated, and it is possible that the controls we have installed could at some time be breached in a material respect. If we were to be subject to a material successful cyber intrusion, that could result in remediation costs, increased cyber protection costs, lost revenues or loss of customers, litigation or regulatory actions by governmental authorities, increased insurance premiums, reputational damage and damage to our competitiveness, our stock price and our long-term stockholder value. We have in recent years done two acquisitions of publicly traded companies. While each of those companies had its own protections against cyber intrusions, when we acquire a company there is a period of increased vulnerability as we integrate the acquired company into our information technology systems.

***Failure to maintain the security of personally identifiable information could adversely affect us.***

In connection with our business we collect and retain personally identifiable information (e.g., information of our customers, suppliers and employees), and there is an expectation that we will adequately protect that information. The U.S. regulatory environment surrounding information security and privacy is increasingly demanding. A significant theft, loss or fraudulent use of the personally identifiable information we maintain, or of our data, by cyber-crime or otherwise could adversely impact our reputation and could result in significant costs, fines and litigation.

***Increases in the rate of cancellations of home sale agreements could have an adverse effect on our business.***

Our backlog reflects agreements of sale with our homebuyers for homes that have not yet been delivered. We usually have received a deposit from our home buyer for each home reflected in our backlog, and generally we have the right to retain the deposit if the homebuyer does not complete the purchase. In some cases, however, a homebuyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons such as state and local laws, the homebuyer's inability to obtain mortgage financing, his or her inability to sell his or her current home or our inability to complete and deliver the home within the specified time. If there is a downturn in the housing market, or if mortgage financing becomes less available than it currently is, more homebuyers may cancel their agreements of sale with us, which would have an adverse effect on our business and results of operations.

***Our success to a substantial extent depends on our ability to acquire land that is suitable for residential homebuilding and meets our land investment criteria.***

There is strong competition among homebuilders for land that is suitable for residential development. The future availability of finished and partially finished developed lots and undeveloped land that meet our internal criteria depends on a number of factors outside our control, including land availability in general, competition with other homebuilders and land buyers for desirable property, inflation in land prices, zoning, allowable housing density, and other regulatory requirements. Should suitable lots or land become less available, the number of homes we could build

and sell could be reduced, and the cost of land could be increased, perhaps substantially, which could adversely impact our results of operations.

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We own an interest in a joint venture that is building a condominium development in Spain. Also, we sell a significant number of homes in the United States to people who are not residents of the United States, and some large investors in our multifamily development ventures are located outside the United States. Dealings with people or institutions located outside the United States create risks related to currencies and to political affairs in various countries. We must also be careful to comply with U.S. anti-corruption laws. Also, we have to be aware of tax issues involved in doing business outside the United States or with people who are not residents of the United States, both under U.S. tax laws and under the tax laws of the countries in which we do business.

***We could suffer adverse tax and other financial consequences if we are unable to utilize our net operating loss ("NOL") carryforwards.***

At November 30, 2018, we had state tax NOL carryforwards totaling \$93.3 million that will expire between 2019 and 2037 and federal tax effected NOL carryforwards totaling \$44.8 million that begin to expire in 2029. At November 30, 2018, we had a valuation allowance of \$7.2 million, primarily related to state NOL carryforwards that are not more likely than not to be utilized due to an inability to carry back these losses in most states and short carryforward periods that exist in certain states. If the NOLs we are not able to use exceed the valuation allowance, we may have to record charges or reduce our deferred tax assets, which would adversely affect our results of operations.

***There have been substantial changes to the Internal Revenue Code, some of which could have an adverse effect on our business.***

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act, which contains substantial changes to the Internal Revenue Code, effective January 1, 2018, some of which could have an adverse effect on our business. Among the possible changes that could make purchasing homes less attractive are (i) limitations on the ability of our homebuyers to deduct property taxes, (ii) limitations on the ability of our homebuyers to deduct mortgage interest, and (iii) limitations on the ability of our homebuyers to deduct state and local income taxes. In addition, the new law eliminates the ability to carry back any future NOLs and only allows for carryforwards, the utilization of which is limited to 80% of taxable income in a given carryforward year. This could affect the timing of our ability to utilize net operating losses in the future.

***We experience variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.***

We historically have experienced, and expect to continue to experience, variability in quarterly results. As a result of such variability, our short-term performance may not be a meaningful indicator of future results. Our homebuilding business is seasonal in nature and generally reflects higher levels of new home order activity in our second fiscal quarter and increased deliveries in the second half of our fiscal year. Our quarterly results of operations may continue to fluctuate in the future as a result of a variety of factors, including, among others, seasonal home buying patterns, the timing of home closings and land sales and weather-related problems.

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

Stuart Miller, our Executive Chairman and a Director, through family and personal holdings of Class B, and to a lesser extent Class A, common stock, has the power to cast approximately 33% of the votes that can be cast by the holders of all our outstanding Class A and Class B common stock combined. This gives Mr. Miller substantial influence regarding the election of our directors and the approval of most other matters that are presented to our stockholders. Mr. Miller's voting power might discourage someone from making a significant equity investment in us, even if we needed the investment to meet our obligations or to operate our business. Also, because of his voting power, Mr. Miller could be able to cause our stockholders to approve actions that are contrary to many of our other stockholders' desires.

***The trading price of our Class B common stock normally is lower than that of our Class A common stock.***

The only significant difference between our Class A common stock and our Class B common stock is that the Class B common stock entitles the holders to ten votes per share, while the Class A common stock entitles holders to only one vote per share. However, the trading price of the Class B common stock on the NYSE normally is lower than the NYSE trading price of our Class A common stock. We believe this is because only a relatively small number of shares

of Class B common stock are available for trading, which reduces the liquidity of the market for our Class B common stock to a point where many investors are reluctant to invest in it. The limited liquidity could make it difficult for a holder of even a relatively small number of shares of our Class B common stock to dispose of the stock without materially reducing the trading price of the Class B common stock.

Table of Contents***Changes in global or regional environmental conditions and governmental actions in response to such changes may adversely affect us by increasing the costs of or restricting our planned or future growth activities.***

There is growing concern from many members of the scientific community and the general public that an increase in global average temperatures due to emissions of greenhouse gases and other human activities have caused, or will cause, significant changes in weather patterns and increase the frequency and severity of natural disasters.

Government mandates, standards or regulations intended to reduce greenhouse gas emissions or projected climate change impacts have resulted, and are likely to continue to result, in restrictions on land development in certain areas and increased energy, transportation and raw material costs. We have tried to reduce the effect of the homes we build on the climate by installing solar power systems and other energy saving devices on many of those homes.

Nonetheless, governmental requirements directed at reducing effects on climate could cause us to incur expenses that we cannot recover or that will require us to increase the price of homes we sell to the point that it affects demand for those homes.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Executive Officers of Lennar Corporation**

The following individuals are our executive officers as of January 28, 2019:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Stuart Miller	Executive Chairman	61
Richard Beckwitt	Chief Executive Officer	59
Jonathan M. Jaffe	President	59
Diane J. Bessette	Vice President, Chief Financial Officer and Treasurer	58
Mark Sustana	Vice President, General Counsel and Secretary	57
David M. Collins	Controller	49
Jeff J. McCall	Senior Vice President	47

Mr. Miller is one of our Directors, and has served as our Executive Chairman since April 2018. Before that, Mr. Miller served as our Chief Executive Officer from 1997 to April 2018 and our President from 1997 to April 2011. Before 1997, Mr. Miller held various executive positions with us. Mr. Miller also serves on the Board of Directors of Five Point Holdings, LLC.

Mr. Beckwitt is one of our Directors, and has served as our Chief Executive Officer since April 2018. Before that, Mr. Beckwitt served as our President from April 2011 to April 2018, and as our Executive Vice President from March 2006 to 2011. Mr. Beckwitt also serves on the Board of Directors of Eagle Materials Inc. and Five Point Holdings, LLC.

Mr. Jaffe is one of our Directors, and has served as our President since April 2018. Mr. Jaffe served as our Chief Operating Officer from December 2004 to January 2019, though he continues to have responsibility for the Company's operations nationally. In addition, Mr. Jaffe served as Vice President from 1994 to April 2018 and prior to then, Mr. Jaffe served as a Regional President in our Homebuilding operations. Mr. Jaffe serves on the Board of Directors of Five Point Holdings, LLC.

Ms. Bessette has served as our Chief Financial Officer since April 2018, our Treasurer since February 2008, and as a Vice President since 2000. Ms. Bessette initially joined us in 1995 and served as our Controller from 1997 to 2008.

Mr. Sustana has served as Vice President since April 2018, and as our Secretary and General Counsel since 2005.

Mr. Collins joined us in 1998 and has served as our Controller since February 2008.

Mr. McCall has served as our Senior Vice President since February 2018. Before that, Mr. McCall served as Executive Vice President and Chief Financial Officer of CalAtlantic Group, Inc., or its predecessor, from June 2011 to February 2018.

**Item 2. Properties.**

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

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



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**Item 3. Legal Proceedings.**

We are party to various claims and lawsuits which arise in the ordinary course of business, but we do not consider the volume of our claims and lawsuits unusual given the number of homes we deliver and the fact that the lawsuits often relate to homes delivered several years before the lawsuits are commenced. Although the specific allegations in the lawsuits differ, they most commonly involve claims that we failed to construct homes in particular communities in accordance with plans and specifications or applicable construction codes and seek reimbursement for sums allegedly needed to remedy the alleged deficiencies, assert contract issues or relate to personal injuries. Lawsuits of these types are common within the homebuilding industry. We are a plaintiff in many cases in which we seek contribution from our subcontractors for home repair costs. The costs incurred by us in construction defect lawsuits may be offset by warranty reserves, our third-party insurers, subcontractor insurers or indemnity contributions from subcontractors. We are also a party to various lawsuits involving purchases and sales of real property. These lawsuits include claims regarding representations and warranties made in connection with the transfer of the property and disputes regarding the obligation to purchase or sell the property. From time-to-time, we also receive notices from environmental agencies or other regulators regarding alleged violations of environmental or other laws. We typically settle these matters before they reach litigation for amounts that are not material to us. In addition, we are a defendant in several lawsuits by persons to which we sold pools of mortgages we originated, alleging breaches of warranties in the sale documents.

In July 2017, CalAtlantic Group, Inc., a subsidiary of ours, was notified by the San Francisco Regional Water Quality Control Board of CalAtlantic's non-compliance with the Clean Water Act at a development in San Ramon, CA. We expect to pay monetary sanctions to resolve this matter, which we do not currently expect will be material.

Our mortgage subsidiary was subpoenaed by the United States Department of Justice ("DOJ") regarding the adequacy of certain underwriting and quality control processes related to Federal Housing Administration loans originated and sold in prior years. We provided information related to these loans and our processes to the DOJ. In October 2018, we paid monetary sanctions and restitution to resolve this matter that were not material.

We do not believe that the ultimate resolution of these claims or lawsuits will have a material adverse effect on our business or financial position. However, the financial effect of litigation concerning purchases and sales of property may depend upon the value of the subject property, which may have changed from the time the agreement for purchase or sale was entered into.

**Item 4. Mine Safety Disclosures.**

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our Class A and Class B common stock are listed on the New York Stock Exchange ("NYSE") under the symbols "LEN" and "LEN.B," respectively. As of December 31, 2018, the last reported sale price of our Class A and Class B common stock on the NYSE was \$39.15 and \$31.33, respectively. As of December 31, 2018, there were approximately 1,879 and 962 holders of record of our Class A and Class B common stock, respectively.

On January 10, 2019, our Board of Directors declared a quarterly cash dividend of \$0.04 per share for both our Class A and Class B common stock, which is payable on February 8, 2019, to holders of record at the close of business on January 25, 2019.

On November 27, 2017, we paid a stock dividend of one share of Class B common stock for each 50 shares of Class A common stock or Class B common stock to holders of record at the close of business on November 10, 2017, as declared by our Board of Directors on October 30, 2017. Our Board of Directors evaluates each quarter the decision whether to declare a dividend and the amount of the dividend.

The following table provides information about our repurchases of common stock during the three months ended November 30, 2018:

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)
September 1 to September 30, 2018	523	\$49.83	—	6,218,968
October 1 to October 31, 2018	8,187	\$45.84	1,849,599	4,369,369
November 1 to November 30, 2018	1,558	\$37.10	4,150,401	218,968

(1) Represents 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.

In June 2001, our Board of Directors authorized a stock repurchase program under which we were authorized to purchase up to 20 million shares of our outstanding Class A common stock or Class B common stock. This repurchase authorization had no expiration. We repurchased 6.0 million shares of Class A common stock for \$249.9 million at an average share price of \$41.63. Subsequent to November 30, 2018, 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 billion in value, or 25 million in shares, of our outstanding Class A or Class B common stock. This repurchase authorization has no expiration.

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

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Performance Graph

The following graph compares the five-year cumulative total return of our Class A common stock with the Dow Jones U.S. Home Construction Index and the Dow Jones U.S. Total Market Index. The graph assumes \$100 invested on November 30, 2013 in our Class A common stock, the Dow Jones U.S. Home Construction Index and the Dow Jones U.S. Total Market Index, and the reinvestment of all dividends.

	2013	2014	2015	2016	2017	2018
Lennar Corporation	\$100	133	144	120	181	123
Dow Jones U.S. Home Construction Index	\$100	119	135	119	213	152
Dow Jones U.S. Total Market Index	\$100	116	118	128	157	166

Table of Contents**Item 6. Selected Financial Data.**

The following table sets forth our selected consolidated financial and operating information as of or for each of the years ended November 30, 2014 through 2018. The information presented below is based upon our historical financial statements.

<i>(Dollars in thousands, except per share amounts)</i>	At or for the Years Ended November 30,				
	2018	2017	2016	2015	2014
<b>Results of Operations:</b>					
Revenues:					
Lennar Homebuilding	\$ 19,077,597	11,200,242	9,741,337	8,466,945	7,025,130
Lennar Financial Services	\$ 867,831	770,109	687,255	620,527	454,381
Lennar Multifamily	\$ 421,132	394,771	287,441	164,613	69,780
Rialto	\$ 205,071	281,243	233,966	221,923	230,521
Total revenues	\$ 20,571,631	12,646,365	10,949,999	9,474,008	7,779,812
Operating earnings (loss):					
Lennar Homebuilding	\$ 2,254,650	1,269,039	1,344,932	1,271,641	1,033,721
Lennar Financial Services	\$ 187,430	155,524	163,617	127,795	80,138
Lennar Multifamily	\$ 42,695	73,432	71,174	(7,171)	(10,993)
Rialto	\$ (21,584)	(22,495)	(16,692)	33,595	44,079
Gain on sale of Rialto investment and asset management platform	\$ 296,407	—	—	—	—
Acquisition and integration costs related to CalAtlantic	\$ 152,980	—	—	—	—
Corporate general and administrative expenses	\$ 343,934	285,889	232,562	216,244	177,161
Earnings before income taxes	\$ 2,262,684	1,189,611	1,330,469	1,209,616	969,784
Net earnings attributable to Lennar	\$ 1,695,831	810,480	911,844	802,894	638,916
Diluted earnings per share	\$ 5.44	3.38	3.86	3.39	2.75
Cash dividends declared per each - Class A and Class B common stock	\$ 0.16	0.16	0.16	0.16	0.16
<b>Financial Position:</b>					
Total assets	\$ 28,566,181	18,745,034	15,361,781	14,419,509	12,923,151
Debt:					
Lennar Homebuilding	\$ 8,543,868	6,410,003	4,575,977	5,025,130	4,661,266
Lennar Financial Services	\$ 1,256,174	937,431	1,077,228	858,300	704,143
Rialto	\$ 317,016	625,081	622,335	771,728	617,077
Stockholders' equity	\$ 14,581,535	7,872,317	7,026,042	5,648,944	4,827,020
Total equity	\$ 14,682,957	7,986,132	7,211,567	5,950,072	5,251,302
Shares outstanding (000s)	324,238	239,964	239,133	215,804	209,697
Stockholders' equity per share	\$ 44.97	32.81	29.38	26.18	23.02
<b>Lennar Homebuilding Data (including unconsolidated entities):</b>					
Number of homes delivered	45,627	29,394	26,563	24,292	21,003
New orders	45,826	30,348	27,372	25,106	22,029
Backlog of home sales contracts	15,616	8,935	7,623	6,646	5,832
Backlog dollar value	\$ 6,570,123	3,550,366	2,891,538	2,477,751	1,974,328

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

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

**Special Note Regarding Forward-Looking Statements**

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Some of the opinions formed based upon general observations, anecdotal evidence and industry experience, but that are not supported by specific investigation or analysis.

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 real estate taxes, construction materials, labor and insurance, and our inability to manage our cost structure, both in our Lennar Homebuilding and Lennar Multifamily businesses; our inability to realize all of the anticipated synergy benefits from the CalAtlantic acquisition or to realize them in the anticipated timeline; our inability to successfully execute our strategies; 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 Lennar 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; negative effects of increasing mortgage interest rates; our inability to reduce the ratio of our homebuilding debt to our total capital net of cash; 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 "Item 1A-Risk Factors" of this Annual Report for a further discussion of these and other risks and uncertainties which could affect our future results. We undertake no obligation to 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, except to the extent we are legally required to disclose certain matters in SEC filings or otherwise.

**Outlook**

At the end of our fiscal 2018, we believe the market has taken a natural pause as higher home prices and rapid interest rate increases have combined to create a mismatch between prices and homebuyer expectations. While we saw traffic moderate and sales slow toward the end of 2018, with inventories low, we believe this is a temporary adjustment as strong employment, wage growth, consumer confidence and general economic growth drive the consumer to the market. We still believe that the housing market is primarily driven by the deficit in housing production that has persisted for over a decade. As interest rates have started to ease at the end of 2018 and beginning of 2019, we have

seen traffic pick up. Additionally, if the market continues to remain soft, we believe our production-oriented focus should allow us to move quickly to realize reduced costs in an accelerated production pace. Alternatively, if the market returns to normalized levels, we believe we will have a superior position with more homes started and available to sell and the critically needed trade base to deliver them.

In spite of softer market conditions towards the back end of the year, fiscal 2018 was another strong year for Lennar, enhanced by the successful integration of CalAtlantic. Revenues totaled \$20.6 billion, representing a 63% increase from 2017. This increase was largely driven by our homebuilding business which saw a 55% increase in deliveries to 45,627 homes primarily as a result of the CalAtlantic acquisition. Gross margins and operating margins, excluding backlog and construction in process write-up, were 21.8%, and 13.3%, respectively, which is an improvement in operating margins of 40 basis points from 2017. This improvement was driven by a reduction in S,G&A as a percentage of home sales revenue to 8.5%, which is an all-time fiscal year low, from 9.2% in 2017. Our new orders increased to 45,826, up 51% compared to fiscal 2017, primarily as a

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result of the CalAtlantic acquisition. In addition, we ended the year with a strong sales backlog of 15,616 homes or \$6.6 billion, up 75% in homes and 85% in dollar value.

Consistent with our focus to revert to our core homebuilding platform, we sold our Rialto investment and asset management platform for \$340 million in the fourth quarter of 2018. While we continue to hold valuable investment assets of Rialto, we will no longer oversee nor be engaged in the active management of Rialto. Subsequent to fiscal year end, we also sold the majority of our retail title agency business and our wholly owned title insurance carrier. In addition, we sold our real estate brokerage business in the first quarter of 2019.

In 2018, our Financial Services segment produced \$187.4 million of pre-tax earnings, compared to \$155.5 million in 2017. The increase was largely due to an increase in the segment's title and mortgage operations due to the acquisition of CalAtlantic's Financial Services operations.

Our rental apartment business has seen significant pickup in both rents and lease-ups. The Multifamily segment generated \$42.7 million in operating earnings in fiscal 2018, which was down from 2017 due to a strategic shift from a merchant build-to-sell model to a build-to-hold model. While we still have a pipeline of 30 merchant-build communities with over 9,000 homes and a total development cost of \$3.6 billion, our real focus is to create long-term cash flow and value through the build-out of our Lennar Multifamily Venture I and II.

In fiscal 2019, we are very focused on cash flow generation to reduce debt and to opportunistically repurchase shares. To further enhance our cash flow generation, we are continuing our pivot to a land-lighter operating model with an emphasis on controlling more land through options versus a more cash-intensive land acquisition and development program. We ended the year with approximately 25% of our homesites controlled via option contracts and similar arrangements. Our goal is to increase this to over 40% in the next several years. We expect that this shift in land strategy should increase our returns on inventory and generate additional cash flow.

We are excited about our position and business strategy today. We expect that our Company's main driver of earnings will continue to be our homebuilding and financial services operations as we expect to deliver over 50,000 homes in fiscal 2019. We benefit from the size and scale we have amassed in each of our strategic markets. We have shed non-core assets to generate cash and have continued to partner with technology companies that can help enhance our customers experience while reducing our overhead. Our reversion to core and technology investment strategies have combined to enable us to rationalize our overall business, recognize significant cash flow and profits, and improve our customers' experience, while reducing headcount by approximately 1,600 associates from fiscal year end through January 2019. This strategy will continue to reduce company overhead and increase efficiency in our core operations. Overall, we believe we are on track to achieve another year of strong profitability in fiscal 2019.

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## Overview

Our net earnings attributable to Lennar were \$1.7 billion, or \$5.44 per diluted share (\$5.46 per basic share) in 2018, \$810.5 million, or \$3.38 per diluted share (\$3.38 per basic share) in 2017, and \$911.8 million, or \$3.86 per diluted share (\$4.05 per basic share) in 2016.

The following table sets forth financial and operational information for the years indicated related to our operations.

<i>(Dollars in thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Lennar Homebuilding revenues:</b>			
Sales of homes	\$18,810,552	11,035,299	9,558,517
Sales of land	267,045	164,943	182,820
Total Lennar Homebuilding revenues	19,077,597	11,200,242	9,741,337
<b>Lennar Homebuilding costs and expenses:</b>			
Costs of homes sold	15,121,738	8,601,346	7,362,853
Costs of land sold	206,971	135,075	138,111
Selling, general and administrative	1,608,164	1,015,848	898,917
Total Lennar Homebuilding costs and expenses	16,936,873	9,752,269	8,399,881
<b>Lennar Homebuilding operating margins</b>	<b>2,140,724</b>	<b>1,447,973</b>	<b>1,341,456</b>
Lennar Homebuilding equity in loss from unconsolidated entities	(91,915 )	(61,708 )	(49,275 )
Lennar Homebuilding other income, net	205,841	22,774	52,751
Lennar Homebuilding loss due to litigation	—	(140,000 )	—
<b>Lennar Homebuilding operating earnings</b>	<b>\$2,254,650</b>	<b>1,269,039</b>	<b>1,344,932</b>
Lennar Financial Services revenues	\$867,831	770,109	687,255
Lennar Financial Services costs and expenses	680,401	614,585	523,638
<b>Lennar Financial Services operating earnings</b>	<b>\$187,430</b>	<b>155,524</b>	<b>163,617</b>
Lennar Multifamily revenues	\$421,132	394,771	287,441
Lennar Multifamily costs and expenses	429,759	407,078	301,786
Lennar Multifamily equity in earnings from unconsolidated entities and other gain	51,322	85,739	85,519
<b>Lennar Multifamily operating earnings</b>	<b>\$42,695</b>	<b>73,432</b>	<b>71,174</b>
Rialto revenues	\$205,071	281,243	233,966
Rialto costs and expenses	190,413	247,549	229,769
Rialto equity in earnings from unconsolidated entities	25,816	25,447	18,961
Rialto other expense, net	(62,058 )	(81,636 )	(39,850 )
<b>Rialto operating loss</b>	<b>\$(21,584 )</b>	<b>(22,495 )</b>	<b>(16,692 )</b>
<b>Total operating earnings</b>	<b>\$2,463,191</b>	<b>1,475,500</b>	<b>1,563,031</b>
Gain on sale of Rialto investment and asset management platform	296,407	—	—
Acquisition and integration costs related to CalAtlantic	152,980	—	—
Corporate general and administrative expenses	343,934	285,889	232,562
<b>Earnings before income taxes</b>	<b>\$2,262,684</b>	<b>1,189,611</b>	<b>1,330,469</b>
<b>Net earnings attributable to Lennar</b>	<b>\$1,695,831</b>	<b>810,480</b>	<b>911,844</b>
Gross margin as a % of revenue from home sales (1)	19.6	% 22.1	% 23.0
S,G&A expenses as a % of revenues from home sales	8.5	% 9.2	% 9.4
Operating margin as a % of revenues from home sales	11.1	% 12.9	% 13.6
Average sales price	\$413,000	376,000	361,000

(1) Excluding the backlog/construction in progress write-up of \$414.6 million related to purchase accounting on CalAtlantic homes that were delivered in the year ended November 30, 2018, gross margins on homes sales were \$4.1 billion or 21.8%.





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Revenues from home sales increased 70% in the year ended November 30, 2018 to \$18.8 billion from \$11.0 billion in the year ended November 30, 2017. Revenues were higher primarily due to a 55% increase in the number of home deliveries, excluding unconsolidated entities, and a 10% increase in the average sales price of homes delivered. New home deliveries, excluding unconsolidated entities, increased to 45,563 homes in the year ended November 30, 2018 from 29,322 homes in the year ended November 30, 2017, primarily due to the significant increase in volume resulting from the CalAtlantic acquisition. There was an increase in home deliveries in all of our Homebuilding segments. The average sales price of homes delivered, excluding unconsolidated entities, increased to \$413,000 in the year ended November 30, 2018 from \$376,000 in the year ended November 30, 2017. Sales incentives offered to homebuyers were \$23,500 per home delivered in the year ended November 30, 2018, or 5.4% as a percentage of home sales revenue, compared to \$22,700 per home delivered in the year ended November 30, 2017, or 5.7% as a percentage of home sales revenue.

Gross margins on home sales were \$3.7 billion, or 19.6%, in the year ended November 30, 2018, compared to \$2.4 billion, or 22.1%, in the year ended November 30, 2017. The gross margin percentage on home sales decreased compared to the year ended November 30, 2017 primarily due to the backlog/construction in progress write-up of \$414.6 million related to purchase accounting adjustments on CalAtlantic homes that were delivered in the year ended November 30, 2018, which impacted gross margins on home sales by 220 basis points. In addition there was an increase in construction costs per home, partially offset by an increase in the average sales price of homes delivered. Selling, general and administrative expenses were \$1.6 billion in the year ended November 30, 2018, compared to \$1.0 billion in the year ended November 30, 2017. As a percentage of revenues from home sales, selling, general and administrative expenses improved to 8.5% in the year ended November 30, 2018, from 9.2% in the year ended November 30, 2017, primarily due to a reduction in personnel and related expenses, brokers commissions, and model and selling expenses as a percentage of home sales revenue. This was achieved through improved operating leverage as a result of an increase in home deliveries and continued benefit from technology initiatives.

Gross profits on land sales were \$60.1 million in the year ended November 30, 2018, compared to \$29.9 million in the year ended November 30, 2017. Lennar Homebuilding equity in loss from unconsolidated entities was \$91.9 million in the year ended November 30, 2018, compared to \$61.7 million in the year ended November 30, 2017. In the years ended November 30, 2018 and 2017, Lennar Homebuilding equity in loss from unconsolidated entities was attributable to our share of net operating losses from our unconsolidated entities which were primarily driven by valuation adjustments related to assets of Lennar Homebuilding's unconsolidated entities and general and administrative expenses, partially offset by profits from land sales.

Lennar Homebuilding other income, net, totaled \$205.8 million in the year ended November 30, 2018, compared to \$22.8 million in the year ended November 30, 2017. In the year ended November 30, 2018, other income, net was primarily related to a \$164.9 million gain on the sale of an 80% interest in one of our strategic joint ventures, Treasure Island Holdings.

Lennar Homebuilding loss due to litigation of \$140 million in the year ended November 30, 2017 was related to litigation regarding a contract we entered into in 2005 to purchase property in Maryland. As a result of the litigation, we purchased the property for \$114 million, which approximated our estimate of fair value for the property. In addition, we paid approximately \$124 million in interest and other closing costs and have accrued for the amount we expect to pay as reimbursement for attorney's fees.

Lennar Homebuilding interest expense was \$316.2 million in the year ended November 30, 2018 (\$301.3 million was included in costs of homes sold, \$3.6 million in costs of land sold and \$11.3 million in other interest expense), compared to \$277.8 million in the year ended November 30, 2017 (\$260.7 million was included in costs of homes sold, \$10.0 million in costs of land sold and \$7.2 million in other interest expense). Interest expense included in costs of homes sold increased primarily due to an increase in home deliveries.

Operating earnings for our Lennar Financial Services segment were \$187.4 million in the year ended November 30, 2018, compared to \$155.5 million in the year ended November 30, 2017. Operating earnings were impacted by an increase in the segment's title and mortgage operations due to the acquisition of CalAtlantic's Financial Services operations, partially offset by a decrease in refinance transactions.

Operating earnings for our Lennar Multifamily segment were \$42.7 million in the year ended November 30, 2018, compared to operating earnings of \$73.4 million in the year ended November 30, 2017. The decrease in profitability was primarily due to the segment's \$61.2 million share of gains as a result of the sale of six operating properties by our Lennar Multifamily's unconsolidated entities and the sale of an investment in an operating property in the year ended November 30, 2018, compared to the segment's \$96.7 million share of gains as a result of the sale of seven operating properties by our Lennar Multifamily's unconsolidated entities in the year ended November 30, 2017, as well as an increase in general and administrative expenses for the year ended November 30, 2018. The decrease in profitability for the year ended November 30, 2018 was

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partially offset by \$16.2 million of promote revenue recognized in the year ended November 30, 2018 related to eight properties in LMV Fund I.

On November 30, 2018, we recorded a \$296.4 million gain on the sale of our Rialto investment and asset management platform. Operating loss for our Rialto segment was \$18.3 million in the year ended November 30, 2018 (which included \$21.6 million of operating loss and an add back of \$3.3 million of net loss attributable to noncontrolling interests). Operating earnings for the Rialto segment in the year ended November 30, 2017 were \$23.6 million (which included \$22.5 million of operating loss and add back of \$46.1 million of net loss attributable to noncontrolling interests). The decrease in operating earnings was primarily as a result of non-recurring expenses, partially offset by a decrease in real estate owned and loan impairments due to the liquidation of the FDIC and bank portfolios and a decrease in interest expense.

During the year ended November 30, 2018, we recorded \$153.0 million of acquisition and integration costs that were comprised mainly of severance expenses and transaction costs and were included within the acquisition and integration costs related to CalAtlantic line item in the consolidated statement of operations.

Corporate general and administrative expenses were \$343.9 million, or 1.7% as a percentage of total revenues, in the year ended November 30, 2018, compared to \$285.9 million, or 2.3% as a percentage of total revenues, in the year ended November 30, 2017. 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.

Net earnings (loss) attributable to noncontrolling interests were \$21.7 million and (\$38.7) million in the years ended November 30, 2018 and 2017, respectively. Net earnings attributable to noncontrolling interests during the year ended November 30, 2018 were primarily attributable to net earnings related to our Lennar Homebuilding consolidated joint ventures. Net loss attributable to noncontrolling interests during the year ended November 30, 2017 was primarily attributable to a net loss related to the FDIC's interest in the portfolio of real estate loans that we acquired in partnership with the FDIC in 2010.

In the years ended November 30, 2018 and 2017, we had a tax provision of \$545.2 million and \$417.9 million, respectively. Our overall effective income tax rates were 24.3% and 34.0% for the years ended November 30, 2018 and 2017, respectively. The decrease is primarily the result of the Tax Cuts and Jobs Act enacted in December 2017. The tax reform bill reduced the maximum federal corporate income tax rate to 21%, which also reduced the value of our deferred tax assets. As a result, we recorded a non-cash one-time write down of deferred tax assets that resulted in income tax expense of \$68.6 million in the first quarter of fiscal year 2018.

#### 2017 versus 2016

Revenues from home sales increased 15% in the year ended November 30, 2017 to \$11.0 billion from \$9.6 billion in 2016. Revenues were higher primarily due to an 11% increase in the number of home deliveries, excluding unconsolidated entities, and a 4% increase in the average sales price of homes delivered. New home deliveries, excluding unconsolidated entities, increased to 29,322 homes in the year ended November 30, 2017 from 26,481 homes in 2016. There was an increase in home deliveries in all of our Homebuilding segments. The increase in the number of deliveries was primarily driven by an increase in active communities over 2016 and by higher demand as the number of deliveries per active community increased. The average sales price of homes delivered, excluding unconsolidated entities, increased to \$376,000 in the year ended November 30, 2017 from \$361,000 in the year ended November 30, 2016, primarily due to product mix (selling at different price points) and increased pricing in certain of our markets due to favorable market conditions. Sales incentives offered to homebuyers were \$22,700 per home delivered in the year ended November 30, 2017, or 5.7% as a percentage of home sales revenue, compared to \$22,500 per home delivered in the year ended November 30, 2016, or 5.9% as a percentage of home sales revenue.

Gross margins on home sales were \$2.4 billion, or 22.1%, in the year ended November 30, 2017, compared to \$2.2 billion, or 23.0%, in the year ended November 30, 2016. Gross margin percentage on home sales decreased compared to the year ended November 30, 2016 primarily due to an increase in construction and land costs per home, partially offset by an increase in the average sales price of homes delivered.

Selling, general and administrative expenses were \$1.0 billion in the year ended November 30, 2017, compared to \$898.9 million in the year ended November 30, 2016. As a percentage of revenues from home sales, selling, general and administrative expenses improved to 9.2% in the year ended November 30, 2017, from 9.4% in the year ended

November 30, 2016 due to improved operating leverage as a result of an increase in home deliveries.

Gross profits on land sales were \$29.9 million in the year ended November 30, 2017, compared to \$44.7 million in the year ended November 30, 2016.

Lennar Homebuilding equity in loss from unconsolidated entities was \$61.7 million in the year ended November 30, 2017, compared to \$49.3 million in the year ended November 30, 2016. In the year ended November 30, 2017, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of net operating losses from

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our unconsolidated entities which were primarily driven by general and administrative expenses and valuation adjustments related to assets of Lennar Homebuilding unconsolidated entities, partially offset by profits from land sales. In the year ended November 30, 2016, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of costs associated with the FivePoint combination as well as our share of net operating losses associated with the new FivePoint unconsolidated entity formed as the result of this combination. This was partially offset by \$12.7 million of equity in earnings from one of our unconsolidated entities primarily due to sales of homesites to third parties.

Lennar Homebuilding other income, net, totaled \$22.8 million in the year ended November 30, 2017, compared to \$52.8 million in the year ended November 30, 2016. In the year ended November 30, 2016, other income, net included management fee income and a profit participation related to Lennar Homebuilding's strategic joint ventures and gains on the sale of several clubhouses.

Lennar Homebuilding loss due to litigation of \$140 million in the year ended November 30, 2017, was related to litigation regarding a contract we entered into in 2005 to purchase property in Maryland. As a result of the litigation, we purchased the property for \$114 million, which approximated our estimate of fair value for the property. In addition, we paid approximately \$124 million in interest and other closing costs and have accrued for the amount we expect to pay as reimbursement for attorney's fees.

Lennar Homebuilding interest expense was \$277.8 million in the year ended November 30, 2017 (\$260.7 million was included in costs of homes sold, \$10.0 million in costs of land sold and \$7.2 million in other interest expense), compared to \$245.1 million in the year ended November 30, 2016 (\$235.1 million was included in costs of homes sold, \$5.3 million in costs of land sold and \$4.6 million in other interest expense). Interest expense included in costs of homes sold increased primarily due to an increase in home deliveries.

Operating earnings for our Lennar Financial Services segment were \$155.5 million in the year ended November 30, 2017, compared to \$163.6 million in the year ended November 30, 2016. Operating earnings decreased due to lower profitability in the segment's mortgage operations as a result of a decrease in refinance transactions, which led to both lower origination volume and profit per loan. This was partially offset by higher profit per transaction in the segment's title operations and earnings from the real estate brokerage business which was acquired as part of the WCI Communities, Inc. ("WCI") acquisition in February 2017.

Operating earnings for our Lennar Multifamily segment were \$73.4 million in the year ended November 30, 2017, compared to operating earnings of \$71.2 million in the year ended November 30, 2016. The increase in profitability was primarily due to the segment's \$96.7 million share of gains as a result of the sale of seven operating properties by Lennar Multifamily's unconsolidated entities, compared to the segment's \$91.0 million share of gains as a result of the sale of seven operating properties by Lennar Multifamily's unconsolidated entities in the year ended November 30, 2016.

Operating earnings for our Rialto segment were \$23.6 million in the year ended November 30, 2017 (which included \$22.5 million of operating loss and an add back of \$46.1 million of net loss attributable to noncontrolling interests). Operating earnings in the year ended November 30, 2016 were \$2.1 million (which included \$16.7 million of operating loss and add back of \$18.8 million of net loss attributable to noncontrolling interests). The increase in operating earnings was primarily related to an increase in incentive income related to carried interest distributions from the Rialto real estate funds, as well as an increase in management fee income and equity in earnings from unconsolidated entities. This was partially offset by an increase in REO and loan impairments and general and administrative expenses. In addition, the year ended November 30, 2016 included a \$16.0 million write-off of uncollectible receivables related to a hospital, which was acquired through the resolution of one of Rialto's loans from a 2010 portfolio.

Corporate general and administrative expenses were \$285.9 million, or 2.3% as a percentage of total revenues, in the year ended November 30, 2017, compared to \$232.6 million, or 2.1% as a percentage of total revenues, in the year ended November 30, 2016. The increase was primarily due to personnel and related expenses and professional expenses related to technology investments.

Net earnings (loss) attributable to noncontrolling interests were (\$38.7) million and \$1.2 million in the years ended November 30, 2017 and 2016, respectively. Net loss attributable to noncontrolling interests during the year ended

November 30, 2017 was primarily attributable to net loss related to the FDIC's interest in the portfolio of real estate loans that we acquired in partnership with the FDIC in 2010. Net earnings attributable to noncontrolling interests during the year ended November 30, 2016 were primarily attributable to earnings related to Lennar Homebuilding consolidated joint ventures, partially offset by a net loss related to the FDIC's interest in the portfolio of real estate loans that we acquired in partnership with the FDIC.

In the years ended November 30, 2017 and 2016, we had a tax provision of \$417.9 million and \$417.4 million, respectively. Our overall effective income tax rates were 34.0% and 31.4% for the years ended November 30, 2017 and 2016, respectively. The increase is primarily the result of the new energy efficient home credits expiring during the year ended November 30, 2017, which increased our effective tax rate by 1.74%. For the years ended November 30, 2017 and 2016, the impact of this tax credit was (0.73%) and (2.47%), respectively.

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**Homebuilding Segments**

Our Homebuilding operations construct and sell homes primarily for first-time, move-up, active adult and luxury homebuyers primarily under the Lennar brand name. In addition, our homebuilding operations purchase, develop and sell land to third parties. In certain circumstances, we diversify our operations through strategic alliances and attempt to minimize our risks by investing with third parties in joint ventures. In connection with the CalAtlantic acquisition, we experienced significant growth in our homebuilding operations. As a result, our chief operating decision makers ("CODM") reassessed how they evaluate the business and allocate resources. The CODM manages and assesses our performance at a regional level. Therefore, 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.

As of and for the year ended November 30, 2018, we have determined that each of our homebuilding regions are our homebuilding operating segments and consist of Homebuilding East, Homebuilding Central, Homebuilding Texas, and Homebuilding West. Information about homebuilding activities in our urban divisions that do not have economic characteristics similar to those in other divisions within the same geographic area is grouped under "Homebuilding Other," which is not a reportable segment. All prior periods have been adjusted to conform with our current 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 November 30, 2018 our homebuilding operating 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, including FivePoint



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

***Selected Financial and Operational Data***

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Homebuilding revenues:</b>			
<b>East:</b>			
Sales of homes	<b>\$6,193,868</b>	4,023,150	3,272,884
Sales of land	<b>55,996</b>	31,699	53,666
Total East	<b>6,249,864</b>	4,054,849	3,326,550
<b>Central:</b>			
Sales of homes	<b>2,260,105</b>	915,835	919,562
Sales of land	<b>30,782</b>	7,683	9,418
Total Central	<b>2,290,887</b>	923,518	928,980
<b>Texas:</b>			
Sales of homes	<b>2,366,844</b>	1,651,619	1,495,351
Sales of land	<b>54,555</b>	46,112	47,761
Total Texas	<b>2,421,399</b>	1,697,731	1,543,112
<b>West:</b>			
Sales of homes	<b>7,934,138</b>	4,379,776	3,782,665
Sales of land	<b>125,712</b>	67,308	65,874
Total West	<b>8,059,850</b>	4,447,084	3,848,539
<b>Other:</b>			
Sales of homes	<b>55,597</b>	64,919	88,055
Sales of land	<b>—</b>	12,141	6,101
Total Other	<b>55,597</b>	77,060	94,156
<b>Total homebuilding revenues</b>	<b>\$19,077,597</b>	11,200,242	9,741,337

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<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Operating earnings (loss):</b>			
<b>East:</b>			
Sales of homes	<b>\$728,934</b>	569,145	523,961
Sales of land	<b>20,287</b>	5,593	21,986
Equity in loss from unconsolidated entities	<b>(818)</b>	(754)	(230)
Other income, net	<b>10,818</b>	1,717	16,358
Total East	<b>759,221</b>	575,701	562,075
<b>Central:</b>			
Sales of homes	<b>180,150</b>	86,847	84,925
Sales of land	<b>909</b>	(491)	2,661
Equity in earnings (loss) from unconsolidated entities	<b>691</b>	(255)	(74)
Other income, net	<b>858</b>	1,598	622
Loss due to litigation (1)	<b>—</b>	(140,000)	—
Total Central	<b>182,608</b>	(52,301)	88,134
<b>Texas:</b>			
Sales of homes	<b>165,094</b>	174,188	161,893
Sales of land	<b>10,808</b>	8,615	8,319
Equity in earnings from unconsolidated entities	<b>469</b>	8	364
Other expense, net	<b>(3,922)</b>	(2,599)	(265)
Total Texas	<b>172,449</b>	180,212	170,311
<b>West:</b>			
Sales of homes	<b>1,029,251</b>	601,235	544,783
Sales of land	<b>30,375</b>	12,896	9,228
Equity in loss from unconsolidated entities (2)	<b>(212)</b>	(13,095)	(2,052)
Other income, net	<b>22,888</b>	14,880	33,914
Total West	<b>1,082,302</b>	615,916	585,873
<b>Other:</b>			
Sales of homes	<b>(22,779)</b>	(13,310)	(18,815)
Sales of land	<b>(2,305)</b>	3,255	2,515
Equity in loss from unconsolidated entities (3)	<b>(92,045)</b>	(47,612)	(47,283)
Other income, net (4)	<b>175,199</b>	7,178	2,122
Total Other	<b>58,070</b>	(50,489)	(61,461)
<b>Total homebuilding operating earnings</b>	<b>\$2,254,650</b>	1,269,039	1,344,932

Loss due to litigation regarding a contract we entered into in 2005 to purchase property in Maryland. As a result of the litigation, we (1) purchased the property for \$114 million, which approximated our estimate of fair value for the property. In addition, we paid approximately \$124 million in interest and other closing costs and have accrued for the amount we expect to pay as reimbursement for attorney's fees.

Equity in loss for the year ended November 30, 2017 included our share of operational net losses from unconsolidated entities driven by (2) general and administrative expenses and valuation adjustments related to assets of Lennar Homebuilding unconsolidated entities, partially offset by profit from land sales.

Equity in loss from unconsolidated entities for the year ended November 30, 2018 included our share of operating net losses from unconsolidated entities driven by valuation adjustments related to assets of Lennar Homebuilding unconsolidated entities. Equity in loss for the year ended November 30, 2017 included our share of operational net losses from unconsolidated entities driven by general and (3) administrative expenses and valuation adjustments related to assets of Lennar Homebuilding unconsolidated entities, partially offset by profit from land sales. Equity in loss for the year ended November 30, 2016 included our share of costs associated with the FivePoint combination and operational net losses from the new FivePoint unconsolidated entity, totaling \$42.6 million, partially offset by \$12.7 million of equity in earnings from one of our unconsolidated entities primarily due to sales of homesites to third parties.

(4) Other income, net for the year ended November 30, 2018 included \$164.9 million related to a gain on the sale of an 80% interest in one of Lennar Homebuilding's joint ventures, Treasure Island Holdings.



Table of Contents**Summary of Homebuilding Data****Deliveries:**

	Years Ended November 30, Homes		
	2018	2017	2016
East	<b>18,161</b>	12,625	10,913
Central	<b>5,865</b>	2,334	2,266
Texas	<b>7,146</b>	5,341	5,010
West	<b>14,352</b>	8,971	8,241
Other	<b>103</b>	123	133
Total	<b>45,627</b>	29,394	26,563

Of the total homes delivered listed above, 64, 72 and 82 represent home deliveries from unconsolidated entities for the years ended November 30, 2018, 2017 and 2016, respectively.

	Years Ended November 30, Dollar Value (In thousands)			Average Sales Price		
	2018	2017	2016	2018	2017	2016
East	<b>\$6,193,868</b>	4,023,150	3,276,072	<b>\$341,000</b>	319,000	300,000
Central	<b>2,260,105</b>	915,835	919,563	<b>385,000</b>	392,000	406,000
Texas	<b>2,366,844</b>	1,651,619	1,495,351	<b>331,000</b>	309,000	298,000
West	<b>7,934,138</b>	4,379,775	3,782,664	<b>553,000</b>	488,000	459,000
Other	<b>103,330</b>	113,750	140,497	<b>1,003,000</b>	925,000	1,056,000
Total	<b>\$18,858,285</b>	11,084,129	9,614,147	<b>\$413,000</b>	377,000	362,000

Of the total dollar value of home deliveries listed above, \$47.7 million, \$48.8 million and \$55.6 million represent the dollar value of home deliveries from unconsolidated entities for the years ended November 30, 2018, 2017 and 2016, respectively. The home deliveries from unconsolidated entities had an average sales price of \$746,000 for the year ended November 30, 2018 and \$678,000 for both years ended November 30, 2017 and 2016.

**Sales Incentives (1):**

	Years Ended November 30, (In thousands)			Average Sales Incentives Per Home Delivered			Sales Incentives as a % of Revenue		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
East	<b>\$444,122</b>	288,138	235,377	<b>6.7 %</b>	6.7%	6.7%	<b>6.7 %</b>	6.7%	6.7%
Central	<b>157,420</b>	66,554	64,856	<b>6.5 %</b>	6.8%	6.6%	<b>6.5 %</b>	6.8%	6.6%
Texas	<b>237,703</b>	173,005	160,950	<b>9.1 %</b>	9.5%	9.7%	<b>9.1 %</b>	9.5%	9.7%
West	<b>222,684</b>	132,920	128,761	<b>2.7 %</b>	2.9%	3.3%	<b>2.7 %</b>	2.9%	3.3%
Other	<b>8,195</b>	5,122	6,355	<b>12.8 %</b>	7.3%	6.7%	<b>12.8 %</b>	7.3%	6.7%
Total	<b>\$1,070,124</b>	665,739	596,299	<b>5.4 %</b>	5.7%	5.9%	<b>5.4 %</b>	5.7%	5.9%

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



Table of Contents**New Orders (2):**

	Years Ended November 30, Homes		
	2018	2017	2016
East	19,297	13,214	11,303
Central	5,855	2,428	2,179
Texas	7,078	5,027	5,127
West	13,516	9,573	8,692
Other	80	106	71
Total	45,826	30,348	27,372

Of the total new orders listed above, 58, 65 and 23 represent new orders from unconsolidated entities for the years ended November 30, 2018, 2017 and 2016, respectively.

	Years Ended November 30, Dollar Value (In thousands)			Average Sales Price		
	2018	2017	2016	2018	2017	2016
East	\$6,505,867	4,190,651	3,417,855	\$337,000	317,000	302,000
Central	2,263,946	968,771	867,632	387,000	399,000	398,000
Texas	2,284,726	1,540,418	1,562,513	323,000	306,000	305,000
West	7,544,235	4,752,656	4,025,723	558,000	496,000	463,000
Other	82,522	106,741	80,214	1,032,000	1,007,000	1,130,000
Total	\$18,681,296	11,559,237	9,953,937	\$408,000	381,000	364,000

Of the total dollar value of new orders listed above, \$39.7 million, \$48.0 million and \$9.2 million represent the dollar value of new orders from unconsolidated entities for the years ended November 30, 2018, 2017 and 2016, respectively. The new orders from unconsolidated entities had an average sales price of \$685,000, \$738,000 and \$401,000 for the years ended November 30, 2018, 2017 and 2016, respectively.

New orders represent the number of new sales contracts executed with homebuyers, net of cancellations, during the years ended (2) November 30, 2018, 2017 and 2016.

**Backlog (3):**

	November 30, Homes		
	2018	2017	2016
East (4)	7,075	3,812	2,865
Central (5)	1,986	715	621
Texas	2,148	1,339	1,653
West	4,401	3,040	2,438
Other	6	29	46
Total	15,616	8,935	7,623

Of the total homes in backlog listed above, 17, 23 and 30 represent homes in backlog from unconsolidated entities at November 30, 2018, 2017 and 2016, respectively.

	November 30, Dollar Value (In thousands)			Average Sales Price		
	2018	2017	2016	2018	2017	2016
East	\$2,522,710	1,273,847	921,436	\$357,000	334,000	322,000
Central	790,252	295,813	242,950	398,000	414,000	391,000
Texas	760,721	425,485	537,460	354,000	318,000	325,000
West	2,487,451	1,525,424	1,152,886	565,000	502,000	473,000
Other	8,989	29,797	36,806	1,498,000	1,027,000	800,000
Total	\$6,570,123	3,550,366	2,891,538	\$421,000	397,000	379,000



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Of the total dollar value of homes in backlog listed above, \$7.1 million, \$15.2 million and \$16.0 million represent the dollar value of homes in backlog from unconsolidated entities at November 30, 2018, 2017 and 2016, respectively. The homes in backlog from unconsolidated entities had an average sales price of \$420,000, \$659,000 and \$533,000 at November 30, 2018, 2017 and 2016, respectively.

During the year ended November 30, 2018, we acquired a total of 6,481 homes in backlog in connection with the CalAtlantic acquisition. Of (3) the homes acquired that were in backlog, 2,126 homes were in the East, 1,281 homes were in the Central, 877 homes were in Texas and 2,197 homes were in the West.

(4) During the year ended November 30, 2017, we acquired 359 homes in backlog as a result of the WCI acquisition. During the year ended November 30, 2016, we acquired 110 homes in backlog from other homebuilders.

(5) During the year ended November 30, 2016, we acquired 58 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. 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 as follows:

	Years Ended		
	November 30,		
	2018	2017	2016
East	14 %	15 %	14 %
Central	11 %	11 %	13 %
Texas	21 %	21 %	22 %
West	14 %	14 %	14 %
Other	21 %	24 %	17 %
Total	15 %	15 %	16 %

**Active Communities:**

	November 30,		
	2018	2017	2016
	(1)		
East (2)	481	306	261
Central	243	86	81
Texas	240	158	155
West	361	211	194
Other	4	4	4
Total	1,329	765	695

Of the total active communities listed above, five communities represent active communities being developed by unconsolidated entities as of November 30, 2018. Of the total active communities listed above, four and two communities represent active communities being constructed by unconsolidated entities as of November 30, 2017 and 2016, respectively.

(1) We acquired 542 active communities as part of 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.

(2) We acquired 51 active communities as part of the WCI acquisition on February 10, 2017.

***Selected Pro Forma Homebuilding Data***

On February 12, 2018, we completed our acquisition of CalAtlantic. To aid readers with comparability of key homebuilding metrics, we are including pro forma homebuilding information about combined new orders and deliveries of Lennar and CalAtlantic for the years ended November 30, 2018 and 2017 reflecting our updated homebuilding segments as if the acquisition occurred on December 1, 2016.



Table of Contents**Pro forma Deliveries:**

	Years Ended November 30, Homes	
	2018	2017
East	19,231	17,339
Central	6,506	5,376
Texas	7,582	7,635
West	15,434	13,355
Other	103	123
Total	48,856	43,828

**Pro forma New Orders:**

	Years Ended November 30, Homes	
	2018	2017
East	20,041	18,162
Central	6,484	5,520
Texas	7,372	7,144
West	14,303	14,362
Other	80	106
Total	48,280	45,294

The following table details our gross margins on home sales for each of our reportable homebuilding segments and Homebuilding Other:

<i>(Dollars in thousands)</i>	Years Ended November 30,					
	2018 (1)		2017		2016	
<b>East:</b>						
Sales of homes	\$6,193,868		4,023,150		3,272,884	
Costs of homes sold	4,900,188		3,054,456		2,436,755	
Gross margins on home sales	1,293,680	20.9%	968,694	24.1%	836,129	25.5%
<b>Central:</b>						
Sales of homes	2,260,105		915,835		919,562	
Costs of homes sold	1,882,114		736,586		744,997	
Gross margins on home sales	377,991	16.7%	179,249	19.6%	174,565	19.0%
<b>Texas:</b>						
Sales of homes	2,366,844		1,651,619		1,495,351	
Costs of homes sold	1,952,366		1,303,268		1,168,825	
Gross margins on home sales	414,478	17.5%	348,351	21.1%	326,526	21.8%
<b>West:</b>						
Sales of homes	7,934,138		4,379,776		3,782,665	
Costs of homes sold	6,331,368		3,448,691		2,941,798	
Gross margins on home sales	1,602,770	20.2%	931,085	21.3%	840,867	22.2%
<b>Other:</b>						
Sales of homes	55,597		64,919		88,055	
Costs of homes sold (2)	55,702		58,345		70,478	
Gross margins on home sales (2)	(105)	(0.2)%	6,574	10.1%	17,577	20.0%
<b>Total gross margins on home sales</b>	<b>\$3,688,814</b>	<b>19.6%</b>	<b>2,433,953</b>	<b>22.1%</b>	<b>2,195,664</b>	<b>23.0%</b>

(1) During the year ended November 30, 2018, gross margin on home sales included backlog/construction in progress write-up of \$414.6 million related to purchase accounting on CalAtlantic homes that were delivered in the year ended November 30, 2018.

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



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## 2018 versus 2017

**Homebuilding East:** Revenues from home sales increased in 2018 compared to 2017, primarily due to an increase in the number of home deliveries in all the states in the segment. Revenues from home sales also increased as a result of the increase in the average sales price of homes delivered in Florida and the Carolinas, partially offset by a decrease in the average sales price of homes delivered in New Jersey. The increase in the number of deliveries was primarily driven by an increase in active communities including communities acquired from CalAtlantic. The increase in the average sales price of homes delivered in Florida and the Carolinas was primarily due to an increase in home deliveries in higher-priced communities, including higher-priced communities acquired from CalAtlantic. The decrease in the average sales price of homes delivered in New Jersey 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 during the year ended November 30, 2018. Gross margin percentage on home sales for the year ended November 30, 2018 decreased compared to the same period last year primarily due to increases in construction and land costs per home and purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage on those deliveries. This was partially offset by an increase in the average sales price of homes delivered.

**Homebuilding Central:** Revenues from home sales increased in 2018 compared to 2017, primarily due to an increase in the number of home deliveries in all the states in the segment. The increase in the number of deliveries was primarily driven by an increase in active communities including communities acquired from CalAtlantic. The average sales prices in the segment decreased in 2018 compared to 2017, primarily due to communities acquired from CalAtlantic in Indiana and Illinois, which are lower-priced communities, and a decrease in average sales prices in Georgia and Minnesota. The decrease in the average sales price of homes delivered in Georgia 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 during the year ended November 30, 2018. Gross margin percentage on home sales for the year ended November 30, 2018 decreased compared to the same period last year primarily due to increases in construction and land costs per home and purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage on those deliveries.

**Homebuilding Texas:** Revenues from home sales increased in 2018 compared to 2017, primarily due to an increase in the number of home deliveries and in the average sales price of homes delivered. The increase in the number of deliveries was primarily driven by an increase in active communities including communities acquired from CalAtlantic. 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. Gross margin percentage on home sales for the year ended November 30, 2018 decreased compared to the same period last year primarily due to increases in construction and land costs per home and purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage on those deliveries. This was partially offset by an increase in the average sales price of homes delivered.

**Homebuilding West:** Revenues from home sales increased in 2018 compared to 2017, primarily due to an increase in the number of home deliveries and average sales price of homes delivered in all the states in the segment. The increase in the number of deliveries was primarily driven by an increase in active communities including communities acquired from CalAtlantic. 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. Gross margin percentage on home sales for the year ended November 30, 2018 decreased compared to the same period last year primarily due to increases in construction and land costs per home and purchase accounting adjustments on CalAtlantic homes that were in backlog/construction in progress when we acquired CalAtlantic, which reduced the gross margin percentage on those deliveries. This was partially offset by an increase in the average sales price of homes delivered.



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## 2017 versus 2016

**Homebuilding East:** Revenues from home sales increased in 2017 compared to 2016, primarily due to an increase in the number of home deliveries in all states in the segment. Revenues from home sales also increased as a result of the increase in the average sales price of homes delivered in Florida and the Carolinas, partially offset by a decrease in the average sales price of homes delivered in New Jersey. The increase in the number of deliveries was primarily driven by an increase in active communities during 2017 primarily related to the WCI acquisition. The increase in the average sales price of homes delivered in Florida and the Carolinas was primarily due to an increase in home deliveries in higher-priced communities and favorable market conditions. The decrease in the average sales price of homes delivered in New Jersey 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 during the year ended November 30, 2017. Gross margin percentage on home sales for the year ended November 30, 2017 decreased compared to 2016 primarily due to an increase in direct construction costs per home, partially offset by an increase in the average sales price of homes delivered.

**Homebuilding Central:** Revenues from home sales decreased slightly in 2017 compared to 2016, primarily due to a decrease in the number of home deliveries in Georgia and Virginia and a slight decrease in the average sales price of homes delivered in all the states in the segment. This was partially offset by an increase in the number of home deliveries in Minnesota and Tennessee. The decrease in the number of deliveries in Georgia and Virginia was primarily due to a decrease in deliveries per active community as a result of timing of opening and closing of communities. The increase in the number of deliveries in Minnesota and Tennessee was primarily driven by higher demand as the number of deliveries per active community increased. The decrease in the average sales price of homes delivered in all states in Homebuilding Central, 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 during the year ended November 30, 2017. Gross margin percentage on home sales for the year ended November 30, 2017 decreased compared to 2016 primarily due to an increase in land and direct construction costs per home.

**Homebuilding Texas:** Revenues from home sales increased in 2017 compared to 2016, primarily due to an increase in the number of home deliveries and an increase in the average sales price of homes delivered. The increase in the number of deliveries in Homebuilding Texas was primarily driven by higher demand as the number of deliveries per active community increased and the number of active communities increased. The increase in the average sales price of homes delivered was primarily due to favorable market conditions. Gross margin percentage on home sales for the year ended November 30, 2017 decreased compared to the same period last year primarily due to an increase in land and direct construction costs per home, partially offset by an increase in the average sales price of homes delivered.

**Homebuilding West:** Revenues from home sales increased in 2017 compared to 2016, primarily due to an increase in the number of home deliveries in all the states in the segment, except Colorado and an increase in the average sales price in all the states in the segment, except Oregon. The increase in the number of home deliveries is primarily driven by higher demand as the number of deliveries per active community increased. The decrease in the number of deliveries in Colorado was primarily due to a decrease in deliveries per active community as a result of timing of opening and closing of communities. The increase in the average sales price of homes delivered was primarily due to a change in product mix and favorable market conditions. The decrease in the average sales price of homes delivered in Oregon 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 during the year ended November 30, 2017. Gross margin percentage on home sales for the year ended November 30, 2017 decreased compared to the same period last year primarily due to an increase in direct construction and land costs per home, partially offset by an increase in the average sales price of homes delivered.

**Lennar Financial Services Segment**

Our Lennar Financial Services reportable segment provides mortgage financing, title insurance and closing services for both buyers of our homes and others. Our Lennar Financial Services segment sells substantially all of the loans it originates within a short period in the secondary mortgage market, a majority of them 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. Occasional

claims of this type are a normal incident of our loan securitization activities. We do not believe these claims will have a material adverse effect on our business.

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

<i>(Dollars in thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Revenues</b>	<b>\$867,831</b>	770,109	687,255
<b>Costs and expenses</b>	<b>680,401</b>	614,585	523,638
<b>Operating earnings</b>	<b>\$187,430</b>	155,524	163,617
Dollar value of mortgages originated	<b>\$11,079,000</b>	8,973,000	9,343,000
Number of mortgages originated	<b>36,500</b>	31,600	33,500
Mortgage capture rate of Lennar homebuyers	<b>73</b>	% 80	% 82 %
Number of title and closing service transactions	<b>118,000</b>	110,000	116,000
Number of title policies issued	<b>297,600</b>	314,800	298,900

Subsequent to November 30, 2018, we sold the majority of our retail title business, our title insurance underwriting business, and our real estate brokerage business and contracted to sell our business of offering residential mortgages to non-Lennar homebuyers.

### **Lennar Multifamily Segment**

We have been actively involved, primarily through unconsolidated entities, in the development, construction and property management of multifamily rental properties. Our Lennar Multifamily segment focuses on developing a geographically diversified portfolio of institutional quality multifamily rental properties in select U.S. markets. Originally, our Lennar Multifamily segment focused on building multifamily properties and selling them shortly after they were completed. However, more recently we have focused on creating and participating in ventures that build multifamily properties with the intention of retaining them after they are completed.

As of November 30, 2018 and 2017, our balance sheet had \$874.2 million and \$710.7 million, respectively, of assets related to our Lennar Multifamily segment, which included investments in unconsolidated entities of \$481.1 million and \$407.5 million, respectively. Our net investment in the Lennar Multifamily segment as of November 30, 2018 and 2017 was \$703.6 million and \$561.0 million, respectively. During the year ended November 30, 2018, our Lennar Multifamily segment sold, through its unconsolidated entities, 6 operating properties and an investment in an operating property resulting in the segment's \$61.2 million share of gains. During both years ended November 30, 2017 and 2016, our Lennar Multifamily segment sold seven operating properties, through its unconsolidated entities, resulting in the segment's \$96.7 million and \$91.0 million share of gains, respectively. During the year ended November 30, 2016, our Lennar Multifamily segment sold land to third parties generating gross profit of \$5.6 million. Our Lennar Multifamily segment had equity investments in 22 and 27 unconsolidated entities (including the Lennar Multifamily Venture Fund I LP (the "Venture Fund") and Lennar Multifamily Venture Fund II LP, ("Venture Fund II") as of November 30, 2018 and 2017, respectively. As of November 30, 2018, our Lennar Multifamily segment had interests in 55 communities with development costs of \$6.3 billion, of which 23 communities were completed and operating, 5 communities were partially completed and leasing, 19 communities were under construction and the remaining communities were either owned or under contract. As of November 30, 2018, our Lennar Multifamily segment also had a pipeline of potential future projects totaling \$3.5 billion of anticipated development costs across a number of states that will be developed primarily by unconsolidated entities.

The Venture Fund 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 Lennar Multifamily segment completed the first closing of a second Lennar Multifamily Venture, Venture Fund II, for the development, construction and property management of Class-A multifamily assets. As of November 30, 2018, Venture Fund II had approximately \$787 million of equity commitments, including a \$255 million co-investment commitment by Lennar comprised of cash, undeveloped land and preacquisition costs. As of and for the year ended November 30, 2018, \$252.1 million in equity commitments were called, of which we

contributed our portion of \$81.2 million, which was made up of a \$188.4 million inventory and cash contributions, offset by \$107.2 million of distributions as a return of capital, resulting in a remaining equity commitment for the Company of \$173.8 million. As of November 30, 2018, the carrying value of our investment in Venture Fund II was \$63.0 million. The difference between our net contributions and the carrying value of our investments was related to a basis difference. Venture Fund II is currently seeded with eight undeveloped



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multifamily assets that were previously purchased by the Lennar Multifamily segment totaling approximately 3,000 apartments with projected project costs of approximately \$1.3 billion.

**Rialto Segment**

As of November 30, 2018, our Rialto operating segment was a commercial real estate investment, investment management, and finance company focused on raising, investing and managing third-party capital, originating and selling into securitizations commercial mortgage loans as well as investing our own capital in real estate related mortgage loans, properties and related securities. We sold our Rialto investment and asset management platform on November 30, 2018 for \$340 million, which resulted in a gain of \$296.4 million. We retained our RMF business, which moved into our Financial Services segment as of December 1, 2018. We also retained our fund investments along with our carried interests in various Rialto funds and investments in other Rialto balance sheet assets. Our limited partner investments in Rialto funds and investment vehicles totaled \$297.4 million at November 30, 2018, and we are committed to invest as much as an additional \$71.6 million in Rialto funds.

Rialto's operating losses were as follows:

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Revenues	<b>\$205,071</b>	281,243	233,966
Costs and expenses (1)	<b>190,413</b>	247,549	229,769
Rialto equity in earnings from unconsolidated entities	<b>25,816</b>	25,447	18,961
Rialto other expense, net (2)	<b>(62,058 )</b>	(81,636 )	(39,850 )
Operating loss (3)	<b>\$(21,584 )</b>	(22,495 )	(16,692 )

(1) Costs and expenses included loan impairments of \$2.1 million, \$32.6 million and \$18.2 million for the years ended November 30, 2018, 2017 and 2016, respectively, primarily associated with the segment's FDIC loans portfolio (before noncontrolling interests).

(2) Rialto other expense, net, included REO impairments of \$33.2 million, \$63.6 million and \$24.4 million for the years ended November 30, 2018, 2017 and 2016, respectively. Additionally, for the year ended November 30, 2018, Rialto other expense, net, included non-recurring expenses.

(3) Operating loss for the years ended November 30, 2018, 2017 and 2016 included net loss attributable to noncontrolling interests of \$3.3 million, \$46.1 million and \$18.8 million, respectively.

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

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Realized gains on REO sales, net	<b>\$3,734</b>	4,578	17,495
Unrealized losses on transfer of loans receivable to REO and impairments, net	<b>(33,099 )</b>	(64,623)	(23,087)
REO and other expenses	<b>(70,084 )</b>	(49,432)	(54,008)
Rental and other income	<b>37,391</b>	27,841	19,750
Rialto other expense, net	<b>\$(62,058)</b>	(81,636)	(39,850)

**RMF**

RMF originates and sells into securitizations five, seven and ten year commercial first mortgage loans, which are secured by income producing properties. This business has become a significant contributor to Rialto's revenues. During the year ended November 30, 2018, RMF originated loans with a total principal balance of \$1.4 billion, all of which was recorded as loans held-for-sale, and sold \$1.5 billion of loans into 16 separate securitizations. During the year ended November 30, 2017, RMF originated loans with a principal balance of \$1.7 billion of which \$1.6 billion were recorded as loans held-for-sale and \$98.4 million were recorded as accrual loans within loans receivable, net, and sold \$1.5 billion of loans into 12 separate securitizations. As of November 30, 2018, originated loans with an unpaid balance of \$218.4 million were sold into a securitization trust but not settled and thus were included as receivables, net. As of November 30, 2017, there were no unsettled transactions.

**Investments**

Rialto was the sponsor of and an investor in private equity vehicles that invest in and manage real estate related assets and other related investments. During the year ended November 30, 2018, Rialto also earned fees for its role as a manager of these vehicles and for providing asset management and other services to those vehicles and other third

parties. We retained our fund investments along with our carried interests in various Rialto funds and investments in other Rialto balance sheet assets.

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At November 30, 2018 and 2017, the carrying value of Rialto's commercial mortgage-backed securities ("CMBS") was \$197.0 million and \$179.7 million, respectively. These securities were purchased at discount rates ranging from 9% to 84% with coupon rates ranging from 1.3% to 5.0%, stated and assumed final distribution dates between November 2020 and December 2027, and stated maturity dates between November 2043 and March 2059. The Rialto segment reviewed changes in estimated cash flows periodically to determine if an other-than-temporary impairment has occurred on its CMBS. Based on management's assessment, no impairment charges were recorded during any of the years ended November 30, 2018, 2017 and 2016. The Rialto segment classified these securities as held-to-maturity based on its intent and ability to hold the securities until maturity.

**Financial Condition and Capital Resources**

At November 30, 2018, we had cash and cash equivalents related to our homebuilding, financial services, Rialto and multifamily operations of \$1.6 billion, compared to \$2.7 billion and \$1.3 billion at November 30, 2017 and 2016, respectively.

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

**Operating Cash Flow Activities**

During 2018, 2017 and 2016, cash provided by operating activities totaled \$1.7 billion, \$996.9 million and \$507.8 million, respectively. During 2018, cash provided by operating activities was positively impacted by our net earnings, an increase in accounts payable and other liabilities of \$412.8 million, deferred income tax expense of \$268.0 million and a decrease in loans held-for-sale of \$5.8 million of which \$153.3 million related to Rialto, partially offset by an increase in loans held-for-sale of \$147.5 million related to Lennar Financial Services. In addition, cash provided by operating activities was negatively impacted by an increase in other assets of \$36.9 million, an increase in receivables of \$431.2 million and an increase in inventories due to strategic land purchases, land development and construction costs of \$135.9 million. For the year ended November 30, 2018, distributions of earnings from unconsolidated entities were \$113.1 million, which included (1) \$69.9 million from Lennar Homebuilding unconsolidated entities, (2) \$37.8 million from Lennar Multifamily unconsolidated entities, and (3) \$5.4 million from Rialto unconsolidated entities.

During 2017, cash provided by operating activities was positively impacted by our net earnings, a decrease in receivables, an increase in accounts payable and other liabilities and a decrease in restricted cash, partially offset by an increase in other assets and an increase in loans held-for-sale of \$108.9 million related to Rialto. In addition, cash provided by operating activities was negatively impacted by an increase in inventories due to strategic land purchases, land development and construction costs. For the year ended November 30, 2017, distributions of earnings from unconsolidated entities were \$137.7 million, which included (1) \$35.0 million from Lennar Homebuilding unconsolidated entities, (2) \$12.9 million from Rialto unconsolidated entities, and (3) \$89.7 million from Lennar Multifamily unconsolidated entities.

During 2016, cash provided by operating activities was positively impacted by our net earnings, a net decrease in loans held-for-sale primarily related to RMF due to the timing of the securitizations and an increase in accounts payable and other liabilities, partially offset by a smaller increase in inventories than in 2015 due to our soft-pivot strategy, and an increase in receivables and other assets. For the year ended November 30, 2016, distributions of earnings from unconsolidated entities were \$102.0 million, which included (1) \$86.3 million from Lennar Multifamily unconsolidated entities, (2) \$14.0 million from Rialto unconsolidated entities, and (3) \$1.7 million from Lennar Homebuilding unconsolidated entities.

**Investing Cash Flow Activities**

During 2018, 2017 and 2016, cash used in investing activities totaled \$608.1 million, \$869.8 million and \$85.8 million, respectively. During 2018, our cash used in investing activities was primarily due to our \$1.1 billion acquisition of CalAtlantic, net of cash acquired, net additions to operating properties and equipment of \$130.4 million and cash contributions of \$405.5 million to unconsolidated entities, which included (1) \$230.9 million to Lennar Homebuilding unconsolidated entities, (2) \$113.0 million to Lennar Multifamily unconsolidated entities primarily for working capital and (3) \$61.7 million to Rialto unconsolidated entities. This was partially offset by the receipt of \$340 million from the sale of our Rialto investment and asset management platform to investment funds managed by Stone

Point Capital, \$225.3 million of proceeds from the sale of investments in unconsolidated entities, including \$200 million of proceeds from the sale of an 80% interest in one of our strategic joint ventures, Treasure Island Holdings, proceeds from maturities/sales of investment securities of \$85.2 million, and distributions of capital from unconsolidated entities of \$362.5 million, which primarily included (1) \$172.0 million from Lennar Multifamily unconsolidated entities, (2) \$141.0 million from Lennar Homebuilding unconsolidated entities, and (3) \$49.3 million from Rialto unconsolidated entities.

During 2017, our cash used in investing activities was primarily due to our \$611.1 million acquisition of WCI, net of cash acquired. In addition, we had cash contributions to unconsolidated entities of \$430.3 million, which included (1) \$261.9 million to Lennar Homebuilding unconsolidated entities primarily for working capital and paydowns of joint venture debt,

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including \$120.7 million to FivePoint, (2) \$119.7 million to Lennar Multifamily unconsolidated entities primarily for working capital and (3) \$48.7 million to Rialto unconsolidated entities comprised primarily of \$32.9 million contributed to Fund III, \$8.8 million contributed to RCP and \$7.0 million contributed to other investments. In addition, cash used in investing activities was impacted by purchases of CMBS bonds by our Rialto segment. This was partially offset by the receipt of \$165.4 million of principal payments on loans receivable and other, \$86.6 million of proceeds from the sales of REO and distributions of capital from unconsolidated entities of \$207.3 million, which primarily included (1) \$83.0 million from Lennar Multifamily unconsolidated entities, of which \$26.8 million was distributed by the Venture Fund, (2) \$80.9 million from Lennar Homebuilding unconsolidated entities, and (3) \$41.6 million from Rialto unconsolidated entities comprised primarily of \$21.2 million distributed by Fund II, \$5.4 million distributed by Fund III, \$7.0 million distributed by the Mezzanine Fund, and \$5.4 million distributed by the CMBS Funds.

During 2016, our cash used in investing activities was primarily impacted by cash contributions to unconsolidated entities of (1) \$198.2 million to Lennar Multifamily unconsolidated entities primarily related to contributions to the Venture Fund, (2) \$184.2 million to Lennar Homebuilding unconsolidated entities primarily for working capital, (3) \$43.4 million to Rialto unconsolidated entities comprised of \$28.8 million contributed to the CMBS Funds, \$7.2 million contributed to Fund III, \$5.7 million contributed to RCP and \$1.7 million contributed to other investments. In addition, cash used in investing activities was impacted by purchases of CMBS by our Rialto segment and origination of loans receivable primarily related to floating rate loans originated by RMF. This was partially offset by distributions of capital from unconsolidated entities of (1) \$251.2 million from Lennar Multifamily unconsolidated entities, of which \$193.7 million was distributed by the Venture Fund, (2) \$44.6 million from Lennar Homebuilding unconsolidated entities, and (3) \$27.4 million from Rialto unconsolidated entities comprised of \$12.8 million distributed by Fund II, \$11.7 million distributed by the Mezzanine Fund and \$2.9 million distributed by the CMBS Funds; by the receipt of \$97.9 million of proceeds from the sales of REO; and receipt of \$84.4 million of principal payments on loans receivable and settlement of accrual loans.

**Financing Cash Flow Activities**

During 2018, 2017 and 2016, our cash (used in) provided by financing activities totaled (\$2.2) billion, \$1.2 billion and (\$250.9) million, respectively. During 2018, our cash used in financing activities was primarily impacted by (1) \$575 million aggregate principal redemption of our 8.375% senior notes due 2018 (the "8.375% Senior Notes"), (2) \$454.7 million net repayments under our revolving Credit Facility, (3) \$359.0 million of aggregate principal payment on Rialto's 7.00% senior notes due December 2018 and other notes payable, (4) payment at maturity of \$275 million aggregate principal amount of 4.125% senior notes due 2018 (the "4.125% Senior Notes"), (5) \$250 million aggregate principal redemption of our 6.95% senior notes due 2018 (the "6.95% Senior Notes"), (6) \$138.5 million principal payments on other borrowings, and (7) \$89.6 million of payments related to noncontrolling interests. This was partially offset by \$272.9 million of net borrowings under our Lennar Financial Services and Rialto warehouse facilities.

During 2017, our cash provided by financing activities was primarily attributed to the receipt of proceeds related to the (1) issuance of \$600 million aggregate principal amount of 4.125% senior notes due 2022, (2) issuance of \$650 million aggregate principal amount of 4.50% senior notes due 2024, (3) issuance of \$300 million aggregate principal amount of 2.95% senior notes due 2020 (the "2.95% Senior Notes"), (4) issuance of \$900 million aggregate principal amount of 4.750% senior notes due 2027 (the "4.750% Senior Notes"), (5) \$31.2 million of proceeds from other borrowings, (6) \$99.6 million of proceeds from the issuance of Rialto notes payable and (7) \$195.5 million of proceeds from other liabilities. This was partially offset by (1) the retirement of \$400 million aggregate principal amount of our 12.25% senior notes due 2017, (2) the redemption of \$400 million aggregate principal amount of our 4.75% senior notes due 2017, (3) the redemption of \$250 million principal amount of our 6.875% senior notes due 2021 that had been issued by WCI, (4) \$199.7 million of net repayments under our warehouse facilities, which was comprised of \$139.8 million of net repayments under our Lennar Financial Services warehouse repurchase facilities and \$59.9 million of net repayments under our Rialto warehouse facilities, (5) \$74.4 million of payments related to noncontrolling interests, and (5) \$139.7 million of principal payments on other borrowings. The proceeds from the issuance of the 2.95% Senior Notes and the 4.750% Senior Notes were used primarily to pay the cash portion of the

consideration related to the merger with CalAtlantic.

During 2016, our cash used in financing activities was primarily impacted by (1) the redemption of \$250 million aggregate principal amount of our 6.50% senior notes due April 2016, (2) \$234.0 million of cash payments in connection with exchanges or conversions of our 2.75% convertible senior notes due December 2020, (3) \$211.0 million of principal payments on other borrowings, (4) \$111.3 million of net repayments under our Rialto's warehouse repurchase facilities, and (5) \$127.4 million of payments related to noncontrolling interests. The cash used in financing activities was partially offset by the receipt of proceeds of the sale of \$500 million aggregate principal amount of our 4.750% senior notes due 2021 and \$218.8 million of net borrowings under our Lennar Financial Services' warehouse repurchase facilities.

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

<i>(Dollars in thousands)</i>	November 30,	
	2018	2017
Lennar Homebuilding debt	<b>\$8,543,868</b>	6,410,003
Stockholders' equity	<b>14,581,535</b>	7,872,317
Total capital	<b>\$23,125,403</b>	14,282,320
Lennar Homebuilding debt to total capital	<b>36.9</b>	% 44.9 %
Lennar Homebuilding debt	<b>\$8,543,868</b>	6,410,003
Less: Lennar Homebuilding cash and cash equivalents	<b>1,337,807</b>	2,282,925
Net Lennar Homebuilding debt	<b>\$7,206,061</b>	4,127,078
Lennar Homebuilding net debt to total capital (1)	<b>33.1</b>	% 34.4 %

Lennar Homebuilding net debt to total capital is a non-GAAP financial measure defined as net Lennar Homebuilding debt (Lennar Homebuilding debt less Lennar Homebuilding cash and cash equivalents) divided by total capital (net Lennar Homebuilding debt plus stockholders' equity). We believe the ratio of net Lennar Homebuilding debt to total capital is a relevant and a useful financial measure to (1) investors in understanding the leverage employed in our Lennar Homebuilding operations. However, because net Lennar 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 November 30, 2018, Lennar Homebuilding debt to total capital was lower compared to the prior year period, primarily as a result of an increase in stockholders' equity primarily related to the issuance of shares in connection with the CalAtlantic acquisition and net earnings, partially offset by an increase in homebuilding debt primarily related to an increase in Lennar Homebuilding debt due to the CalAtlantic acquisition.

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 pursuing other financing alternatives. In connection with some of our non-homebuilding businesses, we are also considering other types of transactions such as sales, restructuring, joint ventures, spin-offs or initial public offerings as we intend to move back towards being a pure play homebuilding company over time. On November 30, 2018, we sold the Rialto Management Group. However, we retained the right to receive carried interest distributions from some of the funds and other investment vehicles. We also retained limited partner investments in Rialto funds and investment vehicles that totaled \$297.4 million at November 30, 2018, and are committed to invest as much as an additional \$71.6 million in Rialto funds.

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The following table summarizes our Lennar Homebuilding senior notes and other debts payable:

<i>(Dollars in thousands)</i>	November 30,	
	2018	2017
0.25% convertible senior notes due 2019	<b>\$1,291</b>	—
4.500% senior notes due 2019	<b>499,585</b>	498,793
4.50% senior notes due 2019	<b>599,176</b>	598,325
6.625% senior notes due 2020 (1)	<b>311,735</b>	—
2.95% senior notes due 2020	<b>298,838</b>	298,305
8.375% senior notes due 2021 (1)	<b>435,897</b>	—
4.750% senior notes due 2021	<b>498,111</b>	497,329
6.25% senior notes due December 2021 (1)	<b>315,283</b>	—
4.125% senior notes due 2022	<b>596,894</b>	595,904
5.375% senior notes due 2022 (1)	<b>261,055</b>	—
4.750% senior notes due 2022	<b>570,564</b>	569,484
4.875% senior notes due December 2023	<b>395,759</b>	394,964
4.500% senior notes due 2024	<b>646,078</b>	645,353
5.875% senior notes due 2024 (1)	<b>452,833</b>	—
4.750% senior notes due 2025	<b>497,114</b>	496,671
5.25% senior notes due 2026 (1)	<b>409,133</b>	—
5.00% senior notes due 2027 (1)	<b>353,275</b>	—
4.75% senior notes due 2027	<b>892,297</b>	892,657
4.125% senior notes due December 2018	—	274,459
6.95% senior notes due 2018	—	249,342
Mortgage notes on land and other debt	<b>508,950</b>	398,417
	<b>\$8,543,868</b>	6,410,003

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, (1) \$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 listed above are net of debt issuance costs of \$31.2 million and \$33.5 million, as of November 30, 2018 and 2017, respectively.

Our Lennar Homebuilding average debt outstanding was \$9.1 billion with an average rate for interest incurred of 4.8% for the year ended November 30, 2018, compared to \$5.7 billion with an average rate for interest incurred of 4.8% for the year ended November 30, 2017. Interest incurred related to Lennar Homebuilding debt for the year ended November 30, 2018 was \$423.7 million, compared to \$290.3 million in 2017. The majority of our short-term financing needs, including financings for land acquisition and development activities and general operating needs, are met with cash generated from operations, proceeds from debt as well as borrowings under our Credit Facility.



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The terms of each of our senior notes outstanding at November 30, 2018 were as follows:

Senior Notes Outstanding (1)	Principal Amount	Net Proceeds (2)	Price	Dates Issued
<i>(Dollars in thousands)</i>				
0.25% convertible senior notes due 2019	\$ 1,300	(3)	(3)	(3)
4.500% senior notes due 2019	500,000	495,725	(4)	February 2014
4.50% senior notes due 2019	600,000	595,801	(5)	November 2014, February 2015
6.625% senior notes due 2020	300,000	(3)	(3)	(3)
2.95% senior notes due 2020	300,000	298,800	100	% November 2017
8.375% senior notes due 2021	400,000	(3)	(3)	(3)
4.750% senior notes due 2021	500,000	495,974	100	% March 2016
6.25% senior notes due December 2021	300,000	(3)	(3)	(3)
4.125% senior notes due 2022	600,000	595,160	100	% January 2017
5.375% senior notes due 2022	250,000	(3)	(3)	(3)
4.750% senior notes due 2022	575,000	567,585	(6)	October 2012, February 2013, April 2013
4.875% senior notes due December 2023	400,000	393,622	99.169%	November 2015
4.500% senior notes due 2024	650,000	644,838	100	% April 2017
5.875% senior notes due 2024	425,000	(3)	(3)	(3)
4.750% senior notes due 2025	500,000	495,528	100	% April 2015
5.25% senior notes due 2026	400,000	(3)	(3)	(3)
5.00% senior notes due 2027	350,000	(3)	(3)	(3)
4.75% senior notes due 2027	900,000	894,650	100	% November 2017

(1) Interest is payable semi-annually for each of the series of senior notes. The senior notes are unsecured and unsubordinated, but are guaranteed by substantially all of our 100% owned homebuilding subsidiaries.

(2) We generally use the net proceeds for working capital and general corporate purposes, which can include the repayment or repurchase of other outstanding senior notes.

(3) These notes were obligations of CalAtlantic when it was acquired, and were subsequently exchanged in part for notes of Lennar Corporation. As part of purchase accounting, the senior notes have been recorded at their fair value as of the date of acquisition (February 12, 2018).

(4) We issued \$400 million aggregate principal amount at a price of 100% and \$100 million aggregate principal amount at a price of 100.5%.

(5) We issued \$350 million aggregate principal amount at a price of 100% and \$250 million aggregate principal amount at a price of 100.25%.

(6) We issued \$350 million aggregate principal amount at a price of 100%, \$175 million aggregate principal amount at a price of 98.073% and \$50 million aggregate principal amount at a price of 98.250%.

During the second quarter of 2018, holders of \$6.7 million principal amount of CalAtlantic's 1.625% convertible senior notes due 2018 and \$266.2 million principal amount of CalAtlantic's 0.25% convertible senior notes due 2019 either caused us to purchase them for cash or converted them into a combination of our Class A and Class B common stock and cash, resulting in our issuing approximately 3,654,000 shares of Class A common stock and 72,000 shares of Class B common stock, and paying \$59.1 million in cash to former noteholders. All but \$1.3 million of the principal balance of the convertible senior notes had either been converted or redeemed.

In November 2018, we redeemed \$275 million aggregate principal amount of the 4.125% Senior Notes. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest.

In June 2018, we redeemed \$250 million aggregate principal amount of the 6.95% Senior Notes. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest.

In May 2018, we redeemed \$575 million aggregate principal amount of the 8.375% Senior Notes. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest. The 8.375% Senior Notes with \$575 million of principal amount were obligations of CalAtlantic when it was acquired and \$485.6 million principal amount was subsequently exchanged in part for notes of Lennar Corporation.

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



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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.

In February 2018, we amended the credit agreement governing our Credit Facility to increase the maximum borrowings from \$2.0 billion to \$2.6 billion and extended the maturity on \$2.2 billion of the Credit Facility from June 2022 to April 2023, with \$70 million that matured in June 2018 and the remaining \$50 million maturing in June 2020. As of November 30, 2018, the Credit Facility included a \$315 million accordion feature, subject to additional commitments. 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. As of both November 30, 2018 and 2017, we had no outstanding borrowings under the Credit Facility. Under the 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 are in compliance with our debt covenants at November 30, 2018. In addition, we had \$285 million in letter of credit facilities with different financial institutions at November 30, 2018.

Under the amended Credit Agreement executed in February 2018 (the "Credit Agreement"), as of the end of each fiscal quarter, we are required to maintain minimum consolidated tangible net worth of approximately \$6.0 billion plus the sum of 50% of the cumulative consolidated net income for each completed fiscal quarter subsequent to February 28, 2018, if positive, and 50% of the net cash proceeds from any equity offerings from and after February 28, 2018, minus the lesser of 50% of the amount paid after February 12, 2018 to repurchase common stock and \$100 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. We believe that we were in compliance with our debt covenants at November 30, 2018.

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 November 30, 2018:

<i>(Dollars in thousands)</i>	Covenant Level	Level Achieved as of November 30, 2018
Minimum net worth test	\$6,539,138	9,392,336
Maximum leverage ratio	65.0	% 40.1 %
Liquidity test (1)	1.00	3.30

(1)

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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.

Our performance letters of credit outstanding were \$598.4 million and \$384.4 million at November 30, 2018 and 2017, respectively. Our financial letters of credit outstanding were \$165.4 million and \$127.4 million at November 30, 2018 and

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2017, 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, credit enhancements and as other collateral. Additionally, at November 30, 2018, we had outstanding surety bonds of \$2.7 billion including performance surety bonds related to site improvements at various projects (including certain projects of our joint ventures) and financial surety bonds. At November 30, 2018, the Lennar Financial Services segment warehouse facilities were as follows:

<i>(In thousands)</i>	<b>Maximum Aggregate Commitment</b>
364-day warehouse repurchase facility that matures December 2018 (1)	\$400,000
364-day warehouse repurchase facility that matures March 2019 (2)	300,000
364-day warehouse repurchase facility that matures June 2019	700,000
364-day warehouse repurchase facility that matures October 2019 (3)	500,000
Total	\$1,900,000

(1) Subsequent to November 30, 2018, the maturity date was extended to February 2019. Maximum aggregate commitment includes an uncommitted amount of \$250 million.

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

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

Our Lennar Financial Services segment uses these facilities to finance its lending activities until the mortgage loans are sold to investors and the proceeds are collected. The facilities are 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 \$1.3 billion and \$937.2 million, at November 30, 2018 and 2017, respectively, and were collateralized by mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of \$1.3 billion and \$974.1 million, at November 30, 2018 and 2017, respectively. The combined effective interest rate on the facilities at November 30, 2018 was 4.5%. If the facilities are not renewed or replaced, the borrowings under the lines of credit will be paid off by selling the mortgage loans held-for-sale to investors and by collecting on receivables on loans sold but not yet paid. Without the facilities, the Lennar Financial Services segment would have to use cash from operations and other funding sources to finance its lending activities.

At November 30, 2018, RMF warehouse facilities were as follows:

<i>(In thousands)</i>	<b>Maximum Aggregate Commitment</b>
364-day warehouse repurchase facility that matures November 2019	\$200,000
364-day warehouse repurchase facility that matures December 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
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) Rialto uses this warehouse repurchase facility to finance the origination of floating rate accrual loans, which are reported as accrual loans within loans receivable, net. There were no borrowings under this facility as of both November 30, 2018 and 2017.

Borrowings under the facilities that finance RMF's loan originations and securitization activities were \$178.8 million and \$162.1 million as of November 30, 2018 and 2017, 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.

In March 2018, Rialto paid off the remaining principal balance of its 7.00% senior notes due December 2018 (the "7.00% Senior Notes"). As of November 30, 2017, the carrying amount, net of debt issuance costs, of the 7.00% Senior Notes was \$349.4 million.

## Changes in Capital Structure

We had a stock repurchase program adopted in 2001, which originally authorized us to purchase up to 20 million shares of our outstanding common stock. During the year ended November 30, 2018, under our stock repurchase program, we repurchased 6.0 million shares of Class A common stock for \$249.9 million at an average share price of \$41.63. During the

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years ended November 30, 2017 and 2016, there were no share repurchases of common stock under the stock repurchase program.

Subsequent to November 30, 2018, 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 or Class B common stock. The repurchase authorization has no expiration date.

During the years ended November 30, 2018, treasury stock increased by 7.0 million shares of Class A common stock due primarily to 6.0 million shares of common stock repurchased during the year through our stock repurchase program. During the year ended November 30, 2017, treasury stock increased by 0.6 million shares of Class A common stock primarily due to activity related to our equity compensation plan.

During the years ended November 30, 2018, 2017 and 2016, our Class A and Class B common stockholders received an aggregate per share annual dividend of \$0.16.

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

### **Off-Balance Sheet Arrangements**

#### **Lennar Homebuilding - Investments in Unconsolidated Entities**

At November 30, 2018, we had equity investments in 59 homebuilding and land unconsolidated entities (of which 5 had recourse debt, 10 had non-recourse debt and 44 had no debt), compared to 38 homebuilding and land unconsolidated entities at November 30, 2017. At November 30, 2018, the 59 unconsolidated joint ventures includes 20 unconsolidated entities in which CalAtlantic or a subsidiary is the participant. 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. Additionally in recent years, we have invested in technology companies that are looking to improve the homebuilding and financial services industry in order to better serve our customers and increase efficiencies. 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 which we could not otherwise obtain access, or could not obtain access on as favorable terms, without the participation of a strategic partner. Participants in these joint ventures have been land owners/developers, other homebuilders and financial or strategic partners. Joint ventures with land owners/developers have given us access to homesites owned or controlled by our partners. Joint ventures with other homebuilders have provided us with the ability to bid jointly with our partners for large land parcels. Joint ventures with financial partners have allowed us to combine our homebuilding expertise with access to our partners' capital. Joint ventures with strategic partners have allowed us to combine our homebuilding expertise with the specific expertise (e.g. commercial or infill experience) of our partner. Each joint venture is governed by an executive committee consisting of members from the partners.

Although the strategic purposes of our joint ventures and the nature of our joint ventures' partners vary, the joint ventures are generally designed to acquire, develop and/or sell specific assets during a limited life-time. The joint ventures are typically structured through non-corporate entities in which control is shared with our venture partners. Each joint venture is unique in terms of its funding requirements and liquidity needs. We and the other joint venture participants typically make pro-rata cash contributions to the joint venture. In many cases, our risk is limited to our equity contribution and potential future capital contributions. Additionally, most joint ventures obtain third-party debt to fund a portion of the acquisition, development and construction costs of their communities. The joint venture agreements usually permit, but do not require, the joint ventures to make additional capital calls in the future. However, capital calls relating to the repayment of joint venture debt under payment guarantees generally is required. Under the terms of our joint venture agreements, we generally have the right to share in earnings and distributions of the entities on a pro-rata basis based on our ownership percentage. Some joint venture agreements provide for a different allocation of profit and cash distributions if and when the cumulative results of the joint venture exceed specified targets (such as a specified internal rate of return). Lennar Homebuilding equity in earnings (loss) from unconsolidated entities excludes our pro-rata share of joint ventures' earnings resulting from land sales to our

homebuilding divisions. Instead, we account for those earnings as a reduction of our costs of purchasing the land from the joint ventures or reduce the investment in certain cost sharing unconsolidated entities. This in effect defers recognition of our share of the joint ventures' earnings related to these sales until we deliver a home and title passes to a third-party homebuyer.



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In many instances, we are designated as the manager of a venture under the direction of a management committee that has shared power among the partners of the unconsolidated entity and we receive fees for such services. In addition, we often enter into option or purchase contracts to acquire properties from our joint ventures, generally for market prices at specified dates in the future. Option contracts, in some instances, require us to make deposits using cash or irrevocable letters of credit toward the exercise price. These option deposits are generally negotiated on a case by case basis.

We regularly monitor the results of our unconsolidated joint ventures and any trends that may affect their future liquidity or results of operations. Joint ventures in which we have investments may be subject to a variety of financial and non-financial debt covenants related primarily to equity maintenance, fair value of collateral and minimum homesite takedown or sale requirements. We 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.

Our arrangements with joint ventures generally do not restrict our activities or those of the other participants. However, in certain instances, we agree not to engage in some types of activities that may be viewed as competitive with the activities of these ventures in the localities where the joint ventures do business.

As discussed above, the joint ventures in which we invest generally supplement equity contributions with third-party debt to finance their activities. In some instances, the debt financing is non-recourse, thus neither we nor the other equity partners are a party to the debt instruments. In other cases, we and the other partners agree to provide credit support in the form of repayment or maintenance guarantees.

Material contractual obligations of our unconsolidated joint ventures primarily relate to the debt obligations described above. The joint ventures generally do not enter into lease commitments because the entities are managed either by us, or another of the joint venture participants, who supply the necessary facilities and employee services in exchange for market-based management fees. However, they do enter into management contracts with the participants who manage them. Some joint ventures also enter into agreements with developers, which may be us or other joint venture participants, to develop raw land into finished homesites or to build homes.

The joint ventures often enter into option or purchase agreements with buyers, which may include us or other joint venture participants, to deliver homesites or parcels in the future at market prices. Option deposits are recorded by the joint ventures as liabilities until the exercise dates at which time the deposit and remaining exercise proceeds are recorded as revenue. Any forfeited deposit is recognized as revenue at the time of forfeiture. Our unconsolidated joint ventures generally do not enter into off-balance sheet arrangements.

As described above, the liquidity needs of joint ventures in which we have investments vary on an entity-by-entity basis depending on each entity's purpose and the stage in its life cycle. During formation and development activities, the entities generally require cash, which is provided through a combination of equity contributions and debt financing, to fund acquisition and development of properties. As the properties are completed and sold, cash generated is available to repay debt and for distribution to the joint ventures' members. Thus, the amount of cash available for a joint venture to distribute at any given time is primarily a function of the scope of the joint venture's activities and the stage in the joint venture's life cycle.

We track our share of cumulative earnings and cumulative distributions of our joint ventures. For purposes of classifying distributions received from joint ventures in our statements of cash flows, cumulative distributions are treated as returns *on* capital to the extent of cumulative earnings and included in our consolidated statements of cash flows as cash flow from operating activities. Cumulative distributions in excess of our share of cumulative earnings are treated as returns *of* capital and included in our consolidated statements of cash flows as cash flows from investing activities.

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

**Statements of Operations and Selected Information**

<i>(Dollars in thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Revenues	<b>\$525,931</b>	471,899	439,874
Costs and expenses	<b>729,700</b>	616,217	578,831
Other income, net (1)	<b>186,982</b>	23,253	—
Net loss of unconsolidated entities (1)	<b>\$(16,787)</b> )	(121,065 )	(138,957 )
Lennar Homebuilding equity in loss from unconsolidated entities (1)	<b>\$(91,915)</b> )	(61,708 )	(49,275 )
Lennar Homebuilding cumulative share of net earnings - deferred at November 30	<b>\$35,233</b>	47,621	41,495
Lennar Homebuilding investments in unconsolidated entities (2)	<b>\$996,926</b>	900,769	811,723
Equity of the unconsolidated entities	<b>\$4,238,265</b>	4,196,811	3,765,336
Lennar Homebuilding investment % in the unconsolidated entities (3)	<b>24</b>	% 21	% 22 %

During the year ended November 30, 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 Lennar Homebuilding's equity in loss from unconsolidated entities the pro-rata share of earnings related to our portion of the TRA Liability. As a result, our unconsolidated entities have net losses of only \$16.8 million, but we have an equity in loss from unconsolidated entities of \$91.9 million.

(2) Does not include the (\$62.0) million investment balance for one unconsolidated entity as it was reclassified to other liabilities.

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

For the year ended November 30, 2018, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of net operating losses from our unconsolidated entities which were primarily driven by valuation adjustments related to assets of Lennar Homebuilding's unconsolidated entities and general and administrative expenses, partially offset by profits from land sales.

For the year ended November 30, 2017, one of our unconsolidated entities had equity in earnings of \$11.9 million relating to an equity method investee selling 475 homesites to a third-party land bank. Simultaneous with the purchase by the land bank, we entered into an option contract to purchase all 475 homesites from the land bank. Due to our continuing involvement with respect to the homesites sold from the investee entity, we deferred all of our equity in earnings from the unconsolidated entity relating to the sale transaction, which amounted to \$4.9 million.

For the year ended November 30, 2017, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of net operating losses from our unconsolidated entities, which were primarily driven by general and administrative expenses and valuation adjustments related to assets of Lennar Homebuilding unconsolidated entities, partially offset by the profits from land sales.

For the year ended November 30, 2016, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of costs associated with the FivePoint combination and operational net losses from the new FivePoint unconsolidated entity, totaling \$42.6 million. This was partially offset by \$12.7 million of equity in earnings primarily due to sales of homesites to third parties by one of our unconsolidated entities.

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	November 30,	
<i>(In thousands)</i>	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$782,565</b>	953,261
Inventories	<b>4,291,470</b>	3,751,525
Other assets	<b>1,251,884</b>	1,061,507
	<b>\$6,325,919</b>	5,766,293
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	<b>\$875,380</b>	832,151
Debt (1)	<b>1,212,274</b>	737,331
Equity	<b>4,238,265</b>	4,196,811
	<b>\$6,325,919</b>	5,766,293

(1) Debt is net of debt issuance costs of \$12.4 million and \$5.7 million, for the years ended November 30, 2018 and 2017, respectively. The increase in debt in 2018 was primarily related to \$500 million of senior notes issued by FivePoint.

In May 2017, FivePoint completed its initial public offering ("IPO"). Concurrent with the IPO, we invested an additional \$100 million in FivePoint in a private placement. As of November 30, 2018, we own approximately 40% of FivePoint and the carrying amount of our investment is \$342.7 million.

As of November 30, 2018 and 2017, our recorded investments in Lennar Homebuilding unconsolidated entities were \$996.9 million and \$900.8 million, respectively, while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets as of both November 30, 2018 and 2017 was \$1.3 billion. 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.

The Lennar 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 Lennar Homebuilding unconsolidated entities in which we have investments was calculated as follows:

	November 30,	
<i>(Dollars in thousands)</i>	2018	2017
Debt	<b>\$1,212,274</b>	737,331
Equity	<b>4,238,265</b>	4,196,811
Total capital	<b>\$5,450,539</b>	4,934,142
Debt to total capital of our unconsolidated entities	<b>22.2</b>	% 14.9 %

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

	November 30,	
<i>(In thousands)</i>	2018	2017
Land development	<b>\$814,835</b>	841,507
Homebuilding	<b>64,523</b>	32,754
Strategic technology investments	<b>117,568</b>	26,508
Total investments (1)	<b>\$996,926</b>	900,769

(1) Does not include the (\$62.0) million investment 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 Lennar Homebuilding unconsolidated entities.

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In connection with loans to a Lennar Homebuilding unconsolidated entity, we and our partners often guarantee to a lender, either jointly and severally or on a several basis, any or all of the following: (i) the completion of the development, in whole or in part, (ii) indemnification of the lender from environmental issues, (iii) indemnification of the lender from "bad boy acts" of the unconsolidated entity (or full recourse liability in the event of 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).

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

	November 30,	
<i>(Dollars in thousands)</i>	2018	2017
Non-recourse bank debt and other debt (partner's share of several recourse)	<b>\$48,313</b>	64,197
Non-recourse land seller debt and other debt	—	1,997
Non-recourse debt with completion guarantees	<b>239,568</b>	255,903
Non-recourse debt without completion guarantees (1)	<b>871,088</b>	351,800
Non-recourse debt to Lennar	<b>1,158,969</b>	673,897
Lennar's maximum recourse exposure (2)	<b>65,707</b>	69,181
Debt issuance costs	<b>\$(12,402 )</b>	(5,747 )
Total debt	<b>\$1,212,274</b>	737,331
Lennar's maximum recourse exposure as a % of total JV debt	<b>5</b>	<b>% 9 %</b>

(1) The increase in non-recourse debt without completion guarantees was primarily related to \$500 million of senior notes issued by FivePoint.

(2) As of November 30, 2018 and 2017, our maximum recourse exposure was primarily related to us providing a repayment guarantee on four unconsolidated entities' debt and three unconsolidated entities' debt, respectively.

During the year ended November 30, 2018, our maximum recourse exposure related to indebtedness of Lennar Homebuilding unconsolidated entities decreased by \$3.5 million. The decrease was primarily attributable to a \$13.0 million decrease in maximum recourse indebtedness resulting from a joint venture selling assets, partially offset by us providing a repayment guarantee on unconsolidated entities' debt of \$2.6 million on Lennar Homebuilding unconsolidated entities debt, an increase in recourse debt due to additional borrowings of \$6.2 million.

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

If we are required to make a payment under any guarantee, the payment would generally constitute a capital contribution or loan to the Lennar Homebuilding unconsolidated entity and increase our share of any funds the unconsolidated entity distributes.

As of both November 30, 2018 and 2017, the fair values of the repayment and completion guarantees were not material. We believe that as of November 30, 2018, in the event we become legally obligated to perform under a guarantee of the obligation of a Lennar Homebuilding unconsolidated entity due to a triggering event under a guarantee, the collateral is expected to be sufficient to repay at least a significant portion of the obligation or we and our partners would contribute additional capital into the venture. In certain instances, we have placed performance letters of credit and surety bonds with municipalities for our joint ventures (see Note 7 of the notes to our consolidated

financial statements).

In view of credit market conditions during the past several years, it is not uncommon for lenders and/or real estate developers, including joint ventures in which we have interests, to assert non-monetary defaults (such as failure to meet construction completion deadlines or declines in the market value of collateral below required amounts) or technical monetary

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defaults against the real estate developers. In most instances, those asserted defaults are resolved by modifications of the loan terms, additional equity investments or other concessions by the borrowers. In addition, in some instances, real estate developers, including joint ventures in which we have interests, are forced to request temporary waivers of covenants in loan documents or modifications of loan terms, which are often, but not always obtained. However, in some instances developers, including joint ventures in which we have interests, are not able to meet their monetary obligations to lenders, and are thus declared in default. Because we sometimes guarantee all or portions of the obligations to lenders of joint ventures in which we have interests, when these joint ventures default on their obligations, lenders may or may not have claims against us. Normally, we do not make payments with regard to guarantees of joint venture obligations while the joint ventures are contesting assertions regarding sums due to their lenders. When it is determined that a joint venture is obligated to make a payment that we have guaranteed and the joint venture will not be able to make that payment, we accrue the amounts probable to be paid by us as a liability. Although we generally fulfill our guarantee obligations within a reasonable time after we determine that we are obligated with regard to them, at any point in time it is possible that we will have some balance of unpaid guarantee liability. At both November 30, 2018 and 2017, we had no liabilities accrued for unpaid guarantees of joint venture indebtedness on our consolidated balance sheets.

The following table summarizes the principal maturities of our Lennar Homebuilding unconsolidated entities ("JVs") debt as per current debt arrangements as of November 30, 2018 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.

<i>(In thousands)</i>	Principal Maturities of Unconsolidated JVs by Period					
	Total JV Debt	2019	2020	2021	Thereafter	Other
Maximum recourse debt exposure to Lennar	\$65,707	43,596	19,562	2,549	—	—
Debt without recourse to Lennar	1,158,969	388,740	137,775	129,089	503,365	—
Debt issuance costs	(12,402 )	—	—	—	—	(12,402)
Total	\$1,212,274	432,336	157,337	131,638	503,365	(12,402)

The table below indicates the assets, debt and equity of our 10 largest Lennar Homebuilding unconsolidated joint venture investments by the carrying value of Lennar's investment as of November 30, 2018:

<i>(Dollars in thousands)</i>	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
FivePoint	\$342,671	2,958,867	—	565,130	565,130	1,868,970	23 %
Opendoor (1)	66,712	—	—	—	—	—	— %
Dublin Crossings (2)	64,395	215,557	—	—	—	176,606	— %
Heritage Hills Irvine	61,171	160,277	2,625	18,379	21,004	133,949	14 %
Heritage Fields El Toro	45,131	1,158,728	—	5,919	5,919	1,006,699	1 %
SC East Landco	41,040	97,797	—	—	—	97,499	— %
Runkle Canyon	38,349	76,905	—	—	—	76,699	— %
Hippo Analytics (1)	32,859	—	—	—	—	—	— %
E.L. Urban Communities	30,940	53,640	—	12,395	12,395	40,362	23 %
Mesa Canyon Community Partners (2)	30,378	127,864	—	37,112	37,112	91,085	29 %
10 largest JV investments (3)	753,646	4,849,635	2,625	638,935	641,560	3,491,869	16 %
Other JVs (4)	243,280	1,476,284	63,082	520,034	583,116	746,396	44 %
Total	\$996,926	6,325,919	65,707	1,158,969	1,224,676	4,238,265	22 %
Debt issuance costs			—	(12,402 )	(12,402 )		
Total JV debt			65,707	1,146,567	1,212,274		

(1) Financial statements are not publicly available and thus only our investment balance has been included in the table above.

(2) Joint ventures acquired from CalAtlantic.

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The 10 largest joint ventures by the carrying value of Lennar's investment presented above represent the majority of total JVs assets and equity, 4% of total JV maximum recourse debt exposure to Lennar and 55% of total JV debt without recourse to Lennar. FivePoint, (3) Opendoor, and Hippo Analytics are included in Homebuilding Other. The remaining joint ventures listed are included in the Homebuilding West segment. Treasure Island Community Development is no longer included above due to the sale of an 80% interest in Treasure Island Holdings.

Includes CPHP Development, LLC which has assets of \$261.2 million, maximum recourse debt exposure to Lennar of \$52.2 million, total JV (4) debt of \$333.8 million, and total JV equity of (\$96.7) million. Lennar's investment balance does not include the (\$62.0) million investment as it was reclassified to other liabilities.

### Lennar Multifamily - Investments in Unconsolidated Entities

At November 30, 2018, Lennar Multifamily had equity investments in 22 unconsolidated entities that are engaged in multifamily residential developments (of which 8 had non-recourse debt and 14 had no debt), compared to 27 unconsolidated entities at November 30, 2017. 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. 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.

The Venture Fund 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. The Venture Fund is currently seeded with 39 undeveloped multifamily assets that were previously purchased or under contract by the Lennar Multifamily segment totaling approximately 11,700 apartments with projected project costs of \$4.1 billion as of November 30, 2018. There are 17 completed and operating multifamily assets with 4,900 apartments. During the year ended November 30, 2018, \$384.3 million in equity commitments were called, of which we contributed \$90.1 million. During the year ended November 30, 2018, we received \$18.0 million of distributions as a return of capital from the Venture Fund. As of November 30, 2018, \$1.8 billion of the \$2.2 billion in equity commitments had been called, of which we had contributed \$440.8 million representing our pro-rata portion of the called equity, resulting in a remaining equity commitment for us of \$63.2 million. As of November 30, 2018 and 2017, the carrying value of our investment in the Venture Fund was \$383.4 million and \$323.8 million, respectively. In March 2018, the Lennar Multifamily segment completed the first closing of a second Lennar Multifamily Venture, Venture Fund II, for the development, construction and property management of class-A multifamily assets. As of November 30, 2018, Venture Fund II had approximately \$787 million of equity commitments, including a \$255 million co-investment commitment by Lennar comprised of cash, undeveloped land and preacquisition costs. As of and for the year ended November 30, 2018, \$252.1 million in equity commitments were called, of which we contributed our portion of \$81.2 million, which was made up of \$188.4 million in inventory and cash contributions, offset by \$107.2 million of distributions as a return of capital, resulting in a remaining equity commitment for us of \$173.8 million. As of November 30, 2018, the carrying value of our investment in Venture Fund II was \$63.0 million. The difference between our net contributions and the carrying value of our investments was related to a basis difference. Venture Fund II is currently seeded with eight undeveloped multifamily assets that were previously purchased by the Lennar Multifamily segment totaling approximately 3,000 apartments with projected project costs of approximately \$1.3 billion as of November 30, 2018.

The joint ventures are typically structured through non-corporate entities in which control is shared with our venture partners. Each joint venture is unique in terms of its funding requirements and liquidity needs. We and the other joint venture participants typically make pro-rata cash contributions to the joint venture except for cost over-runs relating to the construction of the project. In all cases, we have been required to provide guarantees of completion and cost over-runs to the lenders and partners. These completion guarantees may require us to complete the improvements for which the financing was obtained. Therefore, our risk is limited to our equity contribution, draws on letters of credit and potential future payments under the guarantees of completion and cost over-runs. In certain instances, payments made under the cost over-run guarantees are considered capital contributions.



Additionally, the joint ventures obtain third-party debt to fund a portion of the acquisition, development and construction costs of the rental projects. The joint venture agreements usually permit, but do not require, the joint ventures to make additional capital calls in the future. However, the joint venture debt does not have repayment or maintenance guarantees. Neither we nor the other equity partners are a party to the debt instruments. In some cases, we agree to provide credit support in the form of a letter of credit provided to the bank.

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

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and assess possible impairment of our investment. We believe all of the joint ventures were in compliance with their debt covenants at November 30, 2018.

Under the terms of our joint venture agreements, we generally have the right to share in earnings and distributions of the entities on a pro-rata basis based on our ownership percentages. Most joint venture agreements provide for a different allocation of profit and cash distributions if and when the cumulative results of the joint venture exceed specified targets (such as a specified internal rate of return).

In many instances, we are designated as the development manager and/or the general contractor and/or the property manager of the unconsolidated entity and receive fees for such services. In addition, we generally do not plan to enter into purchase contracts to acquire rental properties from our Lennar Multifamily joint ventures.

Our arrangements with joint ventures generally do not restrict our activities or those of the other participants.

However, in certain instances, we agree not to engage in some types of activities that may be viewed as competitive with the activities of these ventures in the localities where the joint ventures do business.

Material contractual obligations of our unconsolidated joint ventures primarily relate to the debt obligations described above. The joint ventures generally do not enter into lease commitments because the entities are managed either by us or the other partners, who supply the necessary facilities and employee services in exchange for market-based management fees. However, they do enter into management contracts with the participants who manage them.

As described above, the liquidity needs of joint ventures in which we have investments vary on an entity-by-entity basis depending on each entity's purpose and the stage in its life cycle. During formation and development activities, the entities generally require cash, which is provided through a combination of equity contributions and debt financing, to fund acquisition, development and construction of multifamily rental properties. As the properties are completed and sold, cash generated will be available to repay debt and for distribution to the joint venture's members. Thus, the amount of cash available for a joint venture to distribute at any given time is primarily a function of the scope of the joint venture's activities and the stage in the joint venture's life cycle.

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

**Balance Sheets**

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$61,571</b>	37,073
Operating properties and equipment	<b>3,708,613</b>	2,952,070
Other assets	<b>40,899</b>	36,772
	<b>\$3,811,083</b>	3,025,915
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	<b>\$199,119</b>	212,123
Notes payable (1)	<b>1,381,656</b>	879,047
Equity	<b>2,230,308</b>	1,934,745
	<b>\$3,811,083</b>	3,025,915

(1) Notes payable are net of debt issuance costs of \$15.7 million and \$17.6 million, for the years ended November 30, 2018 and 2017, respectively.

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The following table summarizes the principal maturities of our Lennar Multifamily unconsolidated entities debt as per current debt arrangements as of November 30, 2018 and does not represent estimates of future cash payments that will be made to reduce debt balances.

<i>(In thousands)</i>	<b>Principal Maturities of Lennar Multifamily Unconsolidated JVs by Period</b>					
	<b>Total JV Debt</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Thereafter</b>	<b>Other</b>
Debt without recourse to Lennar Multifamily	\$ 1,397,353	281,093	595,139	164,035	357,086	—
Debt issuance costs	(15,697)	—	—	—	—	(15,697)
Total	\$ 1,381,656	281,093	595,139	164,035	357,086	(15,697)

**Statements of Operations and Selected Information**

<i>(Dollars in thousands)</i>	<b>Years Ended November 30,</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	
Revenues	<b>\$ 117,985</b>	67,578	45,287	
Costs and expenses	<b>172,089</b>	108,610	68,976	
Other income, net	<b>93,778</b>	207,793	191,385	
Net earnings of unconsolidated entities	<b>\$ 39,674</b>	166,761	167,696	
Lennar Multifamily equity in earnings from unconsolidated entities and other gain (1)	<b>\$ 51,322</b>	85,739	85,519	
Our investments in unconsolidated entities	<b>\$ 481,129</b>	407,544	318,559	
Equity of the unconsolidated entities	<b>\$ 2,230,308</b>	1,934,745	1,514,286	
Our investment % in the unconsolidated entities (2)	<b>22</b>	% 21	% 21	%

During the year ended November 30, 2018 the Lennar Multifamily segment sold, through its unconsolidated entities, six operating properties and an investment in an operating property resulting in the segment's \$61.2 million share of gains. The gain of \$15.7 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 (1) venture level are included in Lennar Multifamily equity in earnings from unconsolidated entities and other gain, and are not included in net earnings of unconsolidated entities. During each of the years ended November 30, 2017 and 2016, the Lennar Multifamily segment sold seven operating properties through its unconsolidated entities resulting in the segment's \$96.7 million and \$91.0 million share of gains, respectively.

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

**Rialto - Investments in Unconsolidated Entities**

Rialto was the sponsor of and an investor in private equity vehicles that invest in and manage real estate related assets and other related investments. 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 Rialto balance sheet assets. Our limited partner investments in Rialto funds and investment vehicles totaled \$297.4 million at November 30, 2018, and we are committed to invest as much as an additional \$71.6 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.

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Advanced and carried interest distributions received during the years ended November 30, 2018, 2017 and 2016 were \$25.5 million, \$44.2 million and \$10.1 million, respectively. The following table represents amounts we would have received had the funds ceased operations and hypothetically liquidated all their investments at their estimated fair values on November 30, 2018, both gross and net of amounts already received as advanced tax distributions. The actual amounts we may receive could be materially different from amounts presented in the table below.

<i>(In thousands)</i>	Hypothetical Carried Interest	Paid as Advanced Tax Distribution	Paid as Carried Interest	Hypothetical Carried Interest, Net
Rialto Real Estate Fund, LP	\$ 173,030	52,541	48,952	71,537
Rialto Real Estate Fund II, LP	56,068	15,609	—	40,459
	\$229,098	68,150	48,952	111,996

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

**Balance Sheets**

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$ 50,043</b>	95,552
Loans receivable	<b>705,414</b>	538,317
Real estate owned	<b>273,802</b>	348,601
Investment securities	<b>2,296,768</b>	1,849,795
Investments in partnerships	<b>380,290</b>	393,874
Other assets	<b>38,682</b>	42,949
	<b>\$ 3,744,999</b>	3,269,088
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	<b>\$ 30,236</b>	48,374
Notes payable (1)	<b>595,491</b>	576,810
Equity	<b>3,119,272</b>	2,643,904
	<b>\$ 3,744,999</b>	3,269,088

(1) Notes payable are net of debt issuance costs of \$4.6 million and \$3.1 million, as of November 30, 2018 and 2017, respectively.

**Statements of Operations and Selected Information**

<i>(Dollars in thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Revenues	<b>\$ 373,355</b>	238,981	200,346
Costs and expenses	<b>103,138</b>	104,343	96,343
Other income (expenses), net (1)	<b>(58,757)</b>	109,927	49,342
Net earnings of unconsolidated entities	<b>\$ 211,460</b>	244,565	153,345
Rialto equity in earnings from unconsolidated entities	<b>\$ 25,816</b>	25,447	18,961
Rialto's investments in unconsolidated entities	<b>\$ 297,379</b>	265,418	245,741
Equity of the unconsolidated entities	<b>\$ 3,119,272</b>	2,643,904	2,314,563
Rialto's investment % in the unconsolidated entities	<b>10</b>	% 10	% 11

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

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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 November 30, 2018 and 2017:

November 30, 2018	Controlled Homesites		Owned Homesites	Total Homesites
	Optioned JVs	Total		
East	25,699	3,482	29,181	72,367
Central	5,837	—	5,837	31,684
Texas	18,890	—	18,890	31,733
West	8,863	4,576	13,439	62,732
Other	—	1,276	1,276	3,132
Total homesites	59,289	9,334	68,623	201,648

November 30, 2017	Controlled Homesites		Owned Homesites	Total Homesites
	Optioned JVs	Total		
East	16,556	482	17,038	48,473
Central	3,054	—	3,054	20,572
Texas	9,103	—	9,103	23,539
West	3,369	4,963	8,332	48,268
Other	—	—	—	274
Total homesites	32,082	5,445	37,527	141,126

We evaluate all option contracts for land to determine whether they are VIEs and, if so, whether we are the primary beneficiary of certain of these option contracts. Although we do not have legal title to the optioned land, if we are deemed to be the primary beneficiary 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.

During the year ended November 30, 2018, consolidated inventory not owned decreased by \$184.3 million with a corresponding decrease to liabilities related to consolidated inventory not owned in the accompanying consolidated balance sheet as of November 30, 2018. The decrease was primarily related to a higher amount of homesite takedowns than construction started on homesites not owned. To reflect the purchase price of the inventory consolidated, we had a net reclassification related to option deposits from consolidated inventory not owned to land under development in the accompanying consolidated balance sheet as of November 30, 2018. 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 loss related to our option contracts with third parties and unconsolidated entities consisted of our non-refundable option deposits and pre-acquisition costs totaling \$209.5 million and \$137.0 million at November 30, 2018 and 2017, respectively. Additionally, we had posted \$72.4 million and \$51.8 million of letters of credit in lieu of cash deposits under certain land and option contracts as of November 30, 2018 and 2017, respectively.

Table of Contents**Contractual Obligations and Commercial Commitments**

The following table summarizes certain of our contractual obligations at November 30, 2018:

<i>(In thousands)</i>	Total	Payments Due by Period			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Lennar Homebuilding - Senior notes and other debts payable (1)	\$8,467,148	1,270,534	1,712,372	1,809,496	3,674,746
Lennar Financial Services - Notes and other debts payable	1,256,174	1,256,174	—	—	—
Rialto - Notes and other debts payable (2)	325,725	193,316	1,121	15,596	115,692
Interest commitments under interest bearing debt (3)	1,860,229	406,628	640,439	416,074	397,088
Operating leases	230,905	55,302	86,644	46,891	42,068
Other contractual obligations (4)	308,642	179,737	128,905	—	—
Total contractual obligations (5)	\$12,448,823	3,361,691	2,569,481	2,288,057	4,229,594

(1) The amounts presented in the table above exclude debt issuance costs and any discounts/premiums and purchase accounting adjustments.

Primarily includes notes payable and other debts payable of \$178.8 million related to the Rialto warehouse repurchase facilities, used by

(2) RMF, and \$132.4 million related to Rialto's long-term loan facilities ("CMBS Loan Facilities") to finance the purchase of CMBS. These amounts exclude debt issuance costs and any discounts/premiums.

(3) Interest commitments on variable interest-bearing debt are determined based on the interest rate as of November 30, 2018.

Amounts include \$63.2 million remaining equity commitment to fund the Venture Fund for future expenditures related to the construction

(4) and development of the projects, \$173.8 million remaining equity commitment to fund Venture Fund II for future expenditures related to construction and development of projects and \$71.6 million of commitments to invest in Rialto funds.

Total contractual obligations exclude our gross unrecognized tax benefits and accrued interest and penalties totaling \$67.6 million as of

(5) November 30, 2018, because we are unable to make reasonable estimates as to the period of cash settlement with the respective taxing authorities.

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 November 30, 2018, we had access to 68,623 homesites through option contracts with third parties and unconsolidated entities in which we have investments. At November 30, 2018, we had \$209.5 million of non-refundable option deposits and pre-acquisition costs related to certain of these homesites and had posted \$72.4 million of letters of credit in lieu of cash deposits under certain land and option contracts.

At November 30, 2018, we had letters of credit outstanding in the amount of \$763.8 million (which included the \$72.4 million of letters of credit discussed above). These letters of credit are generally posted either with regulatory bodies to guarantee our performance of certain development and construction activities, or in lieu of cash deposits on option contracts, for insurance risks, credit enhancements and as other collateral. Additionally, at November 30, 2018, we had outstanding surety bonds of \$2.7 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 November 30, 2018, there were approximately \$1.4 billion, or 52%, 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 Lennar Financial Services segment had a pipeline of loan applications in process of \$3.5 billion at November 30, 2018. Loans in process for which interest rates were committed to the borrowers totaled approximately \$584 million as of November 30, 2018. 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 borrowers may not meet certain criteria at the time of closing, the total commitments do not necessarily represent future cash requirements.

Our Lennar Financial Services segment uses mandatory mortgage-backed securities ("MBS") forward commitments, option contracts, 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 the

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option contracts. At November 30, 2018, we had open commitments amounting to \$1.5 billion to sell MBS with varying settlement dates through February 2019 and there were no open futures contracts. The following sections discuss market and financing risk, seasonality and interest rates and changing prices that may have an impact on our business:

**Market and Financing Risk**

We finance our contributions to JVs, land acquisition and development activities, construction activities, financial services activities, Lennar Multifamily activities and general operating needs primarily with cash generated from operations, debt and equity issuances, as well as borrowings under our Credit Facility and warehouse repurchase facilities. We also purchase land under option agreements, which enables us to control homesites until we have determined whether to exercise the options. We try to manage the financial risks of adverse market conditions associated with land holdings by what we believe to be prudent underwriting of land purchases in areas we view as desirable growth markets, careful management of the land development process and limitation of risks by using partners to share the costs of purchasing and developing land as well as obtaining access to land through option contracts. Although we believed our land underwriting standards were conservative, we did not anticipate the severe decline in land values and the sharply reduced demand for new homes encountered in the prior economic downturn.

**Interest Rates and Changing Prices**

Inflation can have a long-term impact on us because increasing costs of land, materials and labor result in a need to increase the sales prices of homes. In addition, inflation is often accompanied by higher interest rates, which can have a negative impact on housing demand and the costs of financing land development activities and housing construction. Rising interest rates as well as increased material and labor costs, may reduce gross margins. An increase in material and labor costs is particularly a problem during a period of declining home prices. Conversely, deflation can impact the value of real estate and make it difficult for us to recover our land costs. Therefore, either inflation or deflation could adversely impact our future results of operations.

**New Accounting Pronouncements**

See Note 1 of the notes to our consolidated financial statements for a comprehensive list of new accounting pronouncements.

**Critical Accounting Policies and Estimates**

Our accounting policies are more fully described in Note 1 of the notes to our consolidated financial statements included in Item 8 of this document. As discussed in Note 1, the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events that affect the amounts reported in our consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and such differences may be material to our consolidated financial statements. Listed below are those policies and estimates that we believe are critical and require the use of significant judgment in their application.

**Business Acquisitions**

In accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"), we account for business acquisitions by allocating the purchase price of the transaction to the estimated fair values of the assets acquired and liabilities assumed. Any amount of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill. We believe that the accounting estimate for business combinations is a critical accounting estimate because of the judgment required in assessing the fair value of the assets acquired and liabilities assumed. We develop our estimate of fair value through various valuation methods, including the use of discounted expected future cash flows based on market-based assessments. These assessments are based on current market valuations as well as the current and anticipated future economic conditions in each of our markets. Given these estimates and assumptions of cash flows are based on market conditions that are inherently uncertain,



changes in the accuracy of the estimates and assumptions could be affected.

**Goodwill**

We have recorded a significant amount of goodwill in connection with the recent acquisition of CalAtlantic. We record goodwill associated with acquisitions of businesses when the purchase price of the business exceeds the fair value of the net tangible and identifiable assets acquired. In accordance with ASC Topic 350, *Intangibles-Goodwill and Other* ("ASC 350"), we evaluate goodwill for potential impairment on at least an annual basis. We evaluate potential impairment by comparing the

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carrying value of each of our reporting units to their estimated fair values. We believe that the accounting estimate for goodwill is a critical accounting estimate because of the judgment required in assessing the fair value of each of our reporting units. We estimate fair value through various valuation methods, including the use of discounted expected future cash flows of each reporting unit. The expected future cash flows for each segment are significantly impacted by current market conditions. If these market conditions and resulting expected future cash flows for each reporting unit decline significantly, the actual results for each segment could differ from our estimate, which would cause goodwill to be impaired. Our accounting for goodwill represents our best estimate of future events.

## Lennar Homebuilding and Lennar Multifamily Operations

### *Lennar Homebuilding Revenue Recognition*

Revenues from sales of homes are recognized when the sales are closed and title passes to the new homeowner, the new homeowner's initial and continuing investment is adequate to demonstrate a commitment to pay for the home, the new homeowner's receivable is not subject to future subordination and we do not have a substantial continuing involvement with the new home. Revenues from sales of land are recognized when a significant down payment is received, the earnings process is complete, title passes and collectability of the receivable is reasonably assured. We believe that the accounting policy related to revenue recognition is a critical accounting policy because of the significance of revenue.

### *Lennar Multifamily Revenue Recognition*

Our Lennar 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, our Lennar 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 included in Lennar Multifamily revenue and are recorded over the period in which the services are performed, fees are determinable and collectability is reasonably assured. In addition, our Lennar 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 under the percentage of completion method. We believe that the accounting policy related to Lennar Multifamily revenue recognition is a critical accounting policy because it represents a significant portion of our Lennar Multifamily's revenues and is expected to continue to grow in the future as the segment builds more rental properties.

### *Inventories*

Inventories are stated at cost unless the inventory within a community is determined to be impaired, in which case the impaired inventory is written down to fair value. Inventory costs include land, land development and home construction costs, real estate taxes, deposits on land purchase contracts and interest related to development and construction. We review our inventory for indicators of impairment by evaluating each community during each reporting period. The inventory within each community is categorized as finished homes and construction in progress or land under development based on the development state of the community. There were 1,324 and 761 active communities, excluding unconsolidated entities, as of November 30, 2018 and 2017, respectively. If the undiscounted cash flows expected to be generated by a community are less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such community to its estimated fair value.

In conducting our review for indicators of impairment on a community level, we evaluate, among other things, the margins on homes that have been delivered, margins on homes under sales contracts in backlog, projected margins with regard to future home sales over the life of the community, projected margins with regard to future land sales, and the estimated fair value of the land itself. We pay particular attention to communities in which inventory is moving at a slower than anticipated absorption pace and communities whose average sales price and/or margins are trending downward and are anticipated to continue to trend downward. From this review, we identify communities in which to assess if the carrying values exceed their undiscounted cash flows. Although gross margin percentages for the year ended November 30, 2018 have decreased compared to the year ended November 30, 2017 primarily due to purchase accounting adjustments and an increase in direct construction costs, revenues have increased for all of our Homebuilding segments, compared to the year ended November 30, 2017. The increase is primarily due to an increase

in home deliveries in all of our Homebuilding segments, and an increase in the average sales price of homes delivered in all of our Homebuilding segments resulting primarily from the acquisition of CalAtlantic.

We estimate the fair value of our communities using a discounted cash flow model. The projected cash flows for each community are significantly impacted by estimates related to market supply and demand, product type by community, homesite sizes, sales pace, sales prices, sales incentives, construction costs, sales and marketing expenses, the local economy, competitive conditions, labor costs, costs of materials and other factors for that particular community. Every division evaluates the historical performance of each of its communities as well as current trends in the market and economy impacting the community and its surrounding areas. These trends are analyzed for each of the estimates listed above.

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

In order to arrive at the assumed absorption pace for home sales and the assumed sales prices included in our cash flow model, we analyze our historical absorption pace and historical sales prices in the community and in other comparable communities in the geographical area. In addition, we consider internal and external market studies and place greater emphasis on more current metrics and trends, which generally include, but are not limited to, statistics and forecasts on population demographics and on sales prices in neighboring communities, unemployment rates and availability and sales price of competing product in the geographical area where the community is located as well as the absorption pace realized in our most recent quarters and the sales prices included in our current backlog for such communities.

Generally, if we notice a variation from historical results over a span of two fiscal quarters, we consider such variation to be the establishment of a trend and adjust our historical information accordingly in order to develop assumptions on the projected absorption pace and sales prices in the cash flow model for a community.

In order to arrive at our assumed costs to build and deliver our homes, we generally assume a cost structure reflecting contracts currently in place with our vendors adjusted for any anticipated cost reduction initiatives or increases in cost structure. Those costs assumed are used in our cash flow models for our communities.

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

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

We estimate 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 our assumptions change. For example, changes in market conditions and other specific developments or changes in assumptions may cause us to re-evaluate our 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.

We also have access to land inventory through option contracts, which generally enables us to defer acquiring portions of properties owned by third parties and unconsolidated entities until we have determined whether to exercise our options. A majority of our option contracts require a non-refundable cash deposit or irrevocable letter of credit based on a percentage of the purchase price of the land. In determining whether to walk-away from an option contract, we evaluate the option primarily based upon the expected cash flows from the property under option.

Our investments in option contracts are recorded at cost unless those investments are determined to be impaired, in which case our investments are written down to fair value. We review option contracts for indicators of impairment during each reporting period. The most significant indicator of impairment is a decline in the fair value of the optioned property such that the purchase and development of the optioned property would no longer meet our targeted return on investment with appropriate consideration given to the length of time available to exercise the option. Such declines could be caused by a variety of factors including increased competition, decreases in demand or changes in local regulations that adversely impact the cost of development. Changes in any of these factors would cause us to

re-evaluate the likelihood of exercising our land options.

If we intend to walk-away from an option contract, we record a charge to earnings in the period such decision is made for the deposit amount and any related pre-acquisition costs associated with the option contract.

We believe that the accounting related to inventory valuation and impairment is a critical accounting policy because: (1) assumptions inherent in the valuation of our inventory are highly subjective and susceptible to change and (2) the impact of recognizing impairments on our inventory has been and could continue to be material to our consolidated financial statements.

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Our evaluation of inventory impairment, as discussed above, includes many assumptions. The critical assumptions include the timing of the home sales within a community, management's projections of selling prices and costs and the discount rate applied to estimate the fair value of the homesites within a community on the balance sheet date. Our assumptions on the timing of home sales are critical because the homebuilding industry has historically been cyclical and sensitive to changes in economic conditions such as interest rates, credit availability, unemployment levels and consumer sentiment. Changes in these economic conditions could materially affect the projected sales price, costs to develop the homesites and/or absorption rate in a community. Our assumptions on discount rates are critical because the selection of a discount rate affects the estimated fair value of the homesites within a community. A higher discount rate reduces the estimated fair value of the homesites within the community, while a lower discount rate increases the estimated fair value of the homesites within a community. Because of changes in economic and market conditions and assumptions and estimates required of management in valuing inventory during changing market conditions, actual results could differ materially from management's assumptions and may require material inventory impairment charges to be recorded in the future.

*Product Warranty*

Although we subcontract virtually all aspects of construction to others and our contracts call for the subcontractors to repair or replace any deficient items related to their trades, we are primarily responsible to homebuyers to correct any deficiencies. Additionally, in some instances, we may be held responsible for the actions of or losses incurred by subcontractors. 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 upon historical data and trends with respect to similar product types and geographical areas. We believe the accounting estimate related to the reserve for warranty costs is a critical accounting estimate because the estimate requires a large degree of judgment.

At November 30, 2018, the reserve for warranty costs was \$319.1 million, which included \$3.1 million of adjustments to pre-existing warranties from changes in estimates during the current year primarily related to specific claims related to certain of our homebuilding communities and other adjustments as well as \$141.0 million of warranties assumed related to the CalAtlantic acquisition. While we believe that the reserve for warranty costs is adequate, there can be no assurances that historical data and trends will accurately predict our actual warranty costs. Additionally, there can be no assurances that future economic or financial developments might not lead to a significant change in the reserve.

*Lennar Homebuilding and Lennar Multifamily Investments in Unconsolidated Entities*

We strategically invest in unconsolidated entities that acquire and develop land (1) for our homebuilding operations or for sale to third parties, (2) for construction of homes for sale to third-party homebuyers or (3) for the construction and sale of multifamily rental properties. Our Lennar Homebuilding partners generally are unrelated homebuilders, land owners/developers and financial or other strategic partners. Additionally in recent years, we have invested in technology companies that are looking to improve the homebuilding and financial services industry in order to better serve our customers and increase efficiencies. Our Lennar Multifamily partners are all financial partners.

Most of the unconsolidated entities through which we acquire and develop land are accounted for by the equity method of accounting because we are not the primary beneficiary or a de-facto agent, and we have a significant, but less than controlling, interest in the entities. We record our investments in these entities in our consolidated balance sheets as "Lennar Homebuilding or Lennar Multifamily Investments in Unconsolidated Entities" and our pro-rata share of the entities' earnings or losses in our consolidated statements of operations as "Lennar Homebuilding or Lennar Multifamily Equity in Earnings (Loss) from Unconsolidated Entities," as described in Note 5 and Note 9 of the notes to our consolidated financial statements. For most unconsolidated entities, we generally have the right to share in earnings and distributions on a pro-rata basis based upon ownership percentages. However, certain Lennar Homebuilding unconsolidated entities and all of our Lennar Multifamily unconsolidated entities provide for a different allocation of profit and cash distributions if and when cumulative results of the joint venture exceed specified targets (such as a specified internal rate of return). Advances to these entities are included in the investment balance. Management looks at specific criteria and uses its judgment when determining if we are the primary beneficiary of, or have a controlling interest in, an unconsolidated entity. Factors considered in determining whether we have significant influence or we have control include risk and reward sharing, experience and financial condition of the other partners,

voting rights, involvement in day-to-day capital and operating decisions and continuing involvement. The accounting policy relating to the use of the equity method of accounting is a critical accounting policy due to the judgment required in determining whether we are the primary beneficiary or have control or significant influence. We believe that the equity method of accounting is appropriate for our investments in unconsolidated entities where we are not the primary beneficiary and we do not have a controlling interest, but rather share control with our partners. At November 30, 2018, the Lennar Homebuilding unconsolidated entities in which we had investments had total assets of \$6.3

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billion and total liabilities of \$2.1 billion. At November 30, 2018, the Lennar Multifamily unconsolidated entities in which we had investments had total assets of \$3.8 billion and total liabilities of \$1.6 billion.

We evaluate the long-lived assets in unconsolidated entities for indicators of impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in the fair value of our investment in the unconsolidated entity below its carrying amount has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value. The evaluation of our investment in unconsolidated entities includes certain critical assumptions: (1) projected future distributions from the unconsolidated entities, (2) discount rates applied to the future distributions and (3) various other factors.

Our assumptions on the projected future distributions from unconsolidated entities are dependent on market conditions. Specifically, distributions are dependent on cash to be generated from the sale of inventory by the Lennar Homebuilding unconsolidated entities or operating assets by the Lennar Multifamily unconsolidated entities. Such long-lived assets are also reviewed for potential impairment by the unconsolidated entities. The unconsolidated entities generally also use a discount rate of between 10% and 20% in their reviews for impairment, subject to the perceived risks associated with the community's cash flow streams relative to its inventory. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in our Lennar Homebuilding or Lennar Multifamily equity in earnings (loss) from unconsolidated entities with a corresponding decrease to our Lennar Homebuilding or Lennar Multifamily investment in unconsolidated entities. We believe our assumptions on the projected future distributions from the unconsolidated entities are critical because the operating results of the unconsolidated entities from which the projected distributions are derived are dependent on the status of the homebuilding industry, which has historically been cyclical and sensitive to changes in economic conditions such as interest rates, credit availability, unemployment levels and consumer sentiment. Changes in these economic conditions could materially affect the projected operational results of the unconsolidated entities from which the distributions are derived.

Additionally, we evaluate if a decrease in the value of an investment below its carrying amount is other than-temporary. This evaluation includes certain critical assumptions made by management and other factors such as age of the venture, intent and ability for us to recover our investment in the entity, financial condition and long-term prospects of the unconsolidated entity, short-term liquidity needs of the unconsolidated entity, trends in the general economic environment of the land, entitlement status of the land held by the unconsolidated entity, overall projected returns on investments, defaults under contracts with third parties (including bank debt), recoverability of the investment through future cash flows and relationships with the other partners and banks. If the decline in the fair value of the investment is other-than-temporary, then these losses are included in Lennar Homebuilding other income, net or Lennar Multifamily costs and expenses.

We believe our assumptions on discount rates are critical accounting policies because the selection of the discount rates affects the estimated fair value of our investments in unconsolidated entities. A higher discount rate reduces the estimated fair value of our investments in unconsolidated entities, while a lower discount rate increases the estimated fair value of our investments in unconsolidated entities. Because of changes in economic conditions, actual results could differ materially from management's assumptions and may require material valuation adjustments to our investments in unconsolidated entities to be recorded in the future.

*Consolidation of Variable Interest Entities*

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

Our variable interest in VIEs may be in the form of (1) equity ownership, (2) contracts to purchase assets, (3) management services and development agreements between us and a VIE, (4) loans provided by us to a VIE or other partner and/or (5) guarantees provided by members to banks and other third parties. We examine specific criteria and use our judgment when determining if we are the primary beneficiary of a VIE. Factors considered in determining



whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE's executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality between us and the other partner(s) and contracts to purchase assets from VIEs.

Generally, all major decision making in our joint ventures is shared among all partners. In particular, business plans and budgets are generally required to be unanimously approved by all partners. Usually, management and other fees earned by us are nominal and believed to be at market and there is no significant economic disproportionality between us and other partners. Generally, we purchase less than a majority of the JV's assets and the purchase prices under our option contracts are believed to be at market.

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Generally, our unconsolidated entities become VIEs and consolidate when the other partner(s) lack the intent and financial wherewithal to remain in the entity. As a result, we continue to fund operations and debt paydowns through partner loans or substituted capital contributions. The accounting policy relating to variable interest entities is a critical accounting policy because the determination of whether an entity is a VIE and, if so, whether we are primary beneficiary may require us to exercise significant judgment.

## Lennar Financial Services Operations

### *Revenue Recognition*

Title premiums on policies issued directly by us are recognized as revenue on the effective date of the title policies and 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. Expected gains and losses from the sale of loans and their related servicing rights are included in the measurement of all written loan commitments that are accounted for at fair value through earnings at the time of commitment. Interest income on loans held-for-sale and loans held-for-investment is recognized as earned over the terms of the mortgage loans based on the contractual interest rates. We believe that the accounting policy related to revenue recognition is a critical accounting policy because of the significance of revenue.

### *Loan Origination Liabilities*

Substantially all of the loans our Lennar Financial Services segment originates are sold within a short period in the secondary mortgage market on a servicing released, non-recourse basis. After the loans are sold, we retain potential liability for possible claims by purchasers that we breached certain limited industry-standard representations and warranties related to loan sales. Over the last several years there has been an industry-wide effort by purchasers to defray their losses by purporting to have found inaccuracies related to sellers' representations and warranties in particular loan sale agreements. A number of claims of that type have been brought against us. We do not believe these claims will have a material adverse effect on our business.

Our mortgage operations have established reserves for possible losses associated with mortgage loans previously originated and sold to investors. We establish reserves for such possible losses based upon, among other things, an analysis of repurchase requests received, an estimate of potential repurchase claims not yet received and actual past repurchases and losses through the disposition of affected loans, as well as previous settlements. While we believe that we have adequately reserved for known losses and projected repurchase requests, given the volatility in the mortgage industry and the uncertainty regarding the ultimate resolution of these claims, if either actual repurchases or the losses incurred resolving those repurchases exceed our expectations, additional recourse expense may be incurred. This allowance requires management's judgment and estimates. For these reasons, we believe that the accounting estimate related to the loan origination losses is a critical accounting estimate.

### *Rialto Mortgage Finance - Loans Held-for-Sale*

The originated mortgage loans are classified as loans held-for-sale and are recorded at fair value. We elected the fair value option for RMF's loans held-for-sale in accordance with ASC Topic 825, *Financial Instruments*, which permits entities to measure various financial instruments and certain other items at fair value on a contract-by-contract basis. Changes in fair values of the loans are reflected in Rialto revenues in the accompanying consolidated statements of operations. Interest income on these loans is calculated based on the interest rate of the loan and is recorded in Rialto revenues in the accompanying consolidated statements of operations. Substantially all of the mortgage loans originated are sold within a short period of time in securitizations on a servicing released, non-recourse basis; although, we remain liable for certain limited industry-standard representations and warranties related to loan sales. We recognize revenue on the sale of loans into securitization trusts when control of the loans has been relinquished. We believe this is a critical accounting policy due to the significant judgment involved in estimating the fair values of loans held-for-sale during the period between when the loans are originated and the time the loans are sold and because of its significance to our Rialto segment.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to a number of market risks in the ordinary course of business. Our primary market risk exposure relates to fluctuations in interest rates on our investments, loans held-for-sale, loans held-for-investment and outstanding variable rate debt.

For fixed rate debt, such as our senior notes, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. For variable rate debt such as our unsecured revolving credit facility and Lennar Financial Services' and RMF's warehouse repurchase facilities, changes in interest rates generally do not affect the fair value of the outstanding borrowings on the debt facilities, but do affect our earnings and cash flows.

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In our Lennar Financial Services operations, we utilize mortgage backed securities forward commitments, option contracts and investor commitments to protect the value of rate-locked commitments and loans held-for-sale from fluctuations in mortgage-related interest rates.

To mitigate interest risk associated with RMF's loans held-for-sale, we use derivative financial instruments to hedge our exposure to risk from the time a borrower locks a loan until the time the loan is securitized. We hedge our interest rate exposure through entering into interest rate swap futures. We also manage a portion of our credit exposure by buying protection within the CMBX and CDX markets.

We do not enter into or hold derivatives for trading or speculative purposes.

The table below provides information at November 30, 2018 about our significant instruments that are sensitive to changes in interest rates. For loans held-for-investment, net and investments held-to-maturity, senior notes and other debts payable and notes and other debts payable, the table presents principal cash flows and related weighted average effective interest rates by expected maturity dates and estimated fair values at November 30, 2018. Weighted average variable interest rates are based on the variable interest rates at November 30, 2018.

See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Notes 1 and 15 of the notes to the consolidated financial statements in Item 8 for a further discussion of these items and our strategy of mitigating our interest rate risk.

**Information Regarding Interest Rate Sensitivity****Principal (Notional) Amount by  
Expected Maturity and Average Interest Rate  
November 30, 2018**

<i>(Dollars in millions)</i>	Years Ending November 30,							Fair Value at November 30, 2018
	2019	2020	2021	2022	2023	Thereafter	Total	
<b>ASSETS</b>								
<b>Rialto:</b>								
Investments held-to-maturity:								
Fixed rate	\$—	18.5	—	—	—	178.5	197.0	222.8
Average interest rate	—	4.0 %	—	—	—	2.7 %	3.3 %	—
<b>Lennar Financial Services:</b>								
Loans held-for-investment, net and investments held-to-maturity:								
Fixed rate	\$45.0	13.0	5.5	2.4	1.8	49.8	117.5	111.5
Average interest rate	2.8 %	3.1 %	4.3 %	4.7 %	4.3 %	4.1 %	3.5 %	—
Variable rate	\$0.1	0.2	0.2	0.2	0.2	4.3	5.2	4.6
Average interest rate	3.4 %	3.4 %	3.4 %	3.4 %	3.4 %	3.4 %	3.4 %	—
<b>LIABILITIES</b>								
<b>Lennar Homebuilding:</b>								
Senior notes and other debts payable:								
Fixed rate	\$1,270.5	714.1	962.7	1,745.1	64.4	3,674.8	8,431.6	8,299.1
Average interest rate	4.3 %	4.2 %	6.2 %	4.9 %	5.2 %	4.9 %	4.9 %	—
Variable rate	\$—	24.9	10.7	—	—	—	35.6	37.1
Average interest rate	—	5.3 %	4.4 %	—	—	—	5.0 %	—
<b>Rialto:</b>								
Notes and other debts payable:								
Fixed rate	\$1.9	—	1.1	15.6	—	115.7	134.3	135.0
Average interest rate	3.2 %	—	3.3 %	3.3 %	—	3.3 %	3.3 %	—
Variable rate	\$191.4	—	—	—	—	—	191.4	191.4
Average interest rate	4.6 %	—	—	—	—	—	4.6 %	—
<b>Lennar Financial Services:</b>								
Notes and other debts payable:								

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Variable rate	\$1,256.2	—	—	—	—	—	1,256.2	1,256.2
Average interest rate	4.5	%	—	—	—	—	4.5	% —

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**Item 8. Financial Statements and Supplementary Data.**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Lennar Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Lennar Corporation and subsidiaries (the "Company") as of November 30, 2018 and 2017, the related consolidated statements of operations and comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended November 30, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2018, in conformity with accounting principles generally accepted in the United States of America. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of November 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 28, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Miami, Florida

January 28, 2019

We have served as the Company's auditor since 1994.

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**LENNAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**November 30, 2018 and 2017**

	2018 (1)	2017 (1)
	(Dollars in thousands)	
<b>ASSETS</b>		
<b>Lennar Homebuilding:</b>		
Cash and cash equivalents	<b>\$1,337,807</b>	2,282,925
Restricted cash	<b>12,399</b>	8,740
Receivables, net	<b>236,841</b>	137,667
Inventories:		
Finished homes and construction in progress	<b>8,681,357</b>	4,676,279
Land and land under development	<b>8,178,388</b>	5,791,338
Consolidated inventory not owned	<b>208,959</b>	393,273
Total inventories	<b>17,068,704</b>	10,860,890
Investments in unconsolidated entities	<b>996,926</b>	900,769
Goodwill	<b>3,442,359</b>	136,566
Other assets	<b>1,355,782</b>	863,404
	<b>24,450,818</b>	15,190,961
<b>Lennar Financial Services</b>	<b>2,346,899</b>	1,689,508
<b>Lennar Multifamily</b>	<b>874,219</b>	710,725
<b>Rialto</b>	<b>894,245</b>	1,153,840
<b>Total assets</b>	<b>\$28,566,181</b>	18,745,034

Under certain provisions of Accounting Standards Codification ("ASC") Topic 810, *Consolidations*, ("ASC 810") the Company is required to (1) separately disclose on its consolidated balance sheets the assets of consolidated variable interest entities ("VIEs") that are owned by the consolidated VIEs and liabilities of consolidated VIEs as to which there is no recourse against the Company.

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

As of November 30, 2017, total assets include \$799.4 million related to consolidated VIEs of which \$15.8 million is included in Lennar Homebuilding cash and cash equivalents, \$0.2 million in Lennar Homebuilding receivables, net, \$53.2 million in Lennar Homebuilding finished homes and construction in progress, \$229.0 million in Lennar Homebuilding land and land under development, \$393.3 million in Lennar Homebuilding consolidated inventory not owned, \$4.6 million in Lennar Homebuilding investments in unconsolidated entities, \$11.8 million in Lennar Homebuilding other assets, \$42.7 million in Lennar Multifamily assets and \$48.8 million in Rialto assets.

See accompanying notes to consolidated financial statements.

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**LENNAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**November 30, 2018 and 2017**

	2018 (2)	2017 (2)
	(Dollars in thousands, except shares and per share amounts)	
<b>LIABILITIES AND EQUITY</b>		
<b>Lennar Homebuilding:</b>		
Accounts payable	<b>\$ 1,154,782</b>	604,953
Liabilities related to consolidated inventory not owned	<b>175,590</b>	380,720
Senior notes and other debts payable	<b>8,543,868</b>	6,410,003
Other liabilities	<b>1,902,658</b>	1,315,641
	<b>11,776,898</b>	8,711,317
<b>Lennar Financial Services</b>		
<b>Lennar Multifamily</b>	<b>1,537,760</b>	1,177,814
<b>Rialto</b>	<b>170,616</b>	149,715
<b>Total liabilities</b>	<b>13,883,224</b>	10,758,902
<b>Stockholders' equity:</b>		
Preferred stock	—	—
Class A common stock of \$0.10 par value per share; Authorized: 2018 - 400,000,000 shares; 2017 - 300,000,000 shares; Issued: 2018 - 294,992,562 shares; 2017 - 205,429,942 shares	<b>29,499</b>	20,543
Class B common stock of \$0.10 par value per share; Authorized: 2018 and 2017 - 90,000,000 shares, Issued: 2018 - 39,442,219 shares; 2017 - 37,687,505 shares	<b>3,944</b>	3,769
Additional paid-in capital	<b>8,496,677</b>	3,142,013
Retained earnings	<b>6,487,650</b>	4,840,978
Treasury stock, at cost; 2018 - 8,498,203 shares of Class A common stock and 1,698,424 shares of Class B common stock; 2017 - 1,473,590 shares of Class A common stock and 1,679,650 shares of Class B common stock	<b>(435,869)</b>	(136,020)
Accumulated other comprehensive income (loss)	<b>(366)</b>	1,034
<b>Total stockholders' equity</b>	<b>14,581,535</b>	7,872,317
<b>Noncontrolling interests</b>	<b>101,422</b>	113,815
<b>Total equity</b>	<b>14,682,957</b>	7,986,132
<b>Total liabilities and equity</b>	<b>\$ 28,566,181</b>	18,745,034

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 Lennar Homebuilding accounts payable, \$51.9 million in Lennar Homebuilding senior notes and other debts payable, \$175.6 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$2.6 million in Lennar Homebuilding other liabilities and \$1.0 million in Rialto liabilities.

As of November 30, 2017, total liabilities include \$389.7 million related to consolidated VIEs as to which there was no recourse against the Company, of which \$5.0 million is included in Lennar Homebuilding accounts payable, \$380.7 million in Lennar Homebuilding liabilities related to consolidated inventory not owned, \$1.8 million in Lennar Homebuilding other liabilities, \$2.2 million in Rialto liabilities.

See accompanying notes to consolidated financial statements.



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**LENNAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**Years Ended November 30, 2018, 2017 and 2016**

	2018	2017	2016
	(Dollars in thousands, except per share amounts)		
<b>Revenues:</b>			
Lennar Homebuilding	<b>\$19,077,597</b>	11,200,242	9,741,337
Lennar Financial Services	<b>867,831</b>	770,109	687,255
Lennar Multifamily	<b>421,132</b>	394,771	287,441
Rialto	<b>205,071</b>	281,243	233,966
Total revenues	<b>20,571,631</b>	12,646,365	10,949,999
<b>Costs and expenses:</b>			
Lennar Homebuilding	<b>16,936,873</b>	9,752,269	8,399,881
Lennar Financial Services	<b>680,401</b>	614,585	523,638
Lennar Multifamily	<b>429,759</b>	407,078	301,786
Rialto	<b>190,413</b>	247,549	229,769
Acquisition and integration costs related to CalAtlantic	<b>152,980</b>	—	—
Corporate general and administrative	<b>343,934</b>	285,889	232,562
Total costs and expenses	<b>18,734,360</b>	11,307,370	9,687,636
Lennar Homebuilding equity in loss from unconsolidated entities	<b>(91,915)</b>	(61,708)	(49,275)
Lennar Homebuilding other income, net	<b>205,841</b>	22,774	52,751
Lennar Homebuilding loss due to litigation	<b>—</b>	(140,000)	—
Lennar Multifamily equity in earnings from unconsolidated entities and other gain	<b>51,322</b>	85,739	85,519
Rialto equity in earnings from unconsolidated entities	<b>25,816</b>	25,447	18,961
Rialto other expense, net	<b>(62,058)</b>	(81,636)	(39,850)
Gain on sale of Rialto investment and asset management platform	<b>296,407</b>	—	—
<b>Earnings before income taxes</b>	<b>2,262,684</b>	1,189,611	1,330,469
<b>Provision for income taxes (1)</b>	<b>(545,171)</b>	(417,857)	(417,378)
<b>Net earnings (including net earnings (loss) attributable to noncontrolling interests)</b>	<b>1,717,513</b>	771,754	913,091
<b>Less: Net earnings (loss) attributable to noncontrolling interests</b>	<b>21,682</b>	(38,726)	1,247
<b>Net earnings attributable to Lennar</b>	<b>\$1,695,831</b>	810,480	911,844
<b>Other comprehensive income (loss), net of tax:</b>			
Net unrealized gain (loss) on securities available-for-sale	<b>(1,634)</b>	1,331	(295)
Reclassification adjustments for (gains) loss included in net earnings	<b>234</b>	12	(53)
<b>Total other comprehensive income (loss), net of tax</b>	<b>\$(1,400)</b>	1,343	(348)
<b>Total comprehensive income attributable to Lennar</b>	<b>\$1,694,431</b>	811,823	911,496
<b>Total comprehensive income (loss) attributable to noncontrolling interests</b>	<b>\$21,682</b>	(38,726)	1,247
<b>Basic earnings per share</b>	<b>\$5.46</b>	3.38	4.05
<b>Diluted earnings per share</b>	<b>\$5.44</b>	3.38	3.86

(1) Provision for income taxes for the year ended November 30, 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 consolidated financial statements.



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**LENNAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**Years Ended November 30, 2018, 2017 and 2016**

	2018	2017	2016
	(Dollars in thousands, except per share amounts)		
<b>Class A common stock:</b>			
Beginning balance	<b>\$20,543</b>	20,409	18,066
Employee stock and director plans	<b>183</b>	134	124
Stock issuance in connection with CalAtlantic acquisition	<b>8,408</b>	—	—
Conversion of convertible senior notes to shares of Class A common stock	<b>365</b>	—	2,219
Balance at November 30,	<b>29,499</b>	20,543	20,409
<b>Class B common stock:</b>			
Beginning balance	<b>3,769</b>	3,298	3,298
Stock dividends - Class B common stock	—	471	—
Stock issuance in connection with CalAtlantic acquisition	<b>168</b>	—	—
Conversion of convertible senior notes to shares of Class B common stock	<b>7</b>	—	—
Balance at November 30,	<b>3,944</b>	3,769	3,298
<b>Additional paid-in capital:</b>			
Beginning balance	<b>3,142,013</b>	2,805,349	2,305,560
Employee stock and director plans	<b>3,797</b>	2,086	1,487
Stock issuance in connection with CalAtlantic acquisition	<b>5,061,430</b>	—	—
Tax benefit from employee stock plans, vesting of restricted stock and conversion of convertible senior notes	—	35,543	45,803
Amortization of restricted stock	<b>72,655</b>	61,356	55,516
Conversion of convertible senior notes to shares of Class A common stock	<b>216,782</b>	—	396,983
Stock dividends - Class B common stock	—	237,679	—
Balance at November 30,	<b>8,496,677</b>	3,142,013	2,805,349
<b>Retained earnings:</b>			
Beginning balance	<b>4,840,978</b>	4,306,256	3,429,736
Net earnings attributable to Lennar	<b>1,695,831</b>	810,480	911,844
Cash dividends - Class A common stock (\$0.16 per share)	<b>(43,195)</b>	(32,600)	(30,315)
Cash dividends - Class B common stock (\$0.16 per share)	<b>(5,964)</b>	(5,008)	(5,009)
Stock dividends - Class B common stock	—	(238,150)	—
Balance at November 30,	<b>6,487,650</b>	4,840,978	4,306,256
<b>Treasury stock, at cost:</b>			
Beginning balance	<b>(136,020)</b>	(108,961)	(107,755)
Employee stock and directors plans	<b>(49,939)</b>	(27,059)	(1,206)
Purchases of treasury stock	<b>(249,910)</b>	—	—
Balance at November 30,	<b>(435,869)</b>	(136,020)	(108,961)
<b>Accumulated other comprehensive income (loss):</b>			
Beginning balance	<b>1,034</b>	(309)	39
Total other comprehensive income (loss), net of tax	<b>(1,400)</b>	1,343	(348)
Balance at November 30,	<b>(366)</b>	1,034	(309)
<b>Total stockholders' equity</b>	<b>14,581,535</b>	7,872,317	7,026,042
<b>Noncontrolling interests:</b>			
Beginning balance	<b>113,815</b>	185,525	301,128
Net earnings (loss) attributable to noncontrolling interests	<b>21,682</b>	(38,726)	1,247
Receipts related to noncontrolling interests	<b>18,126</b>	5,786	353
Payments related to noncontrolling interests	<b>(89,575)</b>	(74,372)	(127,410)

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Non-cash distributions to noncontrolling interests	—	—	(5,033 )
Non-cash consolidations, net	—	37,292	12,478
Non-cash purchase or activity of noncontrolling interests, net	<b>37,374</b>	(1,690 )	2,762
Balance at November 30,	<b>101,422</b>	113,815	185,525
<b>Total equity</b>	<b>\$14,682,957</b>	7,986,132	7,211,567

See accompanying notes to consolidated financial statements.

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**LENNAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended November 30, 2018, 2017 and 2016**

	2018	2017	2016
	(In thousands)		
<b>Cash flows from operating activities:</b>			
Net earnings (including net earnings (loss) attributable to noncontrolling interests)	\$1,717,513	771,754	913,091
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	91,181	66,324	50,219
Amortization of discount/premium on debt, net	(23,544)	) 11,312	14,619
Equity in loss (earnings) from unconsolidated entities	30,518	(49,478)	) (55,205)
Distributions of earnings from unconsolidated entities	113,096	137,669	101,965
Share-based compensation expense	72,655	61,356	55,516
Excess tax benefits from share-based awards	—	(1,981)	) (7,039)
Deferred income tax expense	268,037	91,050	97,485
Loss on retirement of debt and notes payable	—	—	1,569
Gain on sale of Rialto investment and asset management platform	(296,407)	) —	—
Gain on sale of operating properties and equipment	(11,499)	) (10,339)	) (14,457)
Gain on sale of interest in unconsolidated entity	(164,880)	) —	—
Unrealized and realized gains on real estate owned	(3,734)	) (5,119)	) (21,380)
Gain on sale of other assets (investment carried at cost)/CMBS bonds	(464)	) (2,450)	) —
Impairments of loans receivable and real estate owned	39,053	97,786	45,201
Valuation adjustments and write-offs of option deposits and pre-acquisition costs, other receivables and other assets	49,338	16,339	11,283
Changes in assets and liabilities:			
Decrease in restricted cash	16,132	14,490	9,716
(Increase) decrease in receivables	(431,183)	) 253,111	(260,844)
Increase in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs	(135,870)	) (661,494)	) (503,527)
Increase in other assets	(36,934)	) (44,535)	) (41,933)
Decrease (increase) in loans held-for-sale	5,805	(105,600)	90,093
Increase in accounts payable and other liabilities	412,796	356,669	21,432
Net cash provided by operating activities	\$1,711,609	996,864	507,804
<b>Cash flows from investing activities:</b>			
Decrease (increase) in restricted cash related to investments or LOCs	10,825	(18,000)	) —
Net additions to operating properties and equipment	(130,439)	) (111,773)	) (76,439)
Proceeds from the sale of operating properties and equipment	38,633	60,326	25,288
Proceeds from sale of investments in unconsolidated entities	225,267	—	—
Investments in and contributions to unconsolidated entities	(405,547)	) (430,304)	) (425,761)
Distributions of capital from unconsolidated entities	362,516	207,327	323,190
Proceeds from sales of real estate owned	32,221	86,565	97,871
Receipts of principal payments on loans held-for-sale	—	11,251	—
Receipts of principal payments on loans receivable and other	4,339	165,413	84,433
Originations of loans receivable	—	(98,375)	) (56,507)
Proceeds from sale of other assets (investment carried at cost)	—	3,610	—
Purchases of commercial mortgage-backed securities bonds	(31,068)	) (107,262)	) (42,436)
Proceeds from sale of Rialto investment and asset management platform	340,000	—	—
Proceeds from sale of commercial mortgage-backed securities bonds	14,222	—	—
Acquisitions, net of cash acquired	(1,103,275)	) (611,103)	) (725)
Proceeds from sales of investments available-for-sale	—	—	541

Decrease (increase) in Lennar Financial Services held-for-investment, net	(3,603	)	(14,257	)	963
Purchases of Lennar Financial Services investment securities	(47,305	)	(53,558	)	(37,764
Proceeds from maturities/sales of investment securities	85,237		41,765		23,963
Other payments, net	(145	)	(1,442	)	(2,454
Net cash used in investing activities	\$(608,122	)	(869,817	)	(85,837

**LENNAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**Years Ended November 30, 2018, 2017 and 2016**

	2018	2017	2016	
	(In thousands)			
<b>Cash flows from financing activities:</b>				
Net repayments under revolving lines of credit	\$(454,700	)	—	
Net borrowings (repayments) under warehouse facilities	272,920	(199,684	) 107,465	
Proceeds from senior notes	—	2,450,000	499,024	
Debt issuance costs	(14,661	)	(28,590	) (4,740
Redemption of senior notes	(1,100,000	)	(1,058,595	) (250,000
Conversions and exchanges on convertible senior notes	(59,145	)	—	(234,028
Proceeds from Rialto notes payable	33,724	99,630	—	
Principal payments on Rialto notes payable including structured notes	(359,016	)	(24,964	) (39,026
Proceeds from other borrowings	44,374	31,230	37,163	
(Payments) proceeds to/from other liabilities	(3,542	)	195,541	—
Principal payments on other borrowings	(138,475	)	(139,725	) (210,968
Receipts related to noncontrolling interests	18,126	5,786	353	
Payments related to noncontrolling interests	(89,575	)	(74,372	) (127,410
Excess tax benefits from share-based awards	—	1,981	7,039	
Common stock:				
Issuances	3,061	720	19,471	
Repurchases	(299,833	)	(27,054	) (19,902
Dividends	(49,159	)	(37,608	) (35,324
Net cash (used in) provided by financing activities	\$(2,195,901	)	1,194,296	(250,883
Net (decrease) increase in cash and cash equivalents	(1,092,414	)	1,321,343	171,084
Cash and cash equivalents at beginning of year	2,650,872	1,329,529	1,158,445	
Cash and cash equivalents at end of year	\$1,558,458	2,650,872	1,329,529	
<b>Summary of cash and cash equivalents:</b>				
Lennar Homebuilding	\$1,337,807	2,282,925	1,050,138	
Lennar Financial Services	185,990	117,410	123,964	
Lennar Multifamily	7,832	8,676	6,600	
Rialto	26,829	241,861	148,827	
	\$1,558,458	2,650,872	1,329,529	
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid for interest, net of amounts capitalized	\$128,877	89,485	66,570	
Cash paid for income taxes, net	\$376,609	199,557	374,731	
<b>Supplemental disclosures of non-cash investing and financing activities:</b>				
Lennar Homebuilding and Lennar Multifamily:				
Purchases of inventories, land under development and other assets financed by sellers	\$163,519	279,323	101,504	
Net non-cash contributions to unconsolidated entities	\$162,281	62,618	107,935	
Conversions of and exchanges on convertible senior notes to equity	217,154	—	399,206	
Equity component of acquisition consideration	\$5,070,006	—	—	
Rialto:				

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Real estate owned acquired in satisfaction/partial satisfaction of loans receivable	\$—	1,140	8,476
Consolidation/deconsolidation of unconsolidated/consolidated entities, net:			
Inventories	<b>\$35,430</b>	48,656	111,347
Receivables	<b>\$7,198</b>	—	—
Operating properties and equipment and other assets	\$—	(1,716 )	—
Investments in unconsolidated entities	<b>\$(25,614 )</b>	(9,692 )	(2,445 )
Liabilities related to consolidated inventory not owned	\$—	—	(96,424 )
Other liabilities	<b>\$(17,014 )</b>	44	—
Noncontrolling interests	\$—	(37,292 )	(12,478 )

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Summary of Significant Accounting Policies****Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of Lennar Corporation and all subsidiaries, partnerships and other entities in which Lennar Corporation has a controlling interest and VIEs (see Note 16) in which Lennar Corporation is deemed 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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Revenue Recognition**

Revenues from sales of homes are recognized when the sales are closed and title passes to the new homeowner, the new homeowner's initial and continuing investment is adequate to demonstrate a commitment to pay for the home, the new homeowner's receivable is not subject to future subordination and the Company does not have a substantial continuing involvement with the new home. Revenues from sales of land are recognized when a significant down payment is received, the earnings process is complete, title passes and collectability of the receivable is reasonably assured. See Lennar Financial Services, Rialto and Lennar Multifamily within this Note for disclosure of revenue recognition policies related to those segments.

**Advertising Costs**

The Company expenses advertising costs as incurred. Advertising costs were \$72.1 million, \$47.0 million and \$40.9 million for the years ended November 30, 2018, 2017 and 2016, respectively. The increase in 2018 is primarily related to the CalAtlantic acquisition.

**Share-Based Payments**

The Company has share-based awards outstanding under the 2007 Equity Incentive Plan and the 2016 Equity Incentive Plan (the "Plans"), each of which provides for the granting of stock options, stock appreciation rights, restricted common stock ("nonvested shares") and other share based awards to officers, associates and directors. The exercise prices of stock options may not be less than the market value of the common stock on the date of the grant. Exercises are permitted in installments determined when options are granted. Each stock option will expire on a date determined at the time of the grant, but not more than 10 years after the date of the grant. The Company accounts for stock option awards and nonvested share awards granted under the Plans based on the estimated grant date fair value.

**Cash and Cash Equivalents**

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. Cash and cash equivalents as of November 30, 2018 and 2017 included \$926.1 million and \$569.8 million, respectively, of cash held in escrow for approximately three days.

**Restricted Cash**

Lennar 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 deposit to secure and support performance obligations. Rialto restricted cash primarily consisted of cash set aside for future investments on behalf of a real estate investment trust that Rialto is a sub-advisor to. It also included upfront deposits and application fees Rialto Mortgage Finance ("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 and is disbursed in accordance with agreements between the transacting



parties.

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Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Inventories**

Finished homes and construction in progress are included within inventories. Inventories are stated at cost unless the inventory within a community is determined to be impaired, in which case the impaired inventory is written down to fair value. Inventory costs include land, land development and home construction costs, real estate taxes, deposits on land purchase contracts and interest related to development and construction. Construction overhead and selling expenses are expensed as incurred. Homes held-for-sale are classified as inventories until delivered. Land, land development, amenities and other costs are accumulated by specific area and allocated to homes within the respective areas.

The Company reviews its inventory for indicators of impairment by evaluating each community during each reporting period. The inventory within each community is categorized as finished homes and construction in progress or land under development based on the development state of the community. There were 1,324 and 761 active communities, excluding unconsolidated entities, as of November 30, 2018 and 2017, respectively. If the undiscounted cash flows expected to be generated by a community are less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such community to its estimated fair value.

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

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

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

In order to arrive at the assumed absorption pace for home sales and the assumed sales prices included in the Company's cash flow model, the Company analyzes its historical absorption pace and historical sales prices in the community and in other comparable communities in the geographical area. In addition, the Company considers internal and external market studies and places greater emphasis on more current metrics and trends, which generally include, but are not limited to, statistics and forecasts on population demographics and on sales prices in neighboring communities, unemployment rates and availability and sales prices of competing product in the geographical area where the community is located as well as the absorption pace realized in its most recent quarters and the sales prices included in the Company's current backlog for such communities.

Generally, if the Company notices a variation from historical results over a span of two fiscal quarters, the Company considers such variation to be the establishment of a trend and adjusts its historical information accordingly in order to develop assumptions on the projected absorption pace and sales prices in the cash flow model for a community.

In order to arrive at the Company's assumed costs to build and deliver homes, the Company generally assumes a cost structure reflecting contracts currently in place with its vendors adjusted for any anticipated cost reduction initiatives

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

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The determination of fair value requires discounting the estimated cash flows at a rate the Company believes a market participant would determine to be commensurate with the inherent risks associated with the assets and related estimated cash flow streams. The discount rate used in determining each asset's fair value depends on the community's projected life and development stage. The Company generally uses a discount rate of approximately 20%, subject to the perceived risks associated with the community's cash flow streams relative to its inventory.

The Company estimates the fair value of inventory evaluated for impairment based on market conditions and assumptions made by management at the time the inventory is evaluated, which may differ materially from actual results if market conditions or assumptions change. For example, 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.

As of November 30, 2018, the Company reviewed its communities for potential indicators of impairments and identified 25 homebuilding communities with 1,121 homesites and a carrying value of \$211.3 million as having potential indicators of impairment. For the year ended November 30, 2018, the Company recorded valuation adjustments of \$31.3 million on 733 homesites in six communities with a carrying value of \$64.6 million.

As of November 30, 2017, the Company reviewed its communities for potential indicators of impairments and identified ten homebuilding communities with 630 homesites and a carrying value of \$100.4 million as having potential indicators of impairment. For the year ended November 30, 2017, the Company recorded valuation adjustments of \$7.9 million on 473 homesites in seven communities with a carrying value of \$13.9 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 years ended November 30, 2018 and 2017:

	Years ended November 30,	
	2018	2017
<u>Unobservable inputs</u>	Range	Range
Average selling price	\$233,000 - \$843,000	\$125,000 - \$567,000
Absorption rate per quarter (homes)	4 - 16	4 - 10
Discount rate	20%	20%

The Company also has access to land inventory through option contracts, which generally enables the Company to defer acquiring portions of properties owned by third parties and unconsolidated entities until it has determined whether to exercise its option.

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

In determining whether to walk away from an option contract, the Company evaluates the option primarily based upon its expected cash flows from the property under option. If the Company intends to walk away from an option contract, it records a charge to earnings in the period such decision is made for the deposit amount and any related pre-acquisition costs associated with the option contract.

Some option contracts contain a predetermined take-down schedule for the optioned land parcels. However, in almost all instances, the Company is not required to purchase land in accordance with those take-down schedules. In substantially all instances, the Company has the right and ability to not exercise its option and forfeit its deposit without further penalty, other than termination of the option and loss of any unapplied portion of its deposit and pre-acquisition costs. Therefore, in substantially all instances, the Company does not consider the take-down price to be a firm contractual obligation. When the Company does not intend to exercise an option, it writes off any unapplied

deposit and pre-acquisition costs associated with the option contract.

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Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Lennar Homebuilding and Lennar Multifamily Investments in Unconsolidated Entities**

The Company evaluates the long-lived assets in unconsolidated entities for indicators of impairment during each reporting period. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, the Company generally uses a discount rate between 10% and 20%, subject to the perceived risks associated with the community's cash flow streams relative to its inventory or operating assets. The Company's proportionate share of a valuation adjustment is reflected in the Company's Lennar Homebuilding or Lennar Multifamily equity in earnings (loss) from unconsolidated entities with a corresponding decrease to its Lennar Homebuilding or Lennar Multifamily investment in unconsolidated entities.

Additionally, the Company evaluates if a decrease in the value of an investment below its carrying value is other-than-temporary. This evaluation includes certain critical assumptions made by management: (1) projected future distributions from the unconsolidated entities, (2) discount rates applied to the future distributions and (3) various other factors, which include age of the venture, relationships with the other partners and banks, general economic market conditions, land status and liquidity needs of the unconsolidated entity. If the decline in the fair value of the investment is other-than-temporary, then these losses are included in Lennar Homebuilding other income, net or Lennar Multifamily costs and expenses.

The Company tracks its share of cumulative earnings and distributions of its joint ventures ("JVs"). For purposes of classifying distributions received from JVs in the Company's consolidated statements of cash flows, cumulative distributions are treated as returns on capital to the extent of cumulative earnings and included in the Company's consolidated statements of cash flows as operating activities. Cumulative distributions in excess of the Company's share of cumulative earnings are treated as returns of capital and included in the Company's consolidated statements of cash flows as cash from investing activities.

**Variable Interest Entities**

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

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

Generally, all major decision making in the Company's joint ventures is shared among all partners. In particular, business plans and budgets are generally required to be unanimously approved by all partners. Usually, management and other fees earned by the Company are nominal and believed to be at market and there is no significant economic disproportionality between the Company and other partners. Generally, the Company purchases less than a majority of the JV's assets and the purchase prices under its option contracts are believed to be at market.

Generally, Lennar Homebuilding and Lennar Multifamily unconsolidated entities become VIEs and consolidate when the other partner(s) lack the intent and financial wherewithal to remain in the entity. As a result, the Company continues to fund operations and debt paydowns through partner loans or substituted capital contributions.

**Operating Properties and Equipment**

Operating properties and equipment are recorded at cost and are included in other assets in the consolidated balance sheets. The assets are depreciated over their estimated useful lives using the straight-line method. At the time operating properties and equipment are disposed of, the asset and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to earnings. The estimated useful life for operating properties is 30 years, for furniture, fixtures and equipment is two to ten years and for leasehold improvements is five years or the life of the lease, whichever is shorter. Operating properties are reviewed for possible impairment if there are indicators that their carrying amounts are not recoverable.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Investment Securities**

Investment securities are classified as available-for-sale unless they are classified as trading or held-to-maturity. Securities classified as trading are carried at fair value and unrealized holding gains and losses are recorded in earnings. Available-for-sale securities are recorded at fair value. Any unrealized holding gains or losses on available-for-sale securities are reported as accumulated other comprehensive gain or loss, which is a separate component of stockholders' equity, net of tax, until realized. Securities classified as held-to-maturity are carried at amortized cost because they are purchased with the intent and ability to hold to maturity.

At November 30, 2018 and 2017, the Lennar Financial Services segment had investment securities classified as held-to-maturity totaling \$52.5 million and \$52.3 million, respectively, which consist mainly of corporate debt obligations, U.S. government agency obligations, certificates of deposit and U.S. treasury securities that mature at various dates, mainly within three years. Also, at November 30, 2018 and 2017, the Lennar Financial Services segment had available-for-sale securities totaling \$4.2 million and \$57.4 million, respectively, which consist primarily of preferred stock and mutual funds. These investments available-for-sale are carried at fair value with changes recorded as a component of accumulated other comprehensive income (loss).

In addition, at November 30, 2018 and 2017, the Rialto segment had investment securities classified as held-to-maturity totaling \$197.0 million and \$179.7 million, respectively. The Rialto segment held-to-maturity securities consist of commercial mortgage-backed securities ("CMBS").

At both November 30, 2018 and 2017, the Company had no investment securities classified as trading.

**Interest and Real Estate Taxes**

Interest and real estate taxes attributable to land and homes are capitalized as inventory costs while they are being actively developed. Interest related to homebuilding and land, including interest costs relieved from inventories, is included in costs of homes sold and costs of land sold. Interest expense related to the Lennar Financial Services operations is included in its costs and expenses.

During the years ended November 30, 2018, 2017 and 2016, interest incurred by the Company's homebuilding operations related to homebuilding debt was \$423.7 million, \$290.3 million and \$281.4 million, respectively; interest capitalized into inventories was \$412.5 million, \$283.2 million and \$276.8 million, respectively.

Interest expense was included in costs of homes sold, costs of land sold and other interest expense as follows:

	Years Ended November 30,		
<i>(In thousands)</i>	2018	2017	2016
Interest expense in costs of homes sold	<b>\$301,339</b>	260,650	235,148
Interest expense in costs of land sold	<b>3,567</b>	9,995	5,287
Other interest expense (1)	<b>11,258</b>	7,164	4,626
Total interest expense	<b>\$316,164</b>	277,809	245,061

(1) Included in Lennar Homebuilding other income, net.

**Income Taxes**

The Company records income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and attributable to operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or paid. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the changes are enacted. Interest related to unrecognized tax benefits is recognized in the financial statements as a component of income tax expense.

A reduction of the carrying amounts of deferred tax assets by a valuation allowance is required if, based on the available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed each reporting period by the Company based on the



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

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Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Based on the analysis of positive and negative evidence, the Company believed that there was enough positive evidence for the Company to conclude that it was more likely than not that the Company would realize the majority of its deferred tax assets. As of November 30, 2018 and 2017, the Company's net deferred tax assets included a valuation allowance of \$7.2 million and \$6.4 million, respectively. See Note 11 for additional information.

**Other Liabilities**

Reflected within the consolidated balance sheets, the other liabilities balance as of November 30, 2018 and 2017, included accrued interest payable, product warranty (as noted below), accrued bonuses, accrued wages and benefits, deferred income, customer deposits, income taxes payable, and other accrued liabilities.

**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 Lennar Homebuilding other liabilities in the consolidated balance sheets. The activity in the Company's warranty reserve was as follows:

<i>(In thousands)</i>	<b>Years Ended November 30,</b>	
	<b>2018</b>	<b>2017</b>
Warranty reserve, beginning of year	<b>\$164,619</b>	135,403
Warranties issued	<b>175,410</b>	109,359
Adjustments to pre-existing warranties from changes in estimates (1)	<b>3,116</b>	16,027
Warranties assumed related to acquisitions	<b>140,959</b>	6,345
Payments	<b>(164,995 )</b>	(102,515 )
Warranty reserve, end of year	<b>\$319,109</b>	164,619

(1) The adjustments to pre-existing warranties from changes in estimates during the years ended November 30, 2018 and 2017 primarily related to specific claims in certain of the Company's homebuilding communities and other adjustments.

**Self-Insurance**

Certain insurable risks such as construction defects, general liability, medical and workers' compensation are self-insured by the Company up to certain limits. Undiscounted accruals for claims under the Company's self-insurance program are based on claims filed and estimates for claims incurred but not yet reported. The Company's self-insurance reserve as of November 30, 2018 and 2017 was \$101.4 million and \$90.2 million of which \$60.3 million and \$57.7 million, respectively, was included in Lennar Financial Services' other liabilities as of November 30, 2018 and 2017. Amounts incurred in excess of the Company's self-insurance occurrence or aggregate retention limits are covered by insurance up to the Company's purchased coverage levels. The Company's insurance policies are maintained with highly-rated underwriters for whom the Company believes counterparty default risk is not significant.

**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 earnings of the Company.

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

common stock ("nonvested shares") are considered participating securities.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Lennar Financial Services***Revenue Recognition*

Title premiums on policies issued directly by the Company are recognized as revenue on the effective date of the title policies and 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. Expected gains and losses from the sale of loans and their related servicing rights are included in the measurement of all written loan commitments that are accounted for at fair value through earnings at the time of commitment. Interest income on loans held-for-sale and loans held-for-investment is recognized as earned over the terms of the mortgage loans based on the contractual interest rates.

*Loans Held-for-Sale*

Loans held-for-sale by the Lennar Financial Services segment, including the rights to service the mortgage loans, are carried at fair value and changes in fair value are reflected in earnings. Premiums and discounts recorded on these loans are presented as an adjustment to the carrying amount of the loans and are not amortized. 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 Lennar Financial Services segment recognizes the fair value of its rights to service a mortgage loan as revenue upon entering into an interest rate lock loan commitment with a borrower. The fair value of these servicing rights is included in Lennar Financial Services' other assets as of November 30, 2018 and 2017. Fair value of the servicing rights is determined based on values in the Company's servicing sales contracts.

*Provision for Losses*

The Company establishes reserves for possible losses associated with mortgage loans previously originated and sold to investors 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. Loan origination liabilities are included in Lennar Financial Services' liabilities in the consolidated balance sheets. The activity in the Company's loan origination liabilities was as follows:

	Years Ended	
	November 30,	
<i>(In thousands)</i>	2018	2017
Loan origination liabilities, beginning of year	<b>\$22,543</b>	24,905
Provision for losses	<b>5,787</b>	3,861
Adjustments to pre-existing provisions for losses from changes in estimates	<b>4,625</b>	(4,440)
Origination liabilities assumed related to CalAtlantic acquisition	<b>29,959</b>	—
Payments/settlements	<b>(14,330)</b>	(1,783)
Loan origination liabilities, end of year	<b>\$48,584</b>	22,543

*Loans Held-for-Investment, Net*

Loans for which the Company has the positive intent and ability to hold to maturity consist of mortgage loans carried at the principal amount outstanding, net of unamortized discounts and allowance for loan losses. Discounts are amortized over the estimated lives of the loans using the interest method.

The Lennar Financial Services segment also provides an allowance for loan losses. The provision recorded and the adequacy of the related allowance is determined by management's continuing evaluation of the loan portfolio in light of past loan loss experience, credit worthiness and nature of underlying collateral, present economic conditions and other factors considered relevant by the Company's management. Anticipated changes in economic factors, which may influence the level of the allowance, are considered in the evaluation by the Company's management when the likelihood of the changes can be reasonably determined. While the Company's management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary as a result of future economic and other conditions that may be beyond management's control.



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**LENNAR CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Derivative Financial Instruments*

The Lennar Financial Services segment, in the normal course of business, uses derivative financial instruments to reduce its exposure to fluctuations in mortgage-related interest rates. The segment uses mortgage-backed securities ("MBS") forward commitments, option contracts, future contracts and investor commitments to protect the value of fixed rate-locked loan commitments and loans held-for-sale from fluctuations in mortgage-related interest rates. These derivative financial instruments are carried at fair value with the changes in fair value included in Lennar Financial Services revenues.

*Rialto Mortgage Finance - Loans Held-for-Sale*

The originated mortgage loans are classified as loans held-for-sale and are recorded at fair value. The Company elected the fair value option for RMF's loans held-for-sale in accordance with Accounting Standards Codification ("ASC") 825, *Financial Instruments*, which permits entities to measure various financial instruments and certain other items at fair value on a contract-by-contract basis. Management believes that 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, which are also carried at fair value, used to economically hedge them without having to apply complex hedge accounting provisions. Changes in fair values of the loans are reflected in Rialto revenues in the accompanying consolidated statements of operations. Interest income on these loans is calculated based on the interest rate of the loan and is recorded in Rialto revenues in the accompanying consolidated statements of operations. Substantially all of the mortgage loans originated are sold within a short period of time in a securitization on a servicing released, non-recourse basis; although, the Company remains liable for certain limited industry-standard representations and warranties related to loan sales. The Company recognizes revenue on the sale of loans into securitization trusts when control of the loans has been relinquished.

**Lennar Multifamily**

*Management Fees and General Contractor Revenue*

The Lennar 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 Lennar 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 included in Lennar Multifamily revenue and are recorded over the period in which the services are performed, fees are determinable and collectability is reasonably assured. In addition, the Lennar Multifamily 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 under the percentage of completion method.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued 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 will require 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. The Company had the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of applying this ASU recognized at the date of initial application. 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)*, and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* 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 have the same effective date and transition requirements as ASU 2014-09. The Company is adopting the modified retrospective method. The Company has substantially completed its evaluation and does not expect the adoption of these ASUs and ASU 2014-09 will have a material impact on the Company's consolidated financial statements and disclosures.

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 will 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 will be effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The adoption of ASU 2016-01 is not expected to have a material effect on the Company's consolidated financial statements.

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. The Company is currently evaluating the impact the adoption of ASU 2016-02 will have on the Company's consolidated financial statements. 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* and 2018-20, *Narrow-Scope Improvements for Lessors*. 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. This ASU 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 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*. This ASU does 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. This ASU will have the same effective date and transition requirements as ASU 2016-13.



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**LENNAR CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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. Additionally, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, *Statement of Cash Flows*, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. Both ASU 2016-15 and ASU 2016-18 will be effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The adoption of ASU 2016-15 will modify the Company's current disclosures and reclassifications within the consolidated statement of cash flows but is not expected to have a material effect on the Company's 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 will be effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The adoption of ASU 2017-01 is not expected to have a material effect on the Company's consolidated financial statements.

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 consolidated financial statements.

**Reclassifications/Revisions**

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the 2018 presentation. These reclassifications had no impact on the Company's consolidated financial statements.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****2. Business Acquisition***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 purchase price accounting reflected in the accompanying financial statements is provisional and is based upon estimates and assumptions that are subject to change within the measurement period (up to one year from the acquisition date pursuant to ASC 805). The measurement period remains open pending the completion of valuation procedures related to the acquired assets and assumed liabilities. The \$3.3 billion provisional amount allocated to goodwill in Lennar Homebuilding and the provisional amount of \$175 million allocated to goodwill in Lennar Financial Services represents the excess of the purchase price over the estimated fair value of assets acquired and liabilities assumed.

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>

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)***(In thousands)***ASSETS****Homebuilding:**

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
Total Homebuilding assets	10,321,181
<b>Financial Services (2)</b>	355,128
<b>Total assets</b>	<b>\$10,676,309</b>

**LIABILITIES****Homebuilding:**

Accounts payable	\$306
Senior notes payable and other debts	3,926,152
Other liabilities (3)	374,656
Total Homebuilding liabilities	4,301,114
<b>Financial Services</b>	124,418
<b>Total liabilities</b>	4,425,532
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 approximately six months.

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

(2) the merger and cost savings as a result of additional homebuilding and non-homebuilding synergies. The assignment 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 Lennar Financial Services.

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

(3) 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*, ("ASC450") 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.

For the year ended November 30, 2018, Lennar Homebuilding revenue included \$7.0 billion of revenues, and earnings before income taxes included \$491.3 million of pre-tax earnings from CalAtlantic since the date of acquisition, which included acquisition and integration costs of \$153.0 million. These acquisition and integration costs were comprised mainly of severance expenses and transaction costs and were included within the acquisition and integration costs related to CalAtlantic line item in the consolidated statement of operations for the year ended November 30, 2018.

The following presents summarized unaudited supplemental pro forma operating results as if CalAtlantic had been included in the Company's Consolidated Statements of Operations beginning December 1, 2016.

	Years Ended November	
	2018	2017
<i>(Dollars in thousands, except per share amounts)</i>		
Revenues from home sales	<b>\$20,355,615</b>	17,471,128
Net earnings (1)	<b>\$1,693,325</b>	1,232,917
Earnings per share:		
Basic	<b>\$5.19</b>	3.78

Diluted

**\$5.18** 3.75

82

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Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Net earnings for the year ended November 30, 2018 include a pre-tax impact from acquisition and integration costs related to CalAtlantic of (1) \$153.0 million. Additionally, net earnings for the year ended November 30, 2018 include purchase accounting adjustments of \$414.6 million on CalAtlantic homes that were in backlog/construction in progress at the acquisition date that were subsequently delivered.

The supplemental pro forma operating results have been determined after adjusting the operating results of CalAtlantic to reflect additional amortization that would have been recorded assuming the fair value adjustment to intangible assets had been applied beginning December 1, 2016. Certain other adjustments, including those related to conforming accounting policies and adjusting acquired inventory to fair value, have not been reflected in the supplemental pro forma operating results due to the impracticability of estimating their impacts.

*Acquisition of WCI Communities, Inc.*

On February 10, 2017, the Company acquired WCI Communities, Inc. ("WCI") a homebuilder of luxury single and multifamily homes, including a small percentage of luxury high-rise tower units, with operations in Florida. WCI stockholders received \$642.6 million in cash. The cash consideration was funded primarily from working capital and from proceeds from the issuance of 4.125% senior notes due 2022 (see Note 7).

Based on an evaluation of the provisions of ASC Topic 805, Lennar Corporation was determined to be the acquirer for accounting purposes. 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:

(In thousands)

**Assets:**

Cash and cash equivalents, restricted cash and receivables, net	\$ 42,079
Inventories	613,495
Intangible assets (1)	59,283
Goodwill (2)	156,566
Deferred tax assets, net	88,147
Other assets	66,173
<b>Total assets</b>	<b>1,025,743</b>

**Liabilities:**

Accounts payable	26,735
Senior notes and other debts payable	282,793
Other liabilities	73,593
<b>Total liabilities</b>	<b>383,121</b>
<b>Total purchase price</b>	<b>\$ 642,622</b>

(1) Intangible assets include non-compete agreements and a trade name. The amortization period for these intangible assets was six months for the non-compete agreements and 20 years for the trade name.

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed, and it is not deductible for income tax purposes. As of the merger date, goodwill consisted primarily of purchasing and other synergies resulting from the merger, expected production, savings in corporate and division overhead costs and expected expanded opportunities for growth through a higher-end (2) more luxurious product, greater presence in the state of Florida and customer diversity. The amount of goodwill allocated to the Company's

Homebuilding East segment was \$136.6 million and to the Lennar Financial Services segment was \$20.0 million. These amounts were based on the relative fair value of each acquired reporting unit in accordance with ASC 350, *Intangibles-Goodwill and Other*.

For the year ended November 30, 2017, Lennar Homebuilding revenues included \$494.7 million of home sales revenues from WCI and earnings before income taxes included \$51.7 million of pre-tax earnings from WCI since the date of acquisition, which included transaction-related expenses of \$28.1 million comprised mainly of severance costs, general and administrative expenses, and amortization expense related to non-compete agreements and trade name since the date of acquisition. These transaction expenses were included primarily within Lennar Homebuilding selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended November 30, 2017. The pro forma effect of the acquisition on the results of operations is not presented as this acquisition was not considered material.



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****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, the Company's chief operating decision makers ("CODM") reassessed how they evaluate the business and allocate resources. The CODM manages and assesses the Company's performance at a regional level. Therefore, 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. As of and for the year ended November 30, 2018, the Company's reportable segments consist of:

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

Information about homebuilding activities in the Company's urban divisions which are not economically similar to other divisions in the same geographic area is grouped under "Homebuilding Other," which is not considered a reportable segment. All prior periods have been adjusted to conform with the Company's current presentation.

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

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, Tennessee and Virginia

**Texas:** Texas

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

**Other:** Urban divisions and other homebuilding related investments, including FivePoint

Operations of the Lennar Financial Services segment include primarily mortgage financing, title insurance and closing services for both buyers of the Company's homes and others. It also includes a real estate brokerage business acquired as part of the WCI transaction, which was sold subsequent to November 30, 2018. The Lennar Financial Services segment sells substantially all of the loans it originates within a short period in the secondary mortgage market, the majority of which are sold on a servicing released, non-recourse basis. After the loans are sold, the Company retains potential liability for possible claims by purchasers that it breached certain limited industry-standard representations and warranties in the loan sale agreements. Lennar Financial Services' operating earnings consist of revenues generated primarily from mortgage financing, title insurance and closing services and commissions on realty estate brokerage, less the cost of such services and certain selling, general and administrative expenses incurred by the segment. The Lennar Financial Services segment operates generally in the same states as the Company's homebuilding operations as well as in other states.

Operations of the Rialto segment include commercial real estate investment, investment management, and finance company focused on raising, investing and managing third-party capital, originating and selling into securitizations commercial mortgage loans as well as investing our own capital in real estate related mortgage loans, properties and related securities. The Company sold its Rialto Investment and Asset Management platform on November 30, 2018. The Company retained its Rialto Mortgage Finance business, which moved into its Financial Services segment as of December 1, 2018. The Company also retained its fund investments along with its carried interests in various Rialto funds and investments in other Rialto balance sheet assets. The Company's limited partner investments in Rialto funds and investment vehicles totaled \$297.4 million at November 30, 2018, and the Company is committed to invest as much as an additional \$71.6 million in Rialto funds.



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Operations of the Lennar Multifamily segment include revenues generated from land sales, revenue from construction activities and management fees generated from joint ventures, and equity in earnings from unconsolidated entities, less the cost of land sold, expenses related to construction activities and general and administrative expenses. Each reportable segment follows the same accounting policies described in Note 1—"Summary of Significant Accounting Policies" to the consolidated financial statements. 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>	November 30,		
	2018	2017	2016
<b>Assets:</b>			
Homebuilding East	<b>\$7,183,758</b>	3,817,454	2,824,403
Homebuilding Central	<b>2,522,799</b>	1,275,623	1,014,099
Homebuilding Texas	<b>2,311,760</b>	1,199,971	1,229,696
Homebuilding West	<b>10,291,385</b>	5,432,485	4,565,911
Homebuilding Other	<b>1,140,092</b>	1,125,160	1,044,049
Lennar Financial Services	<b>2,346,899</b>	1,689,508	1,754,672
Lennar Multifamily	<b>874,219</b>	710,725	526,131
Rialto	<b>894,245</b>	1,153,840	1,276,210
Corporate and unallocated	<b>1,001,024</b>	2,340,268	1,126,610
<b>Total assets</b>	<b>\$28,566,181</b>	18,745,034	15,361,781
<b>Lennar Homebuilding investments in unconsolidated entities:</b>			
Homebuilding East	<b>\$76,627</b>	68,670	62,200
Homebuilding Central	<b>6,510</b>	2,971	3,770
Homebuilding Texas	<b>1,902</b>	—	41
Homebuilding West	<b>311,200</b>	225,803	217,322
Homebuilding Other	<b>600,687</b>	603,325	528,390
<b>Total Lennar Homebuilding investments in unconsolidated entities (1)</b>	<b>\$996,926</b>	900,769	811,723
<b>Lennar Multifamily investments in unconsolidated entities</b>	<b>\$481,129</b>	407,544	318,559
<b>Rialto investments in unconsolidated entities</b>	<b>\$297,379</b>	265,418	245,741
<b>Lennar Homebuilding goodwill (2)</b>	<b>\$3,442,359</b>	136,566	—
<b>Lennar Financial Services goodwill (2)</b>	<b>\$237,688</b>	59,838	39,838
<b>Rialto goodwill</b>	<b>\$—</b>	5,396	5,396

(1) Does not include the (\$62.0) million investment balance for one unconsolidated entity as it was reclassified to other liabilities.

In connection with the CalAtlantic acquisition, the Company recorded a provisional amount of homebuilding goodwill of \$3.3 billion. The assignment of goodwill among the Company's reporting segments included \$1.1 billion to Homebuilding East, \$495.0 million to

(2) Homebuilding Central, \$342.2 million to Homebuilding Texas, \$1.4 billion to Homebuilding West, and \$175.4 million to Lennar Financial Services. In connection with the WCI acquisition in 2017, the Company allocated \$136.6 million of goodwill to the Lennar Homebuilding East reportable segment and \$20.0 million to the Lennar Financial Services segment.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Revenues:</b>			
Homebuilding East	<b>\$6,249,864</b>	4,054,849	3,326,550
Homebuilding Central	<b>2,290,887</b>	923,518	928,980
Homebuilding Texas	<b>2,421,399</b>	1,697,731	1,543,112
Homebuilding West	<b>8,059,850</b>	4,447,084	3,848,539
Homebuilding Other	<b>55,597</b>	77,060	94,156
Lennar Financial Services	<b>867,831</b>	770,109	687,255
Lennar Multifamily	<b>421,132</b>	394,771	287,441
Rialto	<b>205,071</b>	281,243	233,966
<b>Total revenues (1)</b>	<b>\$20,571,631</b>	12,646,365	10,949,999
<b>Operating earnings (loss):</b>			
Homebuilding East	<b>\$759,221</b>	575,701	562,075
Homebuilding Central (2)	<b>182,608</b>	(52,301)	) 88,134
Homebuilding Texas	<b>172,449</b>	180,212	170,311
Homebuilding West	<b>1,082,302</b>	615,916	585,873
Homebuilding Other (3)	<b>58,070</b>	(50,489)	) (61,461)
Lennar Financial Services	<b>187,430</b>	155,524	163,617
Lennar Multifamily (4)	<b>42,695</b>	73,432	71,174
Rialto (5)	<b>(21,584)</b>	) (22,495)	) (16,692)
<b>Total operating earnings</b>	<b>2,463,191</b>	1,475,500	1,563,031
Gain on sale of Rialto investment and asset management platform	<b>296,407</b>	—	—
Acquisition and integration costs related to CalAtlantic	<b>152,980</b>	—	—
Corporate general and administrative expenses	<b>343,934</b>	285,889	232,562
<b>Earnings before income taxes</b>	<b>\$2,262,684</b>	1,189,611	1,330,469

Total revenues were net of sales incentives of \$1.1 billion (\$23,500 per home delivered) for the year ended November 30, 2018, \$665.7 million (\$22,700 per home delivered) for the year ended November 30, 2017 and \$596.3 million (\$22,500 per home delivered) for the year ended November 30, 2016.

(2) Homebuilding Central operating loss for the year ended November 30, 2017 included a \$140 million loss due to litigation (see Note 17).

For the year ended November 30, 2018, Homebuilding Other's operating earnings includes a \$164.9 million gain on the sale of an 80% interest in one of the Company's strategic joint ventures, Treasure Island Holdings. For the years ended November 30, 2018 and 2017,

(3) Homebuilding Other's operating earnings (loss) included an equity in loss from unconsolidated entities of \$92.0 million and \$47.6 million, respectively.

For the years ended November 30, 2018, 2017 and 2016, Lennar Multifamily's operating earnings included \$35.6 million, \$85.7 million and \$85.5 million, respectively, of equity in earnings from unconsolidated entities and other gain primarily as a result of \$61.2 million share of

(4) gains from the sale of six operating properties and an investment in an operating property for the year ended November 30, 2018, and \$96.7 million and \$91.0 million share of gains from the sale of seven operating properties for the years ended November 30, 2017 and 2016, respectively, by its unconsolidated entities.

For the year ended November 30, 2018, Rialto's operating loss was primarily as a result of non-recurring expenses, partially offset by a decrease in real estate owned and loan impairments due to the liquidation of the FDIC and bank portfolios and a decrease in interest expense.

(5) For the year ended November 30, 2017, Rialto's operating loss included \$96.2 million of gross REO and loan impairments (\$44.7 million net of noncontrolling interests) as Rialto liquidated most of the remaining assets of the FDIC portfolio.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Lennar Homebuilding interest expense:</b>			
Homebuilding East	\$98,478	85,761	76,170
Homebuilding Central	28,471	21,061	22,530
Homebuilding Texas	32,930	34,237	33,009
Homebuilding West	151,823	135,574	111,784
Homebuilding Other	4,462	1,176	1,568
<b>Total Lennar Homebuilding interest expense</b>	<b>\$316,164</b>	277,809	245,061
<b>Lennar Financial Services interest income, net</b>	<b>\$18,968</b>	13,331	12,388
<b>Rialto interest expense</b>	<b>\$24,312</b>	42,004	40,303
<b>Depreciation and amortization:</b>			
Homebuilding East	\$20,614	17,258	16,268
Homebuilding Central	5,285	3,879	3,727
Homebuilding Texas	9,041	8,228	7,370
Homebuilding West	36,013	27,403	23,391
Homebuilding Other	1,022	2,447	2,284
Lennar Financial Services	13,437	9,992	7,667
Lennar Multifamily	4,357	2,910	2,472
Rialto	5,723	5,194	7,590
Corporate and unallocated	66,261	50,369	34,966
<b>Total depreciation and amortization</b>	<b>\$161,753</b>	127,680	105,735
<b>Net additions to (disposals of) operating properties and equipment:</b>			
Homebuilding East	\$26,402	(27 )	(10,452 )
Homebuilding Central	14,677	32	33
Homebuilding Texas	200	(40 )	2,340
Homebuilding West	42,525	32,995	43,479
Homebuilding Other	15,549	10,833	7,771
Lennar Financial Services	7,703	11,185	6,218
Lennar Multifamily	1,558	12,657	1,666
Rialto	6,416	4,115	1,908
Corporate and unallocated	55,364	40,023	12,645
<b>Total net additions (disposals of) operating properties and equipment</b>	<b>\$170,394</b>	111,773	65,608
<b>Lennar Homebuilding equity in earnings (loss) from unconsolidated entities:</b>			
Homebuilding East	\$(818 )	(754 )	(230 )
Homebuilding Central	691	(255 )	(74 )
Homebuilding Texas	469	8	364
Homebuilding West	(212 )	(13,095 )	(2,052 )
Homebuilding Other (1)	(92,045 )	(47,612 )	(47,283 )
<b>Total Lennar Homebuilding equity in loss from unconsolidated entities</b>	<b>\$(91,915 )</b>	(61,708 )	(49,275 )
<b>Lennar Multifamily equity in earnings from unconsolidated entities</b>	<b>\$51,322</b>	85,739	85,519
<b>Rialto equity in earnings from unconsolidated entities</b>	<b>\$25,816</b>	25,447	18,961

(1) For the year ended November 30, 2018, equity in loss included the Company's share of operational net losses from unconsolidated entities driven by valuation adjustments and general and administrative expenses, partially offset by profits from land sales. For the years ended November 30, 2017 and 2016, equity in loss included the Company's share of operational net losses from unconsolidated entities driven by

general and administrative expenses and valuation adjustments, partially offset by profits from land sales.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****4. Lennar Homebuilding Receivables**

<i>(In thousands)</i>	November 30,	
	2018	2017
Accounts receivable	<b>\$115,642</b>	59,733
Mortgage and notes receivable	<b>123,796</b>	80,602
	<b>239,438</b>	140,335
Allowance for doubtful accounts	<b>(2,597 )</b>	(2,668 )
	<b>\$236,841</b>	137,667

At November 30, 2018 and 2017, Lennar Homebuilding accounts receivable related primarily to other receivables and rebates. The Company performs ongoing credit evaluations of its customers and generally does not require collateral for accounts receivable. Mortgages and notes receivable arising from the sale of homes and land are generally collateralized by the property sold to the buyer. Allowances are maintained for potential credit losses based on historical experience, present economic conditions and other factors considered relevant by the Company.

**5. Lennar Homebuilding Investments in Unconsolidated Entities**

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

**Statements of Operations**

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Revenues	<b>\$525,931</b>	471,899	439,874
Costs and expenses	<b>729,700</b>	616,217	578,831
Other income (1)	<b>186,982</b>	23,253	—
Net loss of unconsolidated entities (1)	<b>\$(16,787 )</b>	(121,065 )	(138,957 )
Lennar Homebuilding equity in loss from unconsolidated entities (1)	<b>\$(91,915 )</b>	(61,708 )	(49,275 )

During the year ended November 30, 2018, other income was primarily due to FivePoint Holdings, LLC ("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 70% interest in the FivePoint TRA Liability. (1) Therefore, the Company did not include in Lennar Homebuilding's equity in loss from unconsolidated entities the 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 losses of only \$16.8 million, but the Company has an equity in loss from unconsolidated entities of \$91.9 million.

For the year ended November 30, 2018, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to our share of net operating losses from our unconsolidated entities which were primarily driven by valuation adjustments related to assets of Lennar Homebuilding's unconsolidated entities and general and administrative expenses, partially offset by profits from land sales.

For the year ended November 30, 2017, one of the Company's unconsolidated entities had equity in earnings of \$11.9 million relating to an equity method investee selling 475 homesites to a third-party land bank. Simultaneous with the purchase by the land bank, the Company entered into an option contract to purchase all 475 homesites from the land bank. Due to the Company's continuing involvement with respect to the homesites sold from the investee entity, the Company deferred all of its equity in earnings from the unconsolidated entity relating to the sale transaction, which amounted to \$4.9 million.

For the year ended November 30, 2017, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to the Company's share of net operating losses from the Company's unconsolidated entities which were primarily driven by general and administrative expenses and valuation adjustments related to assets of Lennar Homebuilding unconsolidated entities, partially offset by the profits from land sales.

For the year ended November 30, 2016, Lennar Homebuilding equity in loss from unconsolidated entities was primarily attributable to the Company's share of costs associated with the FivePoint combination and operational net losses from the new FivePoint unconsolidated entity, totaling \$42.6 million. This was partially offset by \$12.7 million of equity in earnings primarily due to sales of homesites to third parties by one of the Company's unconsolidated entities.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Balance Sheets**

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$782,565</b>	953,261
Inventories	<b>4,291,470</b>	3,751,525
Other assets	<b>1,251,884</b>	1,061,507
	<b>\$6,325,919</b>	5,766,293
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	<b>\$875,380</b>	832,151
Debt (1)	<b>1,212,274</b>	737,331
Equity	<b>4,238,265</b>	4,196,811
	<b>\$6,325,919</b>	5,766,293
Lennar Homebuilding investments in unconsolidated entities (2)	<b>\$996,926</b>	900,769

(1) Debt presented above is net of debt issuance costs of \$12.4 million and \$5.7 million, as of November 30, 2018 and 2017, respectively. The increase in debt in 2018 was primarily related to \$500 million of senior notes issued by FivePoint.

(2) Does not include the (\$62.0) million investment balance for one unconsolidated entity as it was reclassified to other liabilities.

In May 2017, FivePoint completed its initial public offering ("IPO"). Concurrent with the IPO, the Company invested an additional \$100 million in FivePoint in a private placement. As of November 30, 2018, the Company owns approximately 40% of FivePoint and the carrying amount of the Company's investment was \$342.7 million as of November 30, 2018.

As of November 30, 2018 and 2017, the Company's recorded investments in Lennar Homebuilding unconsolidated entities were \$996.9 million and \$900.8 million, respectively, while the underlying equity in Lennar Homebuilding unconsolidated entities partners' net assets as of both November 30, 2018 and 2017 was \$1.3 billion. The basis difference is 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. In 2017, the Company's recorded investments in Lennar Homebuilding unconsolidated entities included \$33.3 million of assets held-for-sale.

In 2017, the Company entered into a Membership Interest Purchase Agreement and Payment Escrow Agreement ("Agreement") with one of its strategic joint ventures under which the Company agreed to sell 80% of the Company's interest in the joint venture to a third-party. Under the terms of the Agreement, the sale transaction was contingent upon the satisfaction of certain conditions. In January 2018, conditions were fulfilled and the transaction was closed resulting in gains of \$164.9 million recorded in Lennar Homebuilding other income, net within the accompanying consolidated statement of operations for the year ended November 30, 2018.

The Company's partners generally are unrelated homebuilders, land owners/developers and financial or other strategic partners. The unconsolidated entities follow accounting principles that are in all material respects the same as those used by the Company. The Company shares in the profits and losses of these unconsolidated entities generally in accordance with its ownership interests. In many instances, the Company is appointed as the day-to-day manager under the direction of a management committee that has shared powers amongst the partners of the unconsolidated entities and the Company receives management fees and/or reimbursement of expenses for performing this function. During the years ended November 30, 2018, 2017 and 2016, the Company received management fees and reimbursement of expenses, net of deferrals, from Lennar Homebuilding unconsolidated entities totaling \$7.0 million, \$4.4 million and \$13.2 million, respectively.

The Company and/or its partners sometimes obtain options or enter into other arrangements under which the Company can purchase portions of the land held by the unconsolidated entities. Option prices are generally negotiated prices that approximate fair value when the Company receives the options. During the years ended November 30, 2018, 2017 and 2016, \$169.5 million, \$226.2 million and \$130.4 million, respectively, of the unconsolidated entities'

revenues were from land sales to the Company. The Company does not include in its Lennar Homebuilding equity in earnings (loss) from unconsolidated entities its pro-rata share of unconsolidated entities' earnings resulting from land sales to its homebuilding divisions. Instead, the Company accounts for those earnings as a reduction of the cost of purchasing the land from the unconsolidated entities. This in effect defers recognition of the Company's share of the unconsolidated entities' earnings related to these sales until the Company delivers a home and title passes to a third-party homebuyer.



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

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

<i>(Dollars in thousands)</i>	November 30,	
	2018	2017
Non-recourse bank debt and other debt (partner's share of several recourse)	<b>\$48,313</b>	64,197
Non-recourse land seller debt and other debt	—	1,997
Non-recourse debt with completion guarantees	<b>239,568</b>	255,903
Non-recourse debt without completion guarantees (1)	<b>871,088</b>	351,800
Non-recourse debt to the Company	<b>1,158,969</b>	673,897
The Company's maximum recourse exposure (2)	<b>65,707</b>	69,181
Debt issuance costs	<b>(12,402 )</b>	(5,747 )
Total debt	<b>\$1,212,274</b>	737,331
The Company's maximum recourse exposure as a % of total JV debt	<b>5</b>	% 9 %

(1) The increase in non-recourse debt without completion guarantees was primarily related to \$500 million of senior notes issued by FivePoint.

(2) As of November 30, 2018 and 2017, the Company's maximum recourse exposure was primarily related to the Company providing a repayment guarantee on four unconsolidated entities' debt and three unconsolidated entities' debt, respectively.

In most instances in which the Company has guaranteed debt of a Lennar Homebuilding unconsolidated entity, the Company's partners have also guaranteed that debt and are required to contribute their share of the guarantee payments. 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 Lennar Homebuilding unconsolidated entities, the Company and its joint venture partners (or entities related to them) have been required to give guarantees of completion to the lenders. Those completion guarantees may require that the guarantors complete the construction of the improvements for which the financing was obtained. If the construction is to be done in phases, the guarantee generally is limited to completing only the phases as to which construction has already commenced and for which loan proceeds were used.

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

As of both November 30, 2018 and 2017, the fair values of the repayment guarantees and completion guarantees were not material. The Company believes that as of November 30, 2018, in the event it becomes legally obligated to perform under a guarantee of the obligation of a Lennar Homebuilding unconsolidated entity due to a triggering event under a guarantee, the collateral should be sufficient to repay at least a significant portion of the obligation or the Company and its partners would contribute additional capital into the venture. In certain instances, the Company has placed performance letters of credit and surety bonds with municipalities for its joint ventures (see Note 7).

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****6. Lennar Homebuilding Operating Properties and Equipment**

Operating properties and equipment are included in Lennar Homebuilding other assets in the consolidated balance sheets and were as follows:

<i>(In thousands)</i>	November 30,	
	2018	2017
Operating properties (1)	<b>\$255,203</b>	188,073
Leasehold improvements (2)	<b>61,990</b>	52,185
Furniture, fixtures and equipment (2)	<b>141,466</b>	79,082
	<b>458,659</b>	319,340
Accumulated depreciation and amortization	<b>(138,798 )</b>	(104,272 )
	<b>\$319,861</b>	215,068

Operating properties primarily include rental operations and commercial properties. During the year ended November 30, 2017, the Company (1) acquired an operating property with an allocated fair value of \$34.0 million as part of the WCI acquisition and sold an operating property with a basis of \$47.0 million.

(2) Increase primarily related to assets from CalAtlantic acquisition.

**7. Lennar Homebuilding Senior Notes and Other Debts Payable**

<i>(Dollars in thousands)</i>	November 30,	
	2018	2017
0.25% convertible senior notes due 2019	<b>\$1,291</b>	—
4.500% senior notes due 2019	<b>499,585</b>	498,793
4.50% senior notes due 2019	<b>599,176</b>	598,325
6.625% senior notes due 2020 (1)	<b>311,735</b>	—
2.95% senior notes due 2020	<b>298,838</b>	298,305
8.375% senior notes due 2021 (1)	<b>435,897</b>	—
4.750% senior notes due 2021	<b>498,111</b>	497,329
6.25% senior notes due December 2021 (1)	<b>315,283</b>	—
4.125% senior notes due 2022	<b>596,894</b>	595,904
5.375% senior notes due 2022 (1)	<b>261,055</b>	—
4.750% senior notes due 2022	<b>570,564</b>	569,484
4.875% senior notes due December 2023	<b>395,759</b>	394,964
4.500% senior notes due 2024	<b>646,078</b>	645,353
5.875% senior notes due 2024 (1)	<b>452,833</b>	—
4.750% senior notes due 2025	<b>497,114</b>	496,671
5.25% senior notes due 2026 (1)	<b>409,133</b>	—
5.00% senior notes due 2027 (1)	<b>353,275</b>	—
4.75% senior notes due 2027	<b>892,297</b>	892,657
4.125% senior notes due December 2018	—	274,459
6.95% senior notes due 2018	—	249,342
Mortgage notes on land and other debt	<b>508,950</b>	398,417
	<b>\$8,543,868</b>	6,410,003

(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

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\$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).

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The carrying amounts of the senior notes listed above are net of debt issuance costs of \$31.2 million and \$33.5 million, as of November 30, 2018 and 2017, respectively.

In February 2018, the Company amended the credit agreement governing its unsecured revolving credit facility (the "Credit Facility") to increase the maximum borrowings from \$2.0 billion to \$2.6 billion and extended the maturity on \$2.2 billion of the Credit Facility from June 2022 to April 2023, with \$70 million maturing in June 2018 and the remaining \$50 million maturing in June 2020. As of November 30, 2018, the Credit Facility included a \$315 million accordion feature, subject to additional commitments. 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. As of both November 30, 2018 and 2017, the Company had no outstanding borrowings under the Credit Facility. 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 November 30, 2018. In addition, the Company had \$285 million in letter of credit facilities with different financial institutions at November 30, 2018.

The Company's performance letters of credit outstanding were \$598.4 million and \$384.4 million at November 30, 2018 and 2017, respectively. The Company's financial letters of credit outstanding were \$165.4 million and \$127.4 million at November 30, 2018 and 2017, 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 November 30, 2018, the Company had outstanding surety bonds of \$2.7 billion including performance surety bonds related to site improvements at various projects (including certain projects of the Company's 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 development and construction activities are completed. As of November 30, 2018, there were approximately \$1.4 billion, or 52%, 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 terms of each of the Company's senior notes outstanding at November 30, 2018 were as follows:

Senior Notes Outstanding (1)	Principal Amount	Net Proceeds (2)	Price	Dates Issued
<i>(Dollars in thousands)</i>				
0.25% convertible senior notes due 2019	\$ 1,300	(3)	(3)	(3)
4.500% senior notes due 2019	500,000	\$495,725	(4)	February 2014
4.50% senior notes due 2019	600,000	595,801	(5)	November 2014, February 2015
6.625% senior notes due 2020	300,000	(3)	(3)	(3)
2.95% senior notes due 2020	300,000	298,800	100	% November 2017
8.375% senior notes due 2021	400,000	(3)	(3)	(3)
4.750% senior notes due 2021	500,000	495,974	100	% March 2016
6.25% senior notes due December 2021	300,000	(3)	(3)	(3)
4.125% senior notes due 2022	600,000	595,160	100	% January 2017
5.375% senior notes due 2022	250,000	(3)	(3)	(3)
4.750% senior notes due 2022	575,000	567,585	(6)	October 2012, February 2013, April 2013
4.875% senior notes due December 2023	400,000	393,622	99.169%	November 2015
4.500% senior notes due 2024	650,000	644,838	100	% April 2017
5.875% senior notes due 2024	425,000	(3)	(3)	(3)
4.750% senior notes due 2025	500,000	495,528	100	% April 2015
5.25% senior notes due 2026	400,000	(3)	(3)	(3)

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5.00% senior notes due 2027	350,000	(3)	(3)	(3)
4.75% senior notes due 2027	900,000	894,650	100	% November 2017

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- (1) Interest is payable semi-annually for each of the series of senior notes. The senior notes are unsecured and unsubordinated, but are guaranteed by substantially all of the Company's 100% owned homebuilding subsidiaries.
- (2) The Company generally uses the net proceeds for working capital and general corporate purposes, which can include the repayment or repurchase of other outstanding senior notes.
- (3) These notes were obligations of CalAtlantic when it was acquired, and were subsequently exchanged in part for notes of the Company. As part of purchase accounting, the senior notes have been recorded at their fair value as of the date of acquisition (February 12, 2018).
- (4) The Company issued \$400 million aggregate principal amount at a price of 100% and \$100 million aggregate principal amount at a price of 100.5%.
- (5) The Company issued \$350 million aggregate principal amount at a price of 100% and \$250 million aggregate principal amount at a price of 100.25%.
- (6) The Company issued \$350 million aggregate principal amount at a price of 100%, \$175 million aggregate principal amount at a price of 98.073% and \$50 million aggregate principal amount at a price of 98.250%.

During the second quarter 2018, holders of \$6.7 million principal amount of CalAtlantic's 1.625% convertible senior notes due 2018 and \$266.2 million principal amount of CalAtlantic's 0.25% convertible senior notes due 2019 either caused the Company to purchase them for cash or converted them into a combination of the Company's Class A and Class B common stock and cash, resulting in the Company issuing approximately 3,654,000 shares of Class A common stock and 72,000 shares of Class B common stock, and paying \$59.1 million in cash to former noteholders. All but \$1.3 million of the principal balance of the convertible senior notes had either been converted or redeemed. In November 2018, the Company redeemed \$275 million aggregate principal amount of 4.125% senior notes due 2018. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest.

In June 2018, the Company redeemed \$250 million aggregate principal amount of the 6.95% senior notes due 2018. The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest. In May 2018, the Company redeemed \$575 million aggregate principal amount of the 8.375% senior notes due 2018 ("8.375% Senior Notes"). The redemption price, which was paid in cash, was 100% of the principal amount plus accrued but unpaid interest. The 8.375% Senior Notes with \$575 million in principal amount were obligations of CalAtlantic, when it was acquired, and \$485.6 million principal amount was subsequently exchanged in part for notes of the Company.

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.

At November 30, 2018, the Company had mortgage notes on land and other debt due at various dates through 2036 bearing interest at rates up to 7.5% with an average interest rate of 3.2%. At November 30, 2018 and 2017, the carrying amount of the mortgage notes on land and other debt was \$509.0 million and \$398.4 million, respectively. During the years ended November 30, 2018 and 2017, the Company retired \$128.3 million and \$139.7 million, respectively, of mortgage notes on land and other debt.

The minimum aggregate principal maturities of senior notes and other debts payable during the five years subsequent to November 30, 2018 and thereafter are as follows:

<i>(In thousands)</i>	<b>Debt Maturities</b>
2019	\$ 1,270,534
2020	738,921
2021	973,451
2022	1,745,130
2023	64,366
Thereafter	3,674,746

The Company expects to pay its near-term maturities as they come due through cash generated from operations, the issuance of additional debt or equity offerings as well as borrowings under the Company's Credit Facility.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****8. Lennar Financial Services Segment**

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

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$185,990</b>	117,410
Restricted cash	<b>15,251</b>	12,006
Receivables, net (1)	<b>512,732</b>	313,252
Loans held-for-sale (2)	<b>1,152,198</b>	937,516
Loans held-for-investment, net	<b>70,216</b>	44,193
Investments held-to-maturity	<b>52,490</b>	52,327
Investments available-for-sale (3)	<b>4,161</b>	57,439
Goodwill (4)	<b>237,688</b>	59,838
Other assets (5)	<b>116,173</b>	95,527
	<b>\$2,346,899</b>	1,689,508
<b>Liabilities:</b>		
Notes and other debts payable	<b>\$1,256,174</b>	937,431
Other liabilities (6)	<b>281,586</b>	240,383
	<b>\$1,537,760</b>	1,177,814

(1) Receivables, net, primarily related to loans sold to investors for which the Company had not yet been paid as of November 30, 2018 and 2017, respectively.

(2) Loans held-for-sale related to unsold 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).

(4) As of November 30, 2018, goodwill included \$20 million related to the WCI acquisition and a provisional amount of \$175.4 million related to the CalAtlantic acquisition (See Note 2).

As of November 30, 2018 and 2017, other assets included mortgage loan commitments carried at fair value of \$16.4 million and \$9.9 million, respectively, and mortgage servicing rights carried at fair value of \$37.2 million and \$31.2 million, respectively. In addition, other assets also included forward contracts carried at fair value of \$1.7 million as of November 30, 2017, respectively.

As of November 30, 2018 and 2017, other liabilities included \$60.3 million and \$57.7 million, respectively, of certain of the Company's (6) self-insurance reserves related to construction defects, general liability and workers' compensation, and forward contracts carried at fair value of \$10.4 million as of November 30, 2018.

At November 30, 2018, the Lennar Financial Services segment warehouse facilities were as follows:

<i>(In thousands)</i>	<b>Maximum Aggregate Commitment</b>
364-day warehouse repurchase facility that matures December 2018 (1)	\$400,000
364-day warehouse repurchase facility that matures March 2019 (2)	300,000
364-day warehouse repurchase facility that matures June 2019	700,000
364-day warehouse repurchase facility that matures October 2019 (3)	500,000
Total	\$1,900,000

(1) Subsequent to November 30, 2018, the maturity date was extended to February 2019. Maximum aggregate commitment includes an uncommitted amount of \$250 million.

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

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

The Lennar Financial Services segment uses these facilities to finance its lending activities until the mortgage loans are sold to investors and the proceeds are collected. The facilities are 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 \$1.3 billion and \$937.2 million at November 30, 2018 and 2017, respectively, and were



collateralized by mortgage loans and receivables on loans sold to investors but not yet paid for with outstanding principal balances of \$1.3 billion and \$974.1 million at November 30, 2018 and 2017, respectively. The combined effective interest rate on the facilities at November 30, 2018 was 4.5%. If the facilities are not renewed or replaced, the borrowings under the lines of credit will be paid off by selling

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

**9. Lennar Multifamily Segment**

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

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$7,832</b>	8,676
Receivables (1)	<b>73,829</b>	69,678
Land under development	<b>277,894</b>	208,618
Investments in unconsolidated entities	<b>481,129</b>	407,544
Other assets	<b>33,535</b>	16,209
	<b>\$874,219</b>	710,725
<b>Liabilities:</b>		
Accounts payable and other liabilities	<b>\$170,616</b>	149,715
	<b>\$170,616</b>	149,715

(1) Receivables primarily related to general contractor services, net of deferrals and management fee income receivables due from unconsolidated entities as of November 30, 2018 and 2017.

The unconsolidated entities in which the Lennar Multifamily segment has investments usually finance their activities with a combination of partner equity and debt financing. In connection with many of the loans to Lennar Multifamily unconsolidated entities, the Company (or entities related to them) has been required to give guarantees of completion and cost over-runs to the lenders and partners. Those completion guarantees may require that the guarantors complete the construction of the improvements for which the financing was obtained. 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 November 30, 2018 and 2017, the fair value of the completion guarantees was immaterial. Additionally, as of November 30, 2018 and 2017, the Lennar Multifamily segment had \$4.6 million and \$4.7 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 outstanding are included in the disclosure in Note 7 related to the Company's performance and financial letters of credit. As of November 30, 2018 and 2017, the Lennar Multifamily segment's unconsolidated entities had non-recourse debt with completion guarantees of \$1.0 billion and \$896.7 million, respectively. In many instances, the Lennar Multifamily segment is appointed as the construction, development and property manager of certain of its Lennar Multifamily unconsolidated entities and receives fees for performing this function. During the years ended November 30, 2018, 2017 and 2016, the Lennar Multifamily segment received fee income, net of deferrals, from its unconsolidated entities of \$48.8 million, \$53.8 million and \$38.5 million, respectively. The Lennar Multifamily segment also provides general contractor services for construction of some of the rental properties owned by unconsolidated entities in which the Company has investments. During the years ended November 30, 2018, 2017 and 2016, the Lennar Multifamily segment provided general contractor services, net of deferrals, totaling \$353.2 million, \$341.0 million and \$237.1 million, respectively, which were offset by costs related to those services of \$338.7 million, \$330.4 million and \$228.6 million, respectively.

The Lennar Multifamily Venture Fund I LP (the "Venture Fund") 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 year ended November 30, 2018, \$384.3 million in equity commitments were called, of which the Company contributed its portion of \$90.1 million. During the year ended November 30, 2018, the Company received \$18.0 million of distributions as a return of capital from the Venture Fund. As of November 30, 2018, \$1.8 billion of the \$2.2 billion

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in equity commitments had been called, of which the Company had contributed \$440.8 million representing its pro-rata portion of the called equity, resulting in a remaining equity commitment for the Company of \$63.2 million. As of November 30, 2018 and 2017, the carrying value of the Company's investment in the Venture Fund was \$383.4 million and \$323.8 million, respectively.

In March 2018, the Lennar Multifamily segment completed the first closing of a second Lennar Multifamily Venture, Lennar Multifamily Venture II LP, ("Venture Fund II"), for the development, construction and property management of Class-A multifamily assets. As of November 30, 2018, Venture Fund II had approximately \$787 million of equity commitments, including a \$255 million co-investment commitment by Lennar comprised of cash, undeveloped land and preacquisition costs. As of and for the year ended November 30, 2018, \$252.1 million in equity commitments were called, of which the Company contributed its portion of \$81.2 million, which was made up of a \$188.4 million inventory and cash contributions, offset by \$107.2 million of distributions as a return of capital, resulting in a remaining equity commitment for the Company of \$173.8 million. As of November 30, 2018, the carrying value of the Company's investment in Venture Fund II was \$63.0 million. The difference between the Company's net contributions and the carrying value of the Company's investments was related to a basis difference. Venture Fund II is currently seeded with eight undeveloped multifamily assets that were previously purchased by the Lennar Multifamily segment totaling approximately 3,000 apartments with projected project costs of approximately \$1.3 billion.

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

**Balance Sheets**

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	\$61,571	37,073
Operating properties and equipment	3,708,613	2,952,070
Other assets	40,899	36,772
	<b>\$3,811,083</b>	3,025,915
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	\$199,119	212,123
Notes payable (1)	1,381,656	879,047
Equity	2,230,308	1,934,745
	<b>\$3,811,083</b>	3,025,915
Lennar Multifamily investments in unconsolidated entities	\$481,129	407,544

(1) Notes payable are net of debt issuance costs of \$15.7 million and \$17.6 million, as of November 30, 2018 and 2017, respectively.

**Statements of Operations**

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Revenues	\$117,985	67,578	45,287
Costs and expenses	172,089	108,610	68,976
Other income, net	93,778	207,793	191,385
Net earnings of unconsolidated entities	\$39,674	166,761	167,696
Lennar Multifamily equity in earnings from unconsolidated entities and other gain (1)	\$51,322	85,739	85,519

(1) During the year ended November 30, 2018, the Lennar Multifamily segment sold, through its unconsolidated entities, six operating properties and an investment in an operating property resulting in the segment's \$61.2 million share of gains. The gain of \$15.7 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 Lennar Multifamily equity in earnings from unconsolidated entities and other gain, and are not included in net earnings of unconsolidated entities. During the years ended November 30, 2017 and 2016, the Lennar Multifamily segment sold seven operating properties, through its unconsolidated entities resulting in the segment's \$96.7 million and \$91.0 million share of gains, respectively.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****10. Rialto Segment**

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

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$26,829</b>	241,861
Restricted cash (1)	<b>9,868</b>	22,466
Receivables, net (2)	<b>218,437</b>	—
Loans held-for-sale (3)	<b>61,691</b>	236,018
Real estate owned, net	<b>25,632</b>	86,047
Investments in unconsolidated entities	<b>297,379</b>	265,418
Investments held-to-maturity	<b>196,956</b>	179,659
Other assets	<b>57,453</b>	122,371
	<b>\$894,245</b>	1,153,840
<b>Liabilities:</b>		
Notes and other debts payable (4)	<b>\$317,016</b>	625,081
Other liabilities	<b>80,934</b>	94,975
	<b>\$397,950</b>	720,056

As of November 30, 2018 and 2017, restricted cash primarily consisted of upfront deposits and application fees RMF receives before (1) originating loans and is recognized as income once the loan has been originated and cash held in escrow by the Company's loan servicer provider on behalf of customers and lenders and is disbursed in accordance with agreements between the transacting parties.

(2) Receivables, net, is primarily related to loans sold but not settled as of November 30, 2018.

(3) Loans held-for-sale related to unsold loans originated by RMF carried at fair value and loans in the FDIC carried at lower of cost or market.

In March 2018, Rialto paid off the remaining principal balance of the 7.00% senior notes due 2018 (the "7.00% Senior Notes"). As of (4) November 30, 2017, notes and other debts payable primarily included \$349.4 million related to Rialto's 7.00% Senior Notes. In addition, as of November 30, 2018 and November 30, 2017, notes and other debt payable included \$178.8 million and \$162.1 million, respectively, related to RMF's warehouse repurchase facilities.

*Sale of Asset and Investment Management Platform*

The Company sold the Rialto asset and investment management platform on November 30, 2018 for a gain of \$296.4 million. The Company retained its Rialto Mortgage Finance business, which moved into our Financial Services segment as of December 1, 2018. The Company also retained its fund investments along with its carried interests in various Rialto funds and investments in other Rialto balance sheet assets. The Company's limited partner investments in Rialto funds and investment vehicles totaled \$297.4 million at November 30, 2018, and the Company is committed to invest as much as an additional \$71.6 million in Rialto funds.

*Rialto Mortgage Finance - loans held-for-sale*

During the year ended November 30, 2018, RMF originated loans with a total principal balance of \$1.4 billion, all of which was recorded as loans held-for-sale, and sold \$1.5 billion of loans into 16 separate securitizations. During the year ended November 30, 2017, RMF originated loans with a principal balance of \$1.7 billion of which \$1.6 billion were recorded as loans held-for-sale and \$98.4 million were recorded as accrual loans within loans receivable, net, and sold \$1.5 billion of loans into 12 separate securitizations. As of November 30, 2018, originated loans with an unpaid balance of \$218.4 million were sold into a securitization trust but not settled and thus were included as receivables, net. As of November 30, 2017, there were no unsettled transactions.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

At November 30, 2018, RMF warehouse facilities were as follows:

<i>(In thousands)</i>	<b>Maximum Aggregate Commitment</b>
364-day warehouse repurchase facility that matures November 2019	\$ 200,000
364-day warehouse repurchase facility that matures December 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
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

RMF uses this warehouse repurchase facility to finance the origination of floating rate accrual loans, which are reported as accrual loans (1) within loans receivable, net. There were no borrowings under this facility as of both November 30, 2018 and 2017.

Borrowings under the facilities that finance RMF's loan originations and securitization activities were \$178.8 million and \$162.1 million as of November 30, 2018 and 2017, 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 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 Rialto segment would have to use cash from operations and other funding sources to finance its lending activities.

*Investments held-to-maturity*

At November 30, 2018 and 2017, the carrying value of Rialto's CMBS was \$197.0 million and \$179.7 million, respectively. These securities were purchased at discount rates ranging from 9% to 84% with coupon rates ranging from 1.3% to 5.0%, stated and assumed final distribution dates between November 2020 and December 2027, and stated maturity dates between November 2043 and March 2059. The Rialto segment reviews changes in estimated cash flows periodically to determine if an other-than-temporary impairment has occurred on its CMBS. Based on management's assessment, no impairment charges were recorded during any of the years ended November 30, 2018, 2017 and 2016. The Rialto segment classified these securities as held-to-maturity based on its intent and ability to hold the securities until maturity.

*Investments in Unconsolidated Entities*

Generally, all of Rialto's investments in funds have the attributes of an investment company in accordance with ASC 946, *Financial Services – Investment Companies*, as amended by ASU 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*, the attributes of which are different from the attributes that would cause a company to be an investment company for purposes of the Investment Company Act of 1940. As a result, the assets and liabilities of the funds in which Rialto has investments in are recorded at fair value with increases/decreases in fair value recorded in their respective statements of operations and the Company's share is recorded in Rialto equity in earnings from unconsolidated entities in the Company's statement of operations.

During the years ended November 30, 2018, 2017 and 2016, Rialto received \$12.8 million, \$7.3 million and \$10.1 million, respectively, of advance distributions with regard to Rialto's carried interests in its real estate funds in order to cover income tax obligations resulting from allocations of taxable income to Rialto's carried interests in these funds. In addition, during the year ended November 30, 2018, Rialto received \$12.7 million of distributions with regard to its carried interest in Rialto Real Estate Funds. During the year ended November 30, 2017, Rialto received \$36.8 million of distributions with regard to its carried interest in one of Rialto's funds. These incentive income distributions are not subject to clawbacks and therefore are included in Rialto's revenues.

Rialto adopted carried interest plans under which the Company 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's asset and investment management platform was sold, the Company retained its right to receive 60% of the distributions of carried interest payments received from funds that existed at the time of the sale.



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

**Balance Sheets**

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	<b>\$50,043</b>	95,552
Loans receivable	<b>705,414</b>	538,317
Real estate owned	<b>273,802</b>	348,601
Investment securities	<b>2,296,768</b>	1,849,795
Investments in partnerships	<b>380,290</b>	393,874
Other assets	<b>38,682</b>	42,949
	<b>\$3,744,999</b>	3,269,088
<b>Liabilities and equity:</b>		
Accounts payable and other liabilities	<b>\$30,236</b>	48,374
Notes payable (1)	<b>595,491</b>	576,810
Equity	<b>3,119,272</b>	2,643,904
	<b>\$3,744,999</b>	3,269,088
Rialto's investments in unconsolidated entities	<b>\$297,379</b>	265,418

(1) Notes payable are net of debt issuance costs of \$4.6 million and \$3.1 million, as of November 30, 2018 and 2017, respectively.

**Statements of Operations**

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
Revenues	<b>\$373,355</b>	238,981	200,346
Costs and expenses	<b>103,138</b>	104,343	96,343
Other income, net (1)	<b>(58,757)</b>	109,927	49,342
Net earnings of unconsolidated entities	<b>\$211,460</b>	244,565	153,345
Rialto equity in earnings from unconsolidated entities	<b>\$25,816</b>	25,447	18,961

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

**11. Income Taxes**

The provision for income taxes consisted of the following:

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Current:</b>			
Federal	<b>\$246,604</b>	309,235	300,116
State	<b>30,530</b>	17,572	19,777
	<b>\$277,134</b>	326,807	319,893
<b>Deferred:</b>			
Federal	<b>\$189,096</b>	40,641	43,775
State	<b>78,941</b>	50,409	53,710
	<b>268,037</b>	91,050	97,485
	<b>\$545,171</b>	417,857	417,378



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

A reconciliation of the statutory rate and the effective tax rate was as follows:

	Percentage of Pretax Income		
	2018	2017	2016
Statutory rate	22.22 %	35.00 %	35.00 %
State income taxes, net of federal income tax benefit	3.81	3.29	3.21
Domestic production activities deduction	(1.71)	(2.77)	(2.78)
Tax reserves and interest expense, net	(0.39)	0.27	(0.89)
Deferred tax asset valuation allowance, net	(0.03)	0.17	(0.01)
Accounting method changes	(1.47)	—	—
Changes in tax law (1)	3.06	—	—
Tax credits	(1.60)	(2.03)	(3.46)
Other	0.44	0.09	0.33
Effective rate	24.33 %	34.02 %	31.40 %

- (1) In December, 2017, the Tax Cuts and Jobs Act was enacted which had a positive impact on our effective tax rate in 2018 and will have a positive impact in subsequent years. The tax reform bill reduced the maximum federal corporate income tax rate to 21%, which reduced the value of the Company's deferred tax assets. As a result, the Company recorded a non-cash one-time write down of deferred tax assets that resulted in income tax expense of \$68.6 million in fiscal year 2018.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant temporary differences that give rise to the net deferred tax assets were as follows:

<i>(In thousands)</i>	November 30,	
	2018	2017
<b>Deferred tax assets:</b>		
Inventory valuation adjustments	\$315,006	54,511
Reserves and accruals	175,626	164,868
Net operating loss carryforwards	138,094	100,338
Rialto investments in partnerships	5,938	15,705
Capitalized expenses	51,477	197,204
Investments in unconsolidated entities	63,339	38,627
Other assets	115,266	68,857
Total deferred tax assets	864,746	640,110
Valuation allowance	(7,219)	(6,423)
Total deferred tax assets after valuation allowance	857,527	633,687
<b>Deferred tax liabilities:</b>		
Capitalized expenses	153,392	79,440
Deferred income	156,376	244,969
Other liabilities	32,271	11,583
Total deferred tax liabilities	342,039	335,992
Net deferred tax assets	\$515,488	297,695

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The detail of the Company's net deferred tax assets were as follows:

<i>(In thousands)</i>	<b>Years Ended</b>	
	<b>November 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Net deferred tax assets (liabilities): (1)</b>		
Lennar Homebuilding	<b>\$477,676</b>	279,900
Lennar Financial Services	<b>5,075</b>	(1,176 )
Lennar Multifamily	<b>15,272</b>	(2,973 )
Rialto	<b>17,465</b>	21,944
Net deferred tax assets	<b>\$515,488</b>	297,695

(1) Net deferred tax assets and net deferred tax liabilities detailed above are included within other assets and other liabilities in the respective segments.

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

As of November 30, 2018 and 2017, the net deferred tax assets included a valuation allowance of \$7.2 million and \$6.4 million, respectively, primarily related to state net operating loss ("NOL") carryforwards that are not more likely than not to be utilized due to an inability to carry back these losses in most states and short carryforward periods that exist in certain states.

At November 30, 2018 and 2017, the Company had federal tax effected NOL carryforwards totaling \$44.8 million and \$34.1 million, respectively, that may be carried forward up to 20 years to offset future taxable income and begin to expire in 2029. At November 30, 2018 and 2017, the Company had state tax effected NOL carryforwards totaling \$93.3 million and \$66.2 million, respectively, that may be carried forward from 5 to 20 years, depending on the tax jurisdiction, with losses expiring between 2019 and 2037.

The following table summarizes the changes in gross unrecognized tax benefits:

<i>(In thousands)</i>	<b>Years Ended November 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Gross unrecognized tax benefits, beginning of year	<b>\$12,285</b>	12,285	12,285
Increases due to tax positions taken during prior period	<b>222</b>	—	—
Decreases due to tax positions taken during prior period	<b>(2,805 )</b>	—	—
Lapse of statute of limitations	<b>(2,052 )</b>	—	—
Decreases due to settlements with tax authorities	<b>(6,493 )</b>	—	—
Increases due to the CalAtlantic acquisition	<b>13,510</b>	—	—
Gross unrecognized tax benefits, end of year	<b>\$14,667</b>	12,285	12,285

If the Company were to recognize its gross unrecognized tax benefits as of November 30, 2018, \$11.6 million would affect the Company's effective tax rate. The Company does not expect the total amount of unrecognized tax benefits to increase or decrease by a material amount within the following twelve months.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following summarizes the changes in interest and penalties accrued with respect to gross unrecognized tax benefits:

	<b>Years Ended</b>	
	<b>November 30,</b>	
<i>(In thousands)</i>	<b>2018</b>	<b>2017</b>
Accrued interest and penalties, beginning of the year	<b>\$49,723</b>	45,973
Additional interest and penalties (related to the acquisition of CalAtlantic)	<b>1,515</b>	—
Accrual of interest and penalties (primarily related to federal and state audits)	<b>1,894</b>	4,184
Reduction of interest and penalties	<b>(190)</b>	(434)
Accrued interest and penalties, end of the year	<b>\$52,942</b>	49,723

The IRS is currently examining the Company's federal tax income tax returns for fiscal year 2017, and certain state taxing authorities are examining various fiscal years. The final outcome of these examinations is not yet determinable. The statute of limitations for the Company's major tax jurisdictions remains open for examination for fiscal year 2005 and subsequent years. The Company participates in an IRS examination program, Compliance Assurance Process, "CAP". This program operates as a contemporaneous exam throughout the year in order to keep exam cycles current and achieve a higher level of compliance.

**12. Earnings Per Share**

Basic and diluted earnings per share were calculated as follows:

	<b>Years Ended November 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<i>(In thousands, except per share amounts)</i>			
<b>Numerator:</b>			
Net earnings attributable to Lennar	<b>\$1,695,831</b>	810,480	911,844
Less: distributed earnings allocated to nonvested shares	<b>429</b>	377	337
Less: undistributed earnings allocated to nonvested shares	<b>14,438</b>	7,447	8,852
Numerator for basic earnings per share	<b>1,680,964</b>	802,656	902,655
Less: net amount attributable to noncontrolling interests in Rialto's Carried Interest Incentive Plan (1)	<b>3,320</b>	1,009	1,028
Plus: interest on convertible senior notes	<b>80</b>	—	5,528
Plus: undistributed earnings allocated to convertible shares	<b>2,904</b>	—	8,852
Less: undistributed earnings reallocated to convertible shares	<b>2,899</b>	—	8,438
Numerator for diluted earnings per share	<b>\$1,677,729</b>	801,647	907,569
<b>Denominator:</b>			
Denominator for basic earnings per share - weighted average common shares outstanding	<b>307,968</b>	237,155	223,079
Effect of dilutive securities:			
Share-based payments	<b>48</b>	1	3
Convertible senior notes	<b>549</b>	—	12,288
Denominator for diluted earnings per share - weighted average common shares outstanding	<b>308,565</b>	237,156	235,370
<b>Basic earnings per share</b>	<b>\$5.46</b>	3.38	4.05
<b>Diluted earnings per share</b>	<b>\$5.44</b>	3.38	3.86

(1) The amounts presented above relate to Rialto's carried interest incentive plans (see Note 10) and represent the difference between the advanced tax distributions received by Rialto's subsidiary and the amount Lennar, as the parent company, is assumed to own.

For the years ended November 30, 2018, 2017 and 2016, there were no options to purchase shares of common stock that were outstanding and anti-dilutive.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****13. Capital Stock****Preferred Stock**

The Company is authorized to issue 500,000 shares of preferred stock with a par value of \$10 per share and 100 million shares of participating preferred stock with a par value of \$0.10 per share. No shares of preferred stock or participating preferred stock have been issued as of November 30, 2018 and 2017.

**Common Stock**

During each of the years ended November 30, 2018, 2017 and 2016, the Company's Class A and Class B common stockholders received a per share annual dividend of \$0.16. The only significant difference between the Class A common stock and Class B common stock is that Class A common stock entitles holders to one vote per share and the Class B common stock entitles holders to ten votes per share.

On November 27, 2017, the Company paid a stock dividend of one share of Class B common stock for each 50 shares of Class A common stock or Class B common stock to holders of record at the close of business on November 10, 2017, as declared by the Company's Board of Directors on October 30, 2017.

As of November 30, 2018, Stuart Miller, the Company's Executive Chairman, directly owned, or controlled through family-owned entities, shares of Class A and Class B common stock, which represented approximately 33% voting power of the Company's stock.

During fiscal 2018, the Company had a stock repurchase program adopted in 2001, which originally authorized the purchase of up to 20 million shares of its outstanding common stock. During the year ended November 30, 2018, under the Company's stock repurchase program, the Company repurchased 6.0 million shares of Class A common stock for \$249.9 million at an average share price of \$41.63. During the years ended November 30, 2017 and 2016, there were no share repurchases of common stock under the stock repurchase program.

Subsequent to November 30, 2018, the Company's Board of Directors authorized the Company to repurchase up to the lesser of \$1 billion in value, or 25 million in shares, of the Company's outstanding Class A or Class B common stock. The repurchase authorization has no expiration and replaced the Company's 2001 stock repurchase program.

During the year ended November 30, 2018, treasury stock increased by 7.0 million shares of Class A common stock primarily due to the repurchase of 6.0 million shares of common stock. During the year ended November 30, 2017, treasury stock increased by 0.6 million shares of Class A common stock primarily due to activity related to our equity compensation plan.

**Restrictions on Payment of Dividends**

There are no restrictions on the payment of dividends on common stock by the Company. There are no agreements which restrict the payment of dividends by subsidiaries of the Company other than the need to maintain the financial ratios and net worth requirements under the Lennar Financial Services segment's warehouse lines of credit, which restrict the payment of dividends from the Company's mortgage subsidiaries following the occurrence and during the continuance of an event of default thereunder and limit dividends to 50% of net income in the absence of an event of default.

**401(k) Plan**

Under the Company's 401(k) Plan (the "Plan"), contributions made by associates can be invested in a variety of mutual funds or proprietary funds provided by the Plan trustee. The Company may also make contributions for the benefit of associates. The Company records as compensation expense its contribution to the Plan. For the years ended November 30, 2018, 2017 and 2016, this amount was \$25.3 million, \$17.2 million and \$15.7 million, respectively.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****14. Share-Based Payments**

Compensation expense related to the Company's share-based awards was as follows:

<i>(In thousands)</i>	Years ended November 30,		
	2018	2017	2016
Total compensation expense for nonvested share-based awards	<b>\$72,655</b>	61,356	55,516

Cash flows resulting from tax benefits related to tax deductions in excess of the compensation expense recognized are classified as financing cash flows. For the years ended November 30, 2018, 2017 and 2016 there was \$2.5 million, \$2.0 million, and \$7.0 million, respectively, of excess tax benefits from share-based awards related to nonvested shares.

The fair value of nonvested shares is determined based on the trading price of the Company's common stock on the grant date. The weighted average fair value of nonvested shares granted during the years ended November 30, 2018, 2017 and 2016 was \$55.84, \$51.92 and \$45.10, respectively. A summary of the Company's nonvested shares activity for the year ended November 30, 2018, adjusted for the Class B stock dividend, was as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares at November 30, 2017	2,399,866	\$49.33
Grants	2,658,928	\$55.84
Vested	(2,166,772)	\$53.37
Forfeited	(154,670)	\$50.94
Nonvested shares at November 30, 2018	2,737,352	\$52.37

At November 30, 2018, there was \$96.3 million of unrecognized compensation expense related to unvested share-based awards granted under the Company's share-based payment plan, all of which relates to nonvested shares with a weighted average remaining contractual life of 2 years. For the years ended November 30, 2018, 2017 and 2016, 2.2 million, 1.2 million and 1.1 million nonvested shares, respectively, vested each year.

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(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 November 30, 2018 and 2017, 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.

	Fair Value Hierarchy	November 30,		Fair Carrying Amount	Fair Value
		2018	2017		
<i>(In thousands)</i>					
<b>ASSETS</b>					
<b>Lennar Financial Services:</b>					
Loans held-for-investment, net	Level 3	\$70,216	63,794	44,193	41,795
Investments held-to-maturity	Level 2	\$52,490	52,220	52,327	52,189
<b>Rialto:</b>					
Investments held-to-maturity	Level 3	\$196,956	222,753	179,659	199,190
<b>LIABILITIES</b>					
Lennar Homebuilding senior notes and other debts payable	Level 2	\$8,543,868	8,336,166	6,410,003	6,598,848
Lennar Financial Services notes and other debts payable	Level 2	\$1,256,174	1,256,174	937,431	937,431
Rialto notes and other debts payable	Level 2	\$317,016	318,032	625,081	644,644

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

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

**Lennar Financial Services**—The fair values of loans held-for-investment, net are based on the fair value of the collateral less estimated cost to sell or discounted cash flows, if estimable. 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 borrowings.

**Rialto**—The fair value for investments held-to-maturity is based on discounted cash flows. For notes and other debts payable, the fair value is calculated based on discounted cash flows using quoted interest rates and for the warehouse repurchase financing agreements fair values approximate their carrying value due to their short-term maturities.

**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.



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(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 November 30, 2018	Fair Value at November 30, 2017
<b>Lennar Financial Services Assets:</b>			
Loans held-for-sale (1)	Level 2	<b>\$1,152,198</b>	937,516
Investments available-for-sale	Level 1	<b>\$4,161</b>	57,439
Mortgage loan commitments	Level 2	<b>\$16,373</b>	9,873
Forward contracts	Level 2	<b>\$(10,360)</b>	1,681
Mortgage servicing rights	Level 3	<b>\$37,206</b>	31,163
<b>Rialto Financial Assets:</b>			
RMF loans held-for-sale (2)	Level 3	<b>\$61,691</b>	234,403

The aggregate fair value of Lennar Financial Services loans held-for-sale of \$1.2 billion at November 30, 2018 exceeded their aggregate (1) principal balance of \$1.1 billion by \$37.3 million. The aggregate fair value of Lennar Financial Services loans held-for-sale of \$937.5 million at November 30, 2017 exceeded their aggregate principal balance of \$908.8 million by \$28.7 million.

The aggregate fair value of Rialto loans held-for-sale of \$61.7 million at November 30, 2018 exceeded their aggregate principal balance of (2) \$61.0 million by \$0.7 million. The aggregate fair value of Rialto loans held-for-sale of \$234.4 million at November 30, 2017 were below their aggregate principal balance of \$235.4 million by \$1.0 million.

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

**Lennar Financial Services loans held-for-sale**— Fair value is based on independent quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. Management believes carrying loans held-for-sale at fair value improves financial reporting by mitigating volatility in reported earnings caused by measuring the fair value of the loans and the derivative instruments used to economically hedge them without having to apply complex hedge accounting provisions. In addition, the Company recognizes the fair value of its rights to service a mortgage loan as revenue upon entering into an interest rate lock loan commitment with a borrower. The fair value of these servicing rights is included in Lennar Financial Services' loans held-for-sale as of November 30, 2018 and 2017. Fair value of servicing rights is determined based on actual sales of servicing rights on loans with similar characteristics.

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

**Lennar Financial Services mortgage loan commitments**— Fair value of commitments to originate loans is based upon the difference between the current value of similar loans and the price at which the Lennar Financial Services segment has committed to originate the loans. The fair value of commitments to sell loan contracts is the estimated amount that the Lennar Financial Services segment would receive or pay to terminate the commitments at the reporting date based on market prices for similar financial instruments. In addition, the Company recognizes the fair value of its rights to service a mortgage loan as revenue upon entering into an interest rate lock loan commitment with a borrower. The fair value of servicing rights is determined based on actual sales of servicing rights on loans with similar characteristics. The fair value of the mortgage loan commitments and related servicing rights is included in Lennar Financial Services' other assets.

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

other assets as of November 30, 2017.

The Lennar Financial Services segment uses mandatory mortgage-backed securities ("MBS") forward commitments, option contracts and investor commitments to hedge its mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk associated with MBS forward commitments, option contracts and loan sales transactions is managed by limiting the Company's counterparties to investment banks, federally regulated bank affiliates and other investors meeting the Company's credit standards. The segment's risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option

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contracts. At November 30, 2018, the segment had open commitments amounting to \$1.5 billion to sell MBS with varying settlement dates through February 2019.

**Lennar Financial Services mortgage servicing rights** — Lennar Financial Services records the value of 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 November 30, 2018, the key assumptions used in determining the fair value include an 11.9% mortgage prepayment rate, a 12.5% discount rate and an 8.4% delinquency rate. The fair value of mortgage servicing rights is included in the Lennar Financial Services segment's other assets.

**Rialto loans held-for-sale**— The fair value of loans held-for-sale is calculated from model-based techniques that use discounted cash flow assumptions and the Company's own estimates of CMBS spreads, market interest rate movements and the underlying loan credit quality. Loan values are calculated by allocating the change in value of an assumed CMBS capital structure to each loan. The value of an assumed CMBS capital structure is calculated, generally, by discounting the cash flows associated with each CMBS class at market interest rates and at the Company's own estimate of CMBS spreads. The Company estimates CMBS spreads by observing the pricing of recent CMBS offerings, secondary CMBS markets, changes in the CMBX index, and general capital and commercial real estate market conditions. Considerations in estimating CMBS spreads include comparing the Company's current loan portfolio with comparable CMBS offerings containing loans with similar duration, credit quality and collateral composition. These methods use unobservable inputs in estimating a discount rate that is used to assign a value to each loan. While the cash payments on the loans are contractual, the discount rate used and assumptions regarding the relative size of each class in the CMBS capital structure can significantly impact the valuation. Therefore, the estimates used could differ materially from the fair value determined when the loans are sold to a securitization trust. The changes in fair values for Level 1 and Level 2 financial instruments measured on a recurring basis are shown below by financial instrument and financial statement line item:

<i>(In thousands)</i>	Years Ended November 30,		
	2018	2017	2016
<b>Changes in fair value included in Lennar Financial Services revenues:</b>			
Loans held-for-sale	<b>\$8,621</b>	20,309	(19,865 )
Mortgage loan commitments	<b>\$6,500</b>	2,436	(5,623 )
Forward contracts	<b>\$(12,041 )</b>	(24,786 )	25,936
Investments available-for-sale	<b>\$(234 )</b>	(12 )	53
<b>Changes in fair value included in other comprehensive income (loss), net of tax:</b>			
Lennar Financial Services investments available-for-sale	<b>\$(1,634 )</b>	1,331	(295 )

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

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

	Years Ended November 30,			
	2018		2017	
	Lennar Financial Services Mortgage servicing rights	Rialto RMF loans held-for-sale	Lennar Financial Services Mortgage servicing rights	Rialto RMF loans held-for-sale
<i>(In thousands)</i>				
Beginning of year	\$31,163	234,403	23,930	126,947
Purchases/loan originations	7,841	1,350,091	10,479	1,583,876
Sales/loan originations sold, including those not settled	—	(1,504,554)	—	(1,474,714)
Disposals/settlements	(6,948)	(19,600)	(3,912)	—
Changes in fair value (1)	5,150	1,481	666	(301)
Interest and principal paydowns	—	(130)	—	(1,405)
End of year	\$37,206	61,691	31,163	234,403

(1) Changes in fair value for Rialto loans held-for-sale and Lennar Financial Services mortgage servicing rights are included in Rialto's and Lennar Financial Services' revenues, respectively.

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 tables 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:

		Years Ended November 30,								
		2018			2017			2016		
		Fair Value Hierarchy	Carrying Value	Fair Value	Total (Losses), Net (1)	Carrying Value	Fair Value	Total (Losses), Net (1)	Carrying Value	Fair Value
<i>(In thousands)</i>										
<b>Financial assets</b>										
<b>Rialto:</b>										
Impaired loans receivable	Level 3	\$—	—	—	31,561	18,885	(12,676)	79,581	61,352	(18,229)
FDIC portfolios loans held-for-sale	Level 3	\$—	—	—	32,018	12,072	(19,946)	—	—	—
<b>Non-financial assets</b>										
<b>Lennar Homebuilding:</b>										
Finished homes and construction in progress (2)	Level 3	\$4,019	3,473	(546)	8,601	4,227	(4,374)	—	—	—
Land and land under development (2)	Level 3	\$96,093	62,850	(33,243)	6,771	3,094	(3,677)	29,418	22,925	(6,493)
<b>Rialto:</b>										
REO, net (3)										
Upon acquisition/transfer	Level 3	\$—	—	—	27,640	26,591	(1,049)	53,154	54,443	1,289
Upon management periodic valuations	Level 3	\$58,721	25,632	(33,089)	145,251	81,677	(63,574)	105,830	81,454	(24,376)

(1) Represents losses due to valuation adjustments, write-offs, gains (losses) from transfers or acquisitions of real estate through foreclosure and REO impairments recorded during the year.

(2) Valuation adjustments were included in Lennar Homebuilding costs and expenses in the Company's consolidated statement of operations for the years ended November 30, 2018, 2017 and 2016.

REO held-for-sale assets are initially recorded at fair value less estimated costs to sell at the time of the transfer or acquisition through, or in lieu of, loan foreclosure. The fair value of REO held-for-sale is based upon appraised value at the time of foreclosure or management's best (3) estimate. In addition, management periodically performs valuations of its REO held-for-sale. The gains (losses) upon the transfer or acquisition of REO and impairments were included in Rialto other income (expense), net, in the Company's consolidated statement of operations for the years ended November 30, 2018, 2017 and 2016.

See Note 1 for a detailed description of the Company's process for identifying and recording valuation adjustments related to Lennar Homebuilding inventory and Rialto REO assets and loans receivables.

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The Company evaluated the joint venture agreements of its joint ventures that were formed or that had reconsideration events during the year ended November 30, 2018. Based on the Company's evaluation, during the year ended November 30, 2018, the Company consolidated and deconsolidated the same VIE thus resulting in no change to the combined assets and liabilities during the year. In addition, during the year ended November 30, 2018, the Company consolidated a VIE that had total assets of \$57.3 million and an immaterial amount of liabilities. During the year ended November 30, 2018, there was a VIE that was deconsolidated that had a total assets of \$48.1 million.

**Consolidated VIEs**

As of November 30, 2018, the carrying amount of the VIEs' assets and non-recourse liabilities that consolidated was \$666.2 million and \$242.5 million, respectively. As of November 30, 2017, the carrying amount of the VIEs' assets and non-recourse liabilities that consolidated was \$799.4 million and \$389.7 million, respectively. Those assets are owned by, and those liabilities are obligations of, the VIEs, not the Company.

A VIE's assets can only be used to settle obligations of that VIE. The VIEs are not guarantors of the Company's senior notes and 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 the 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 November 30, 2018 and 2017, the Company's recorded investments in VIEs that are unconsolidated and its estimated maximum exposure to loss were as follows:

	November 30,		November 30,	
	2018	2017	2018	2017
(In thousands)	Investments in Unconsolidated VIEs	Lennar's Maximum Exposure to Loss	Investments in Unconsolidated VIEs	Lennar's Maximum Exposure to Loss
Lennar Homebuilding (1)	\$127,009	188,890	181,804	248,909
Lennar Multifamily (2)	463,534	710,754	345,175	503,364
Rialto (3)	196,956	196,956	179,659	179,659
	<b>\$787,499</b>	<b>1,096,600</b>	<b>706,638</b>	<b>931,932</b>

At both November 30, 2018 and 2017, the maximum exposure to loss of Lennar Homebuilding's investments in unconsolidated VIEs was (1) limited to its investments in the unconsolidated VIEs, except with regard to repayment guarantees of unconsolidated entities' debt of \$54.8 million and \$61.6 million, respectively.

As of November 30, 2018, the remaining equity commitment of \$237.0 million to fund the Venture Fund and Venture Fund II for future expenditures related to the construction and development of its projects was included in Lennar maximum exposure to loss. As of (2) November 30, 2017, the remaining equity commitment of \$153.3 million to fund the Venture Fund was included in Lennar's maximum exposure to loss. In addition, at both November 30, 2018 and 2017, the maximum exposure to loss of Lennar Multifamily's investments in unconsolidated VIEs also included its investments in the unconsolidated VIEs, except with regard to \$4.6 million 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.

At both November 30, 2018 and 2017, the maximum recourse exposure to loss of Rialto's investments in unconsolidated VIEs was limited to (3) its investments in the unconsolidated entities VIEs. At November 30, 2018 and 2017, investments in unconsolidated VIEs and Lennar's maximum exposure to loss included \$197.0 million and \$179.7 million, respectively, related to Rialto's investments held-to-maturity.

While these entities are VIEs, the Company has determined that the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance is generally shared 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 November 30, 2018, the Company and other partners do not generally have an obligation to make capital contributions to the VIEs, except for \$237.0 million remaining equity commitment to fund the Venture Fund and Venture Fund

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II for future expenditures related to the construction and development of the projects and \$4.6 million of letters of credit outstanding for certain Lennar 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 with regard to \$54.8 million repayment guarantees of two unconsolidated entities' debt. 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 enables it to control portions of properties owned by third parties (including land funds) and unconsolidated entities until the Company has determined whether to exercise the option.

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 year ended November 30, 2018, consolidated inventory not owned decreased by \$184.3 million with a corresponding decrease to liabilities related to consolidated inventory not owned in the accompanying consolidated balance sheet as of November 30, 2018. The decrease was primarily due to a higher amount of homesite takedowns than construction started on homesites not owned. 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 November 30, 2018. 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 loss related to its option contracts with third parties and unconsolidated entities consisted of its non-refundable option deposits and pre-acquisition costs totaling \$209.5 million and \$137.0 million at November 30, 2018 and 2017, respectively. Additionally, the Company had posted \$72.4 million and \$51.8 million of letters of credit in lieu of cash deposits under certain land and option contracts as of November 30, 2018 and 2017, respectively.

**17. Commitments and Contingent Liabilities**

The Company is 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. The Company is also a party to various lawsuits involving purchases and sales of real property. These lawsuits include claims regarding representations and warranties made in connection with the transfer of properties and disputes regarding the obligation to purchase or sell properties.

The Company does not believe that the ultimate resolution of these claims or lawsuits will have a material adverse effect on its business or financial position. However, the financial effect of litigation concerning purchases and sales of property may depend upon the value of the subject property, which may have changed from the time the agreement for purchase or sale was entered into.

The Company is subject to the usual obligations associated with entering into contracts (including option contracts) for the purchase, development and sale of real estate, which it does in the routine conduct of its business. Option contracts generally enable the Company to control portions of properties owned by third parties (including land funds) and unconsolidated entities until the Company determines whether to exercise the option. The use of option contracts allows the Company to reduce the financial risks associated with long-term land holdings. At November 30, 2018, the Company had \$209.5 million of non-refundable option deposits and pre-acquisition costs related to certain of these homesites, which were included in inventories in the consolidated balance sheet.



In the first quarter of 2017, the Company recorded a \$140 million loss due to litigation regarding a contract the Company entered into in 2005 to purchase a property in Maryland. As a result of the litigation, the Company purchased the property for \$114 million, which approximated the Company's estimate of fair value for the property. In addition, the Company paid approximately \$124 million in interest and other closing costs and have accrued for the amount it expects to pay as reimbursement for attorney's fees.

In July 2017, CalAtlantic Group, Inc., a subsidiary of the Company, was notified by the San Francisco Regional Water Quality Control Board of CalAtlantic's non-compliance with the Clean Water Act at a development in San Ramon, CA. The

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Company expects to pay monetary sanctions to resolve this matter, which the Company does not currently expect will be material.

The Company's mortgage subsidiary was subpoenaed by the United States Department of Justice ("DOJ") regarding the adequacy of certain underwriting and quality control processes related to Federal Housing Administration loans originated and sold in prior years. The Company provided information related to these loans and our processes to the DOJ. In October 2018, the Company paid monetary sanctions and restitution to resolve this matter that were not material.

The Company has entered into agreements to lease certain office facilities and equipment under operating leases. Future minimum payments under the noncancellable leases in effect at November 30, 2018 were as follows:

<i>(In thousands)</i>	<b>Lease Payments</b>
2019	\$50,433
2020	47,764
2021	38,878
2022	27,148
2023	19,743
Thereafter	42,068

Rental expense for the years ended November 30, 2018, 2017 and 2016 was \$98.4 million, \$74.6 million and \$63.2 million, respectively.

The Company is committed, under various letters of credit, to perform certain development and construction activities and provide certain guarantees in the normal course of business. Outstanding letters of credit under these arrangements totaled \$763.8 million at November 30, 2018. Additionally, at November 30, 2018, the Company had outstanding surety bonds of \$2.7 billion including performance surety bonds related to site improvements at various projects (including certain projects in the Company's 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 development and construction activities are completed. As of November 30, 2018, there were approximately \$1.4 billion, or 52%, of anticipated future costs to complete related to these site improvements. The Company does not presently anticipate any draws upon these bonds that would have a material effect on its consolidated financial statements.

Substantially all of the loans the Lennar Financial Services segment originates are sold within a short period in the secondary mortgage market on a servicing released, non-recourse basis. After the loans are sold, the Company retains potential liability for possible claims by purchasers that it breached certain limited industry-standard representations and warranties in the loan sale agreements. Over the last decade there has been an industry-wide effort by purchasers to defray their losses by purporting to have found inaccuracies related to sellers' representations and warranties in particular loan sale agreements. Mortgage investors or others 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 mortgage industry and the uncertainty regarding the ultimate resolution of these claims, if either actual repurchases or the losses incurred resolving those repurchases exceed the Company's expectations, additional recourse expense may be incurred. Loan origination liabilities are included in Lennar Financial Services' liabilities in the Company's condensed consolidated balance sheets.



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****18. Supplemental Financial Information**

The indentures governing the Company's 4.500% senior notes due 2019, 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. In addition, some subsidiaries of CalAtlantic are guaranteeing CalAtlantic senior convertible notes that also are guaranteed by Lennar Corporation. 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 November 30, 2018 they were guaranteeing Lennar Corporation's letter of credit facilities and its Credit Facility, described in Note 7. 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 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 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.

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Supplemental information for the subsidiaries that were guarantor subsidiaries at November 30, 2018 was as follows:

**Consolidating Balance Sheet****November 30, 2018***(In thousands)*

	<b>Lennar Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Total</b>
<b>ASSETS</b>					
<b>Lennar 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	—	983,963	12,963	—	996,926
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 )	—
	23,354,154	22,959,252	631,175	(22,493,763 )	24,450,818
<b>Lennar Financial Services</b>	—	232,632	2,115,156	(889 )	2,346,899
<b>Lennar Multifamily</b>	—	—	874,219	—	874,219
<b>Rialto</b>	—	—	894,245	—	894,245
<b>Total assets</b>	\$23,354,154	23,191,884	4,514,795	(22,494,652 )	28,566,181
<b>LIABILITIES AND EQUITY</b>					
<b>Lennar 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 )	—
	8,772,619	12,779,848	2,067,766	(11,843,335 )	11,776,898
<b>Lennar Financial Services</b>	—	51,535	1,486,225	—	1,537,760
<b>Lennar Multifamily</b>	—	—	170,616	—	170,616
<b>Rialto</b>	—	—	397,950	—	397,950
<b>Total liabilities</b>	\$8,772,619	12,831,383	4,122,557	(11,843,335 )	13,883,224
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>	14,581,535	10,360,501	392,238	(10,651,317 )	14,682,957
<b>Total liabilities and equity</b>	\$23,354,154	23,191,884	4,514,795	(22,494,652 )	28,566,181

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Balance Sheet****November 30, 2017***(In thousands)*

	<b>Lennar Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Total</b>
<b>ASSETS</b>					
<b>Lennar Homebuilding:</b>					
Cash and cash equivalents, restricted cash and receivables, net	\$ 1,945,024	462,336	21,972	—	2,429,332
Inventories	—	10,560,996	299,894	—	10,860,890
Investments in unconsolidated entities	—	884,294	16,475	—	900,769
Goodwill	—	136,566	—	—	136,566
Other assets	246,490	520,899	114,431	(18,416 )	863,404
Investments in subsidiaries	4,446,309	52,237	—	(4,498,546 )	—
Intercompany	7,881,306	—	—	(7,881,306 )	—
	14,519,129	12,617,328	452,772	(12,398,268 )	15,190,961
<b>Lennar Financial Services</b>	—	130,184	1,561,525	(2,201 )	1,689,508
<b>Lennar Multifamily</b>	—	—	710,725	—	710,725
<b>Rialto</b>	—	—	1,153,840	—	1,153,840
<b>Total assets</b>	\$ 14,519,129	12,747,512	3,878,862	(12,400,469 )	18,745,034
<b>LIABILITIES AND EQUITY</b>					
<b>Lennar Homebuilding:</b>					
Accounts payable and other liabilities	\$ 635,227	1,011,051	294,933	(20,617 )	1,920,594
Liabilities related to consolidated inventory not owned	—	367,220	13,500	—	380,720
Senior notes and other debts payable	6,011,585	394,365	4,053	—	6,410,003
Intercompany	—	6,775,719	1,105,587	(7,881,306 )	—
	6,646,812	8,548,355	1,418,073	(7,901,923 )	8,711,317
<b>Lennar Financial Services</b>	—	48,700	1,129,114	—	1,177,814
<b>Lennar Multifamily</b>	—	—	149,715	—	149,715
<b>Rialto</b>	—	—	720,056	—	720,056
<b>Total liabilities</b>	\$ 6,646,812	8,597,055	3,416,958	(7,901,923 )	10,758,902
Stockholders' equity	7,872,317	4,150,457	348,089	(4,498,546 )	7,872,317
Noncontrolling interests	—	—	113,815	—	113,815
<b>Total equity</b>	7,872,317	4,150,457	461,904	(4,498,546 )	7,986,132
<b>Total liabilities and equity</b>	\$ 14,519,129	12,747,512	3,878,862	(12,400,469 )	18,745,034

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Statement of Operations and Comprehensive Income (Loss)****Year Ended November 30, 2018***(In thousands)*

	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Lennar Homebuilding	\$—	18,972,723	104,874	—	19,077,597
Lennar Financial Services	—	371,063	516,691	(19,923 )	867,831
Lennar Multifamily	—	—	421,132	—	421,132
Rialto	—	—	205,071	—	205,071
Total revenues	—	19,343,786	1,247,768	(19,923 )	20,571,631
<b>Cost and expenses:</b>					
Lennar Homebuilding	—	16,831,780	104,950	143	16,936,873
Lennar Financial Services	—	339,211	372,672	(31,482 )	680,401
Lennar Multifamily	—	—	429,759	—	429,759
Rialto	—	—	198,861	(8,448 )	190,413
Acquisition and integration costs related to CalAtlantic	—	152,980	—	—	152,980
Corporate general and administrative	336,355	2,417	—	5,162	343,934
Total costs and expenses	336,355	17,326,388	1,106,242	(34,625 )	18,734,360
Lennar Homebuilding equity in (loss) earnings from unconsolidated entities	—	(92,317 )	402	—	(91,915 )
Lennar Homebuilding other income, net	14,740	192,951	12,852	(14,702 )	205,841
Lennar Multifamily equity in earnings from unconsolidated entities and other gain	—	—	51,322	—	51,322
Rialto equity in earnings from unconsolidated entities	—	—	25,816	—	25,816
Rialto other expense, net	—	—	(62,058 )	—	(62,058 )
Gain on sale of Rialto investment and asset management platform	—	—	296,407	—	296,407
Earnings (loss) before income taxes	(321,615 )	2,118,032	466,267	—	2,262,684
Benefit (provision) for income taxes	78,249	(498,424 )	(124,996 )	—	(545,171 )
Equity in earnings from subsidiaries	1,939,197	93,612	—	(2,032,809 )	—
Net earnings (including net earnings attributable to noncontrolling interests)	1,695,831	1,713,220	341,271	(2,032,809 )	1,717,513
Less: Net earnings attributable to noncontrolling interests	—	—	21,682	—	21,682
<b>Net earnings attributable to Lennar</b>	<b>\$1,695,831</b>	<b>1,713,220</b>	<b>319,589</b>	<b>(2,032,809 )</b>	<b>1,695,831</b>
<b>Other comprehensive loss, net of tax:</b>					
Net unrealized loss on securities available-for-sale	\$—	—	(1,634 )	—	(1,634 )
Reclassification adjustments for losses included in net earnings, net of tax	—	—	234	—	234
<b>Total other comprehensive loss, net of tax</b>	<b>—</b>	<b>—</b>	<b>(1,400 )</b>	<b>—</b>	<b>(1,400 )</b>
<b>Total comprehensive income attributable to Lennar</b>	<b>\$1,695,831</b>	<b>1,713,220</b>	<b>318,189</b>	<b>(2,032,809 )</b>	<b>1,694,431</b>
<b>Total comprehensive earnings attributable to noncontrolling interests</b>	<b>\$—</b>	<b>—</b>	<b>21,682</b>	<b>—</b>	<b>21,682</b>





Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Statement of Operations and Comprehensive Income (Loss)****Year Ended November 30, 2017***(In thousands)*

	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Lennar Homebuilding	\$—	11,118,553	81,689	—	11,200,242
Lennar Financial Services	—	307,892	482,227	(20,010)	770,109
Lennar Multifamily	—	—	394,906	(135)	394,771
Rialto	—	—	281,243	—	281,243
Total revenues	—	11,426,445	1,240,065	(20,145)	12,646,365
<b>Cost and expenses:</b>					
Lennar Homebuilding	—	9,676,548	79,338	(3,617)	9,752,269
Lennar Financial Services	—	280,349	355,147	(20,911)	614,585
Lennar Multifamily	—	—	407,078	—	407,078
Rialto	—	—	247,762	(213)	247,549
Corporate general and administrative	279,490	1,338	—	5,061	285,889
Total costs and expenses	279,490	9,958,235	1,089,325	(19,680)	11,307,370
Lennar Homebuilding equity in loss from unconsolidated entities	—	(61,400)	(308)	—	(61,708)
Lennar Homebuilding other income (expense), net	(427)	17,488	5,248	465	22,774
Lennar Homebuilding loss due to litigation	—	(140,000)	—	—	(140,000)
Lennar Multifamily equity in earnings from unconsolidated entities	—	—	85,739	—	85,739
Rialto equity in earnings from unconsolidated entities	—	—	25,447	—	25,447
Rialto other expense, net	—	—	(81,636)	—	(81,636)
Earnings (loss) before income taxes	(279,917)	1,284,298	185,230	—	1,189,611
Benefit (provision) for income taxes	95,228	(427,961)	(85,124)	—	(417,857)
Equity in earnings from subsidiaries	995,169	72,104	—	(1,067,273)	—
Net earnings (including net loss attributable to noncontrolling interests)	810,480	928,441	100,106	(1,067,273)	771,754
Less: Net loss attributable to noncontrolling interests	—	—	(38,726)	—	(38,726)
<b>Net earnings attributable to Lennar</b>	<b>\$810,480</b>	<b>928,441</b>	<b>138,832</b>	<b>(1,067,273)</b>	<b>810,480</b>
<b>Other comprehensive income, net of tax:</b>					
Net unrealized gain on securities available-for-sale	\$—	—	1,331	—	1,331
Reclassification adjustments for losses included in net earnings, net of tax	\$—	—	12	—	12
<b>Total other comprehensive income, net of tax</b>	<b>—</b>	<b>—</b>	<b>1,343</b>	<b>—</b>	<b>1,343</b>
<b>Total comprehensive income attributable to Lennar</b>	<b>\$810,480</b>	<b>928,441</b>	<b>140,175</b>	<b>(1,067,273)</b>	<b>811,823</b>
<b>Total comprehensive loss attributable to noncontrolling interests</b>	<b>\$—</b>	<b>—</b>	<b>(38,726)</b>	<b>—</b>	<b>(38,726)</b>

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Statement of Operations and Comprehensive Income (Loss)****Year Ended November 30, 2016***(In thousands)*

	Lennar Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Revenues:</b>					
Lennar Homebuilding	\$—	9,731,122	10,215	—	9,741,337
Lennar Financial Services	—	215,737	491,536	(20,018 )	687,255
Lennar Multifamily	—	—	287,527	(86 )	287,441
Rialto	—	—	233,966	—	233,966
Total revenues	—	9,946,859	1,023,244	(20,104 )	10,949,999
<b>Cost and expenses:</b>					
Lennar Homebuilding	—	8,389,469	23,424	(13,012 )	8,399,881
Lennar Financial Services	—	192,572	340,463	(9,397 )	523,638
Lennar Multifamily	—	—	301,786	—	301,786
Rialto	—	—	230,565	(796 )	229,769
Corporate general and administrative	226,482	1,019	—	5,061	232,562
Total costs and expenses	226,482	8,583,060	896,238	(18,144 )	9,687,636
Lennar Homebuilding equity in earnings (loss) from unconsolidated entities	—	(49,662 )	387	—	(49,275 )
Lennar Homebuilding other income (expense), net	(1,922 )	49,976	2,737	1,960	52,751
Lennar Multifamily equity in earnings from unconsolidated entities	—	—	85,519	—	85,519
Rialto equity in earnings from unconsolidated entities	—	—	18,961	—	18,961
Rialto other income, net	—	—	(39,850 )	—	(39,850 )
Earnings (loss) before income taxes	(228,404 )	1,364,113	194,760	—	1,330,469
Benefit (provision) for income taxes	71,719	(419,596 )	(69,501 )	—	(417,378 )
Equity in earnings from subsidiaries	1,068,529	63,278	—	(1,131,807 )	—
Net earnings (including earnings attributable to noncontrolling interests)	911,844	1,007,795	125,259	(1,131,807 )	913,091
Less: Net earnings attributable to noncontrolling interests	—	—	1,247	—	1,247
<b>Net earnings attributable to Lennar</b>	<b>\$911,844</b>	<b>1,007,795</b>	<b>124,012</b>	<b>(1,131,807 )</b>	<b>911,844</b>
<b>Other comprehensive loss, net of tax:</b>					
Net unrealized loss on securities available-for-sale	\$—	—	(295 )	—	(295 )
Reclassification adjustments for gains included in net earnings	\$—	—	(53 )	—	(53 )
<b>Total other comprehensive loss, net of tax</b>	<b>—</b>	<b>—</b>	<b>(348 )</b>	<b>—</b>	<b>(348 )</b>
<b>Total comprehensive income attributable to Lennar</b>	<b>\$911,844</b>	<b>1,007,795</b>	<b>123,664</b>	<b>(1,131,807 )</b>	<b>911,496</b>
<b>Total comprehensive income attributable to noncontrolling interests</b>	<b>\$—</b>	<b>—</b>	<b>1,247</b>	<b>—</b>	<b>1,247</b>

Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Statement of Cash Flows  
Year Ended November 30, 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)	\$ 1,695,831	1,713,220	341,271	(2,032,809)	1,717,513
Distributions of earnings from guarantor and non-guarantor subsidiaries	1,939,197	93,612	—	(2,032,809)	—
Other adjustments to reconcile net earnings (including net earnings attributable to noncontrolling interests) to net cash provided by operating activities	(1,731,335)	598,250	(905,628)	2,032,809	(5,904)
Net cash provided by (used in) operating activities	1,903,693	2,405,082	(564,357)	(2,032,809)	1,711,609
<b>Cash flows from investing activities:</b>					
Proceeds from sale of operating properties (Investments in and contributions to) and distributions of capital from unconsolidated entities, net	—	38,633	—	—	38,633
Proceeds from sales of real estate owned	—	—	32,221	—	32,221
Proceeds from sale of investment in unconsolidated entity	—	199,654	25,613	—	225,267
Proceeds from sale of commercial mortgage-backed securities bonds	—	—	14,222	—	14,222
Proceeds from sale of Rialto investment and asset management platform	—	—	340,000	—	340,000
Purchases of commercial mortgage-backed securities bonds	—	—	(31,068)	—	(31,068)
Acquisition, net of cash acquired	(1,162,342)	22,716	36,351	—	(1,103,275)
Other	(56,050)	(35,982)	10,941	—	(81,091)
Distributions of capital from guarantor and non-guarantor subsidiaries	94,987	40,987	—	(135,974)	—
Intercompany	(728,546)	—	—	728,546	—
Net cash (used in) provided by investing activities	(1,851,951)	171,071	480,186	592,572	(608,122)
<b>Cash flows from financing activities:</b>					
Net repayments under unsecured revolving credit facility	—	(454,700)	—	—	(454,700)
Net (repayments) borrowings under warehouse facilities	—	(108)	273,028	—	272,920
Debt issuance costs	(9,189)	—	(5,472)	—	(14,661)
Redemption of senior notes	(1,010,626)	(89,374)	—	—	(1,100,000)
Conversions and exchanges of convertible senior notes	—	(59,145)	—	—	(59,145)
Net payments on other borrowings, other liabilities, Rialto Senior Notes and other notes payable	—	(128,685)	(294,250)	—	(422,935)
Net payments related to noncontrolling interests	—	—	(71,449)	—	(71,449)
<b>Common stock:</b>					
Issuances	3,061	—	—	—	3,061
Repurchases	(299,833)	—	—	—	(299,833)

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Dividends	(49,159 )	(1,799,207 )	(369,576 )	2,168,783	(49,159 )
Intercompany	—	306,199	422,347	(728,546 )	—
Net cash used in financing activities	(1,365,746 )	(2,225,020 )	(45,372 )	1,440,237	(2,195,901 )
Net (decrease) increase in cash and cash equivalents	(1,314,004 )	351,133	(129,543 )	—	(1,092,414 )
Cash and cash equivalents at beginning of period	1,937,674	359,087	354,111	—	2,650,872
Cash and cash equivalents at end of period	\$623,670	710,220	224,568	—	1,558,458

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Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Statement of Cash Flows  
Year Ended November 30, 2017**

<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)	\$810,480	928,441	100,106	(1,067,273)	771,754
Distributions of earnings from guarantor and non-guarantor subsidiaries	995,169	72,104	—	(1,067,273)	—
Other adjustments to reconcile net earnings (including net loss attributable to noncontrolling interests) to net cash provided by operating activities	(739,947 )	(246,983 )	144,767	1,067,273	225,110
Net cash provided by operating activities	1,065,702	753,562	244,873	(1,067,273)	996,864
<b>Cash flows from investing activities:</b>					
Proceeds from sale of operating properties	—	60,326	—	—	60,326
Investments in and contributions to unconsolidated entities, net of distributions of capital	—	(181,101 )	(41,876 )	—	(222,977 )
Proceeds from sales of real estate owned	—	—	86,565	—	86,565
Receipts of principal payments on loans held-for-sale	—	—	11,251	—	11,251
Originations of loans receivable	—	—	(98,375 )	—	(98,375 )
Purchases of commercial mortgage-backed securities bonds	—	—	(107,262 )	—	(107,262 )
Acquisition, net of cash acquired	(611,103 )	—	—	—	(611,103 )
Other	(35,251 )	(49,356 )	96,365	—	11,758
Distributions of capital from guarantor and non-guarantor subsidiaries	115,000	80,000	—	(195,000 )	—
Intercompany	(865,364 )	—	—	865,364	—
Net cash used in investing activities	(1,396,718 )	(90,131 )	(53,332 )	670,364	(869,817 )
<b>Cash flows from financing activities:</b>					
Net repayments under warehouse facilities	—	(104 )	(199,580 )	—	(199,684 )
Proceeds from senior notes and debt issuance costs	2,433,539	—	(12,129 )	—	2,421,410
Redemption of senior notes	(800,000 )	(258,595 )	—	—	(1,058,595 )
Net proceeds from Rialto notes payable	—	—	74,666	—	74,666
Net proceeds on other borrowings	—	(104,471 )	(4,024 )	—	(108,495 )
Proceeds on other liabilities	—	—	195,541	—	195,541
Net payments related to noncontrolling interests	—	—	(68,586 )	—	(68,586 )
Excess tax benefits from share-based awards	1,981	—	—	—	1,981
<b>Common stock:</b>					
Issuances	720	—	—	—	720
Repurchases	(27,054 )	—	—	—	(27,054 )
Dividends	(37,608 )	(1,018,441 )	(243,832 )	1,262,273	(37,608 )
Intercompany	—	700,197	165,167	(865,364 )	—
Net cash provided by (used in) financing activities	1,571,578	(681,414 )	(92,777 )	396,909	1,194,296
Net increase (decrease) in cash and cash equivalents	1,240,562	(17,983 )	98,764	—	1,321,343
Cash and cash equivalents at beginning of period	697,112	377,070	255,347	—	1,329,529
Cash and cash equivalents at end of period	\$1,937,674	359,087	354,111	—	2,650,872



Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****Consolidating Statement of Cash Flows  
Year Ended November 30, 2016***(In thousands)*

	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)	\$911,844	1,007,795	125,259	(1,131,807)	913,091
Distributions of earnings from guarantor and non-guarantor subsidiaries	1,068,529	63,278	—	(1,131,807)	—
Other adjustments to reconcile net earnings (including net earnings attributable to noncontrolling interests) to net cash provided by (used in) operating activities	(1,083,418)	(231,877)	(221,799)	1,131,807	(405,287)
Net cash provided by (used in) operating activities	896,955	839,196	(96,540)	(1,131,807)	507,804
<b>Cash flows from investing activities:</b>					
Proceeds from sale of operating properties	—	25,288	—	—	25,288
(Investments in and contributions to) and distributions of capital from unconsolidated entities, net	—	(139,533)	36,962	—	(102,571)
Proceeds from sales of real estate owned	—	—	97,871	—	97,871
Receipts of principal payments on loans receivable and other	—	—	84,433	—	84,433
Originations of loans receivable	—	—	(56,507)	—	(56,507)
Purchases of commercial mortgage-backed securities bonds	—	—	(42,436)	—	(42,436)
Other	(11,709)	(56,627)	(23,579)	—	(91,915)
Distributions of capital from guarantor and non-guarantor subsidiaries	40,000	34,000	—	(74,000)	—
Intercompany	(787,185)	—	—	787,185	—
Net cash provided by (used in) investing activities	(758,894)	(136,872)	96,744	713,185	(85,837)
<b>Cash flows from financing activities:</b>					
Net borrowings under warehouse facilities	—	116	107,349	—	107,465
Proceeds from senior notes and debt issuance costs	495,974	—	(1,690)	—	494,284
Redemption of senior notes	(250,000)	—	—	—	(250,000)
Conversions and exchanges of convertible senior notes	(234,028)	—	—	—	(234,028)
Principal payments on Rialto notes payable including structured notes	—	—	(39,026)	—	(39,026)
Net payments on other borrowings	—	(165,463)	(8,342)	—	(173,805)
Net payments related to noncontrolling interests	—	—	(127,057)	—	(127,057)
Excess tax benefits from share-based awards	7,039	—	—	—	7,039
<b>Common stock:</b>					
Issuances	19,471	—	—	—	19,471
Repurchases	(19,902)	—	—	—	(19,902)
Dividends	(35,324)	(1,047,795)	(158,012)	1,205,807	(35,324)
Intercompany	—	551,840	235,345	(787,185)	—
Net cash provided by (used in) financing activities	(16,770)	(661,302)	8,567	418,622	(250,883)
Net increase in cash and cash equivalents	121,291	41,022	8,771	—	171,084
Cash and cash equivalents at beginning of period	575,821	336,048	246,576	—	1,158,445
Cash and cash equivalents at end of period	\$697,112	377,070	255,347	—	1,329,529





Table of Contents**LENNAR CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****19. Quarterly Data (unaudited)**

	First	Second	Third	Fourth
<i>(In thousands, except per share amounts)</i>				
<b>2018</b>				
Revenues	\$2,980,791	5,459,061	5,672,569	6,459,210
Gross profit from sales of homes	\$516,628	840,042	1,057,903	1,274,241
Earnings before income taxes	\$269,428	390,810	565,918	1,036,528
Net earnings attributable to Lennar	\$136,215	310,257	453,211	796,148
Earnings per share:				
Basic	\$0.53	0.95	1.37	2.42
Diluted	\$0.53	0.94	1.37	2.42
<b>2017</b>				
Revenues	\$2,337,428	3,261,892	3,261,476	3,785,569
Gross profit from sales of homes	\$419,165	616,875	650,411	747,502
Earnings before income taxes	\$49,643	309,600	368,385	461,983
Net earnings attributable to Lennar	\$38,080	213,645	249,165	309,590
Earnings per share:				
Basic	\$0.16	0.89	1.04	1.29
Diluted	\$0.16	0.89	1.04	1.29

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year.

**20. Subsequent Events**

Subsequent to November 30, 2018, the Company sold the majority of its retail title agency business and its wholly owned title insurance carrier. In addition, the Company sold its real estate brokerage business, which operated only in Florida. The Company does not expect the net gain from these transactions to be material.

Subsequent to November 30, 2018, the Company's Board of Directors authorized the Company to repurchase up to the lesser of \$1 billion in value, or 25 million in shares, of the Company's outstanding Class A or Class B common stock. The repurchase authorization has no expiration.

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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure 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 November 30, 2018 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 November 30, 2018. That evaluation did not identify any changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm obtained from Deloitte & Touche LLP relating to the effectiveness of Lennar Corporation's internal control over financial reporting are included elsewhere in this document.

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework* (2013), our management concluded that our internal control over financial reporting was effective as of November 30, 2018. The effectiveness of our internal control over financial reporting as of November 30, 2018 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report which is included herein.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Lennar Corporation

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Lennar Corporation and subsidiaries (the “Company”) as of November 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended November 30, 2018, of the Company and our report dated January 28, 2019 expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Miami, Florida  
January 28, 2019



Table of Contents**Item 9B. Other Information.**

Not applicable.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item for executive officers is set forth under the heading "Executive Officers of Lennar Corporation" in Part I. We have adopted a Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Code of Business Conduct and Ethics is located on our internet web site at [www.lennar.com](http://www.lennar.com) under "Investor Relations – Governance." We intend to provide disclosure of any amendments or waivers of our Code of Business Conduct and Ethics on our website within four business days following the date of the amendment or waiver. The other information called for by this item is incorporated by reference to our definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than March 30, 2019 (120 days after the end of our fiscal year).

**Item 11. Executive Compensation.**

The information required by this item is incorporated by reference to our definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than March 30, 2019 (120 days after the end of our fiscal year).

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this item is incorporated by reference to our definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than March 30, 2019 (120 days after the end of our fiscal year), except for the information required by Item 201(d) of Regulation S-K, which is provided below.

The following table summarizes our equity compensation plans as of November 30, 2018:

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (1)
Equity compensation plans approved by stockholders	—	\$	—10,911,157
Equity compensation plans not approved by stockholders	—	n/a	—
Total	—	\$	—10,911,157

(1) Both shares of Class A and Class B common stock may be issued.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item is incorporated by reference to our definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than March 30, 2019 (120 days after the end of our fiscal year).

**Item 14. Principal Accounting Fees and Services.**

The information required by this item is incorporated by reference to our definitive proxy statement, which will be filed with the Securities and Exchange Commission not later than March 30, 2019 (120 days after the end of our fiscal year).



Table of Contents**PART IV****Item 15. Exhibits, Financial Statement Schedules.**

(a) Documents filed as part of this Report.

1. The following financial statements are contained in Item 8:

<u>Financial Statements</u>	<u>Page in this Report</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>65</u>
<u>Consolidated Balance Sheets as of November 30, 2018 and 2017</u>	<u>66</u>
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended November 30, 2018, 2017 and 2016</u>	<u>68</u>
<u>Consolidated Statements of Equity for the Years Ended November 30, 2018, 2017 and 2016</u>	<u>69</u>
<u>Consolidated Statements of Cash Flows for the Years Ended November 30, 2018, 2017 and 2016</u>	<u>70</u>
<u>Notes to Consolidated Financial Statements</u>	<u>71</u>

2. The following financial statement schedule is included in this Report:

<u>Financial Statement Schedule</u>	<u>Page in this Report</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>130</u>
<u>Schedule II—Valuation and Qualifying Accounts</u>	<u>131</u>

Information required by other schedules has either been incorporated in the consolidated financial statements and accompanying notes or is not applicable to us.

3. The following exhibits are filed with this Report or incorporated by reference:

- 2.1 Agreement and Plan of Merger, dated as of October 29, 2017, by and among Lennar Corporation, CalAtlantic Group, Inc. and Cheetah Cub Group Corp - Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, dated October 29, 2017.
- 3.1 Restated Certificate of Incorporation of the Company, dated January 14, 2015 - Incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2014.
- 3.2 Certificate of Amendment to Restated Certificate of Incorporation of the Company, dated February 12, 2018 - Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, dated February 12, 2018.
- 3.3 Bylaws of the Company, as amended effective October 3, 2013 - Incorporated by reference to Exhibit 3.6 of the Company's Current Report on Form 8-K, dated October 4, 2013.
- 4.1 Indenture, dated as of December 31, 1997, between Lennar Corporation and Bank One Trust Company, N.A., as trustee - Incorporated by reference to Exhibit 4 of the Company's Registration Statement on Form S-3, Registration No. 333-45527, filed with the Commission on February 3, 1998.
- 4.2 Indenture, dated October 23, 2012, between Lennar and The Bank of New York Mellon Trust Company, N.A., as trustee (relating to Lennar's 4.750% Senior Notes due 2022) - Incorporated by reference to Exhibit 4.12 of the Company's Annual Report on Form 10-K, for the fiscal year ended November 30, 2012.
- 4.3 Eighth Supplemental Indenture, dated as of February 12, 2014, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.50% Senior Notes due 2019 - Incorporated by reference to Exhibit 4.12 of the Company's Current Report on Form 8-K, dated February 13, 2014.

4.4 Ninth Supplemental Indenture, dated as of November 25, 2014, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.500% Senior Notes due 2019 - Incorporated by reference to Exhibit 4.13 of the Company's Current Report on Form 8-K, dated November 25, 2014.

4.5 Tenth Supplemental Indenture, dated as of April 28, 2015, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.750% Senior Notes due 2025 - Incorporated by reference to Exhibit 4.14 of the Company's Current Report on Form 8-K, dated April 29, 2015.



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- 4.6 Eleventh Supplemental Indenture, dated as of November 5, 2015, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.875% Senior Notes due 2023 - Incorporated by reference to Exhibit 4.15 of the Company's Current Report on Form 8-K, dated November 6, 2015.
- 4.7 Twelfth Supplemental Indenture, dated as of March 4, 2016, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.750% Senior Notes due 2021 - Incorporated by reference to Exhibit 4.16 of the Company's Current Report on Form 8-K, dated March 4, 2016.
- 4.8 Thirteenth Supplemental Indenture, dated as of January 20, 2017, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.125% Senior Notes due 2022- Incorporated by reference to Exhibit 4.17 of the Company's Current Report on Form 8-K, dated January 20, 2017.
- 4.9 Fourteenth Supplemental Indenture, dated as of April 28, 2017, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 4.50% Senior Notes due 2024 - Incorporated by reference to Exhibit 4.18 of the Company's Current Report on Form 8-K, dated April 28, 2017.
- 4.10 Indenture, dated as of November 29, 2017, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, including the form of 2.95% Senior Notes due 2020 and the form of 4.75% Senior Notes due 2027- Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, dated November 29, 2017.
- 4.11 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 6.625% Senior Notes due May 1, 2020 (including the forms of 6.625% Senior Notes due May 1, 2020) - Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K, dated February 16, 2018.
- 4.12 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 8.375% Senior Notes due January 15, 2021 (including the forms of 8.375% Senior Notes due January 15, 2021) - Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K, dated February 16, 2018.
- 4.13 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 6.25% Senior Notes due December 15, 2021 (including the forms of 6.25% Senior Notes due December 15, 2021) - Incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K, dated February 16, 2018.
- 4.14 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 5.375% Senior Notes due October 1, 2022 (including the forms of 5.375% Senior Notes due October 1, 2022) - Incorporated by reference to Exhibit 4.5 of the Company's Current Report on Form 8-K, dated February 16, 2018.
- 4.15 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 5.875% Senior Notes due November 15, 2024 (including the forms of 5.875% Senior Notes due November 15, 2024) - Incorporated by reference to Exhibit 4.6 of the Company's Current Report on Form 8-K, dated February 16, 2018.

- 4.16 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 5.25% Senior Notes due June 1, 2026 (including the forms of 5.25% Senior Notes due June 1, 2026) - Incorporated by reference to Exhibit 4.7 of the Company's Current Report on Form 8-K, dated February 16, 2018.
- 4.17 Indenture, dated as of February 20, 2018, among Lennar Corporation, each of the guarantors identified therein and The Bank of New York Mellon, as trustee, governing the 5.00% Senior Notes due June 15, 2027 (including the forms of 5.00% Senior Notes due June 15, 2027) - Incorporated by reference to Exhibit 4.8 of the Company's Current Report on Form 8-K, dated February 16, 2018.
- 10.1\* Lennar Corporation 2007 Equity Incentive Plan, as amended effective January 12, 2012 - Incorporated by reference to Exhibit 1 of the Company's Proxy Statement on Schedule 14A dated March 2, 2012.
- 10.2\* Lennar Corporation 2012 Incentive Compensation Plan - Incorporated by reference to Exhibit 2 of the Company's Proxy Statement on Schedule 14A dated March 2, 2012.
- 10.3\* Lennar Corporation Nonqualified Deferred Compensation Plan - Incorporated by reference to Exhibit 10 of the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2002.
- 10.4\* Lennar Corporation 2016 Equity Incentive Plan - Incorporated by reference to Exhibit A of the Company's Definitive Proxy Statement on Schedule 14A, filed with the Commission on March 2, 2016.

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- 10.5\* Lennar Corporation 2016 Incentive Compensation Plan - Incorporated by reference to Exhibit B of the Company's Definitive Proxy Statement on Schedule 14A, filed with the Commission on March 2, 2016.
- 10.6 Membership Interest Purchase Agreement, dated as of November 30, 2007, by and among Lennar, Lennar Homes of California, Inc., the Sellers named in the agreement and MS Rialto Residential Holdings, LLC. - Incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2007.
- 10.7 Fifth Amended and Restated Credit Agreement, dated as of May 18, 2017, among Lennar Corporation, as borrower, JPMorgan Chase Bank, N.A., as swingline lender, issuing lender, and administrative agent, the several lenders from time to time parties thereto, and the other parties and agents thereto - Incorporated by reference to Exhibit 10.21 of the Company's Current Report on Form 8-K, dated May 18, 2017.
- 10.8 Fifth Amended and Restated Guarantee Agreement, dated as of May 18, 2017, among certain of Lennar Corporation's subsidiaries in favor of guaranteed parties referred to therein - Incorporated by reference to Exhibit 10.22 of the Company's Current Report on Form 8-K, dated May 18, 2017.
- 10.9 Sixth Amended and Restated Credit Agreement, dated as of February 12, 2018, among Lennar Corporation, as borrower, JPMorgan Chase Bank, N.A., as swingline lender, issuing lender, and administrative agent, the several lenders from time to time parties thereto, and the other parties and agents thereto - Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, dated February 12, 2018.
- 10.10 Sixth Amended and Restated Guarantee Agreement, dated as of February 12, 2018, among certain of Lennar Corporation's subsidiaries in favor of guaranteed parties referred to therein - Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K, dated February 12, 2018.
- 10.11\* 2017 Award Agreements for Stuart Miller, Rick Beckwitt, Jonathan Jaffe, Bruce Gross and Mark Sustana - Incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2016.
- 10.12 Form of Aircraft Time Sharing Agreement, dated February 12, 2015, between U.S. Home Corporation and Lessee - Incorporated by reference to Exhibit 10.19 of the Company's Current Report on Form 8-K, dated February 19, 2015.
- 10.13 Voting and Cash Election Agreement, dated as of October 29, 2017, between Lennar Corporation and MP CA Homes LLC - Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, dated October 29, 2017.
- 10.14\* 2018 Award Agreement for Mark Sustana - Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, dated January 11, 2018.
- 10.15\* 2018 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 February 14, 2018.
- 10.16\* Form of 2018 Restricted Stock Agreement 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 February 14, 2018.
- 10.17\*

2018 Award Agreement for Bruce Gross - Incorporated by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2018.

- 21 List of subsidiaries.\*\*
- 23 Consent of Independent Registered Public Accounting Firm.\*\*
- 31.1 Rule 13a-14a/15d-14(a) Certification of Richard Beckwitt.\*\*
- 31.2 Rule 13a-14a/15d-14(a) Certification of Diane Besette.\*\*
- 32 Section 1350 Certifications of Richard Beckwitt and Diane Besette.\*\*

101 The following financial statements from Lennar Corporation Annual Report on Form 10-K for the year ended November 30, 2018, filed on January 28, 2019, formatted in iXBRL (Inline Extensible Business Reporting Language); (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statements of Equity (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements.

\* Management contract or compensatory plan or arrangement.

\*\* Filed herewith.

**Item 16. Form 10-K Summary**

None.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ RICHARD  
BECKWITT  
Richard Beckwitt  
Chief Executive  
Officer and Director  
Date: January 28, 2019

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

**Principal Executive Officer:**

Richard Beckwitt /S/ RICHARD  
BECKWITT  
Chief Executive Officer and Director Date: January 28, 2019

**Principal Financial Officer:**

Diane Bessette /S/ DIANE BESSETTE  
Vice President, Chief Financial Officer and Treasurer Date: January 28, 2019

**Principal Accounting Officer:**

David Collins /S/ DAVID COLLINS  
Controller Date: January 28, 2019

**Directors:**

Irving Bolotin /S/ IRVING BOLOTIN  
Date: January 28, 2019

Steven L. Gerard /S/ STEVEN L.  
GERARD  
Date: January 28, 2019

Theron I. ("Tig") Gilliam, Jr. /S/ THERON I. ("TIG")  
GILLIAM, JR.  
Date: January 28, 2019

Sherrill W. Hudson /S/ SHERRILL W.  
HUDSON  
Date: January 28, 2019

Jonathan M. Jaffe /S/ JONATHAN M.  
JAFFE  
Date: January 28, 2019

Sidney Lapidus /S/ SIDNEY LAPIDUS  
Date: January 28, 2019

Teri McClure /S/ TERI MCCLURE  
Date: January 28, 2019

Stuart Miller /S/ STUART MILLER  
Date: January 28, 2019

Armando Olivera /S/ ARMANDO  
OLIVERA  
Date: January 28, 2019

Jeffrey Sonnenfeld

/S/ JEFFREY  
SONNENFELD  
Date: January 28, 2019

Scott Stowell

/S/ SCOTT STOWELL  
Date: January 28, 2019

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Lennar Corporation

**Opinion on the Financial Statement Schedule**

We have audited the consolidated financial statements of Lennar Corporation and subsidiaries (the "Company") as of November 30, 2018 and 2017, and for each of the three years in the period ended November 30, 2018, and the Company's internal control over financial reporting as of November 30, 2018, and have issued our reports thereon dated January 28, 2019; such reports are included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of the Company listed in the Index at Item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Miami, Florida  
January 28, 2019



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**LENNAR CORPORATION AND SUBSIDIARIES**  
**Schedule II—Valuation and Qualifying Accounts**  
**Years Ended November 30, 2018, 2017 and 2016**

<i>(In thousands)</i>	<b>Beginning balance</b>	<b>Additions</b>		<b>Deductions</b>	<b>Ending balance</b>
		<b>Charged to costs and expenses</b>	<b>Charged (credited) to other accounts</b>		
<b>Year ended November 30, 2018</b>					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts and notes and other receivables	\$2,849	246	(156 )	(146 )	2,793
Allowance for loan losses and loans receivable	\$3,192	2,177	3,890	(3,105 )	6,154
Allowance against net deferred tax assets	\$6,423	796	—	—	7,219
<b>Year ended November 30, 2017</b>					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts and notes and other receivables	\$328	260	2,463	(202 )	2,849
Allowance for loan losses and loans receivable	\$33,575	32,850	(1 )	(63,232 )	3,192
Allowance against net deferred tax assets	\$5,773	650	—	—	6,423
<b>Year ended November 30, 2016</b>					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts and notes and other receivables	\$768	125	(88 )	(477 )	328
Allowance for loan losses and loans receivable	\$39,486	18,818	—	(24,729 )	33,575
Allowance against net deferred tax assets	\$5,945	—	—	(172 )	5,773