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Case 13: Lennar Corporation's Joint Venture Investments
Graeme Rankine

Amid our negative sector stance, we are upgrading our relative rating on LEN to Overweight from Neutral, as our new price target represents lower downside potential on the stock vs. its peers. Importantly, in addition to LEN's relative underperformance and below-average valuation, our outlook for below-average book value contraction by 2009-end is a key factor behind our relative ratings change. Specifically, over the last 12 months, LEN has underperformed, down 33% vs. the group's 23% decline (S&P: -36%), we believe largely driven by concerns regarding its above-average JV exposure. This performance, in turn, has in part led to a 35% valuation discount to its peers on a P/B basis, currently at 0.50x vs. its larger-cap peers' 0.77x average. However, while we believe this valuation discount could narrow, given LEN's continued reduction in JV exposure, our outlook for below-average book value contraction is the key driver for LEN's lower downside risk, in our view.

—JP Morgan, Lennar, January 8, 2009.

1 On January 8, 2009, Anna Amphlett reflected on JP Morgan's report that Lennar Corporation's stock price had been negatively impacted by the recent U.S. housing crisis more than other firms in the housing industry, and, therefore, the investment risk was less than that of its peers (see **Exhibit 1** for the company's recent stock price performance). Amphlett, a newly recruited financial analyst at Southern Cross Investments LLC, had been asked to prepare a report on Lennar's joint ventures and how the company accounted for these investments. She knew that she would be questioned by her boss about JP Morgan's concern over Lennar's "above-average JV exposure," since she had learned in her MBA program that joint ventures were a practical way for a company to diversify risk and gain access to the expertise of joint venture partners. But she knew as well that joint ventures were also a method some companies used to finance investments "off-balance sheet." She wondered if the stock might even stage a comeback in the near future. JP Morgan set a price target for Lennar's stock of $8.50 per share, less than the share's trading range of around $11. Lennar had grown considerably through 2006, but in the last two years, revenues had suffered a sizeable reversal (see **Exhibit 2** for historical financial information).

2 On returning from a two-week vacation, Amphlett was shocked to learn that on January 9, Barry Minkow's Fraud Discovery Institute (FDI) had raised questions on a Web site about Lennar's off-balance-sheet debt and a large personal loan taken out by a top company executive (see **Exhibit 3** for details of the allegations).[1] On the day of the announcement, the company's stock price plunged and trading volume increased dramatically (see **Exhibit 4** for information about the stock price reaction to the Minkow claims). Amphlett's completed research report recommended that Southern Cross acquire Lennar's shares, but she now realized it was imperative that she understand the nature and purpose of Lennar's joint ventures before submitting the report.

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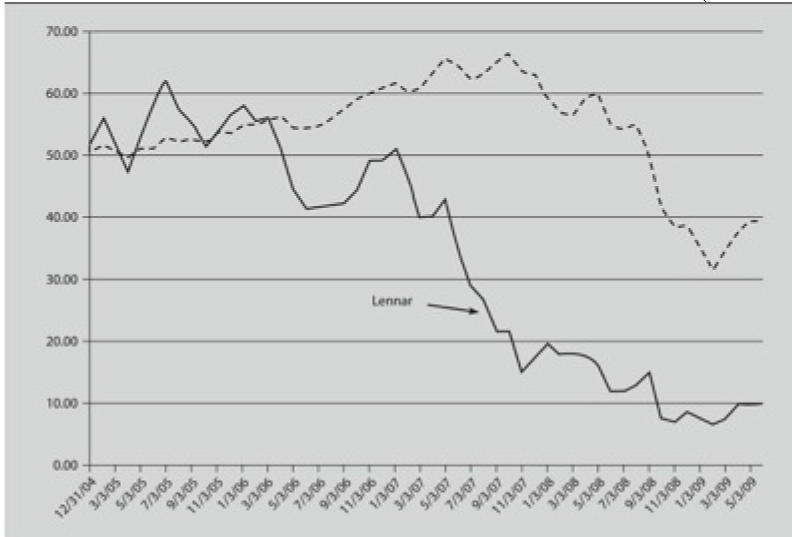
EXHIBIT 1: Lennar's Recent Stock Price Performance—Class A Stock (Relative to the S&P 500)



COMPANY BACKGROUND

3 By early 2009, Lennar Corporation was one of the nation's largest homebuilders and a provider of financial services. The company's homebuilding operations included the construction and sale of single-family attached and detached homes, and multilevel residential buildings, in communities targeted to first-time, move-up, and active adult homebuyers. The company was also involved in the purchase, development, and sale of residential land, and in all phases of planning and building in residential communities, including land acquisition, site planning, preparation and improvement of land, and design, construction, and marketing of homes. The company operated in Florida, Maryland, New Jersey, Virginia, Arizona, Colorado, Texas, California, Nevada, Illinois, Minnesota, New York, and both North and South Carolina. The company's financial services business provided mortgage financing, title insurance, closing services, and other ancillary services (including high-speed Internet and cable television) for both buyers and sellers. Substantially all of the loans that the company

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originated were sold in the secondary mortgage market on a servicing released, non-recourse basis. The average sales price of a Lennar home was $270,000 in fiscal 2008, compared to $297,000 in fiscal 2007.

4 Lennar was founded as a local Miami homebuilder in 1954. The company completed an initial public offering in 1971, and listed its common stock on the New York Stock Exchange in 1972. During the 1980s and 1990s, the company entered and expanded operations in 13-213-3 13-313-4some of its current major homebuilding markets including California, Florida, and Texas through both organic growth and acquisitions such as Pacific Greystone Corporation in 1997, among others. In 1997, the company completed the spin-off of its commercial real estate business to LNR Property Corporation. In 2000, Lennar acquired U.S. Home Corporation, which expanded the company's operations into New Jersey, Maryland, Virginia, 13-413-5Minnesota, and Colorado, and strengthened its position in other states. During 2002 and 2003, the company acquired several regional homebuilders, which brought the company into new markets and strengthened its position in several existing markets.[2]

EXHIBIT 2: Historical Financial Information for Lennar

FISCAL YEAR ENDING (in thousands)	11/30/08	11/30/07	11/30/06	11/30/05	11/30/04	11/30/03	11/30/02	11/30/01	11/30/00	11/30/99
Net sales	4,575,417	10,186,781	16,266,662	13,866,971	10,500,968	8,907,619	7,235,520	6,002,250	4,706,968	3,118,514
Cost of goods sold	4,754,893	12,435,786	14,930,318	11,448,257	8,856,750	7,551,577	6,349,817	4,581,340	4,182,577	2,746,615
Gross profit	(179,476)	(2,249,005)	1,336,344	2,418,714	1,644,218	1,356,042	885,703	1,420,910	524,391	371,899
Net income	(1,109,085)	(1,941,081)	593,869	1,355,155	945,619	751,391	545,129	417,845	229,137	172,714
Outstanding shares	160,558	159,887	158,156	157,560	156,230	78,918	64,913	64,015	62,731	57,917
Cash	1,234,227	830,623	803,115	1,082,024	1,427,941	1,270,872	731,163	824,013	287,627	83,256
Receivables	18,518	147,814	121,570	100,856	77,489	54,706	41,520	24,345	42,270	11,162
Inventories	4,500,090	4,500,403	7,831,483	7,863,531	5,142,070	3,656,101	3,237,577	2,416,541	2,301,584	1,274,551
Investment & advances to subs.	785,891	995,789	1,506,749	1,314,832	887,996	390,334	285,594	300,064	257,639	173,310
Total assets	7,424,898	9,102,747	12,408,266	12,541,225	9,165,280	6,775,432	5,755,633	4,714,426	3,777,914	2,057,647
Long-term debt	2,402,541	2,625,626	3,533,862	2,143,695	2,506,834	1,202,629	1,086,687	1,310,016	NA	NA
Shareholder's equity	2,623,007	3,822,119	5,701,372	5,251,411	4,052,972	3,263,774	2,229,157	1,659,262	1,228,580	881,499
Net Cash Provided (Used) by Operations	1,100,834	444,513	552,535	322,975	420,192	580,799	204,568	59,196	479,399	121,290
Net Cash Provided (Used) by Investing	(265,703)	306,983	(404,354)	(1,003,573)	(534,107)	(118,197)	(365,677)	1,863	(186,716)	(28,522)
Net Cash Provided (Used) by Financing	(426,903)	(734,621)	(429,205)	324,126	304,082	31,111	60,994	482,338	(76,973)	(36,178)

EXHIBIT 3: Fraud Discovery Institute Press Release

Fraud Discovery Institute, Inc. Launches Top 10 Red Flags for Fraud at Lennar Corporation (NYSE:LEN)

Subtitle: Consumer group launches new Web site, www.Lennron.com; Alleges Lennar Corporation (NYSE:LEN) operates a "Ponzi Scheme" through their multiple joint ventures

For Immediate Release, San Diego, California, Friday, January 9, 2009

The Fraud Discovery Institute, Inc. released today the Top 10 Red Flags for Fraud at Lennar Corporation, the country's second largest homebuilder. Through the release of a 30-page report, a YouTube video, and a Web site with a catchy URL (www.Lennron.com), the consumer advocate group is drawing attention to multiple alleged fraudulent activities that have become a pattern of behavior.

According to cofounder Barry Minkow, "You can sum up just how outrageous the fraud and abuse are at Lennar Corporation by simply listening to company President and CEO Stuart Miller who, on a recent conference call, said that Lennar Corporation had improved their cash reserves to $1.1 billion, up from $642 million a year before. What Mr. Miller conveniently left out was how the company obtained the $1.1 billion cash. It came from the June 2008 NewHall/LandSource bankruptcy that has created 5,000 victims. Although Lennar Corporation ended up with hundreds of millions of cash through the debacle, the public must ask how many people, companies, and communities were destroyed in the process of improving Lennar's balance sheet."

A preview of some of the red flags includes:

- How Lennar Corporation tried to "bury" the Forest Lawn Mortuary.
- How Lennar Corporation treats their joint ventures exactly like a Ponzi scheme—pledging their older joint venture interests to leverage themselves into newer joint venture relationships (despite operating agreements that prohibit this unauthorized movement of money).
- How Lennar Chief Operating Officer Jon Jaffe received a $5,000,000 third trust deed loan in late 2007 that literally overencumbers his home. This loan came from a lender who appears to be an undisclosed related party to Lennar Corporation and their joint venture partner in Kern County, California.
- How Lennar Corporation continues to provide vague and less-than-transparent responses to the SEC inquiries about off-balance sheet, joint venture debt.
- How Lennar has exhibited a pattern of behavior over a sustained period of time of deceptive business practices, ranging from building homes using Chinese drywall to cut costs, to causing CALPERS (the California Public Retirement Fund) to lose approximately $1 billion.

The Fraud Discovery Institute, Inc. also refers to multiple lawsuits filed against Lennar Corporation for claims of breach of contract and fraud. FDI became involved with Lennar on behalf of one of their joint venture partners who was involved in the construction of "The Bridges" in Rancho Santa Fe, one of San Diego's most successful residential communities. The joint venture partner is alleging in a lawsuit

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that Lennar violated the operating agreement. "We began this case with sincere doubts that a public company listed on the New York Stock Exchange, with internal controls that include an audit committee, would allow the exploitation of not just our client, but hundreds and thousands of others as evidenced by the public record. We were shocked and felt compelled to further investigate and educate law enforcement to the 'below the surface' happenings at this company."

EXHIBIT 4: Lennar's Daily Class A Stock Returns around Minkow's Allegations

Date	Open	High	Low	Close	Lennar Return	S&P 500 Return	Market Adjusted Return	Volume
12/24/08	8.91	8.91	8.27	8.32	−4.0%	0.6%	−4.6%	1,256,400
12/26/08	8.61	8.68	8.29	8.58	3.1%	0.5%	2.6%	1,198,500
12/29/08	8.61	8.61	8.02	8.36	−2.6%	−0.4%	−2.2%	3,324,800
12/30/08	8.43	8.66	7.96	8.66	3.6%	2.4%	1.1%	4,134,500
12/31/08	8.56	8.82	8.26	8.67	0.1%	1.4%	−1.3%	5,170,600
1/2/09	8.60	9.33	8.44	9.18	5.9%	3.2%	2.7%	3,412,500
1/5/09	9.09	10.55	8.86	10.20	11.1%	−0.5%	11.6%	8,437,800
1/6/09	10.37	11.27	10.31	11.17	9.5%	0.8%	8.7%	8,743,400
1/7/09	10.86	10.97	10.38	10.57	−5.4%	−3.0%	−2.4%	6,502,500
1/8/09	11.00	11.56	10.41	11.42	8.0%	0.3%	7.7%	7,809,600
1/9/09	**11.28**	**11.28**	**8.23**	**9.15**	**−19.9%**	**−2.1%**	**−17.7%**	**58,290,200**
1/12/09	9.47	9.50	8.24	8.35	−8.7%	−2.3%	−6.5%	17,102,700
1/13/09	8.30	8.79	8.08	8.66	3.7%	0.2%	3.5%	9,429,800
1/14/09	8.50	8.56	7.81	7.90	−8.8%	−3.3%	−5.4%	7,943,700
1/15/09	7.96	8.09	7.02	7.57	−4.2%	0.1%	−4.3%	10,418,600
1/16/09	7.87	8.07	7.09	7.85	3.7%	0.8%	2.9%	7,663,800
1/20/09	7.53	7.90	6.71	6.78	−13.6%	−5.3%	−8.3%	6,147,700
1/21/09	6.94	7.12	6.16	7.08	4.4%	4.3%	0.1%	7,557,900
1/22/09	6.73	7.03	6.47	6.55	−7.5%	−1.5%	−6.0%	6,652,200
1/23/09	6.39	7.13	6.17	6.84	4.4%	0.5%	3.9%	5,436,600
1/26/09	7.55	8.74	7.17	7.82	14.3%	0.6%	13.8%	14,122,800

5 The company balanced a local operating structure with centralized corporate level management. Decisions related to the overall strategy, acquisitions of land and businesses, risk management, financing, cash management, and information systems were centralized at the corporate level. The local operating structure consisted of divisions, which were managed by individuals who had significant experience in the homebuilding industry and, in most instances, in their particular markets. They were responsible for operating decisions regarding land identification, entitlement and development, the management of inventory levels for the current volume levels, community development, home design, construction, and marketing homes.

13-5 13-6

6 During 2008, Lennar significantly reduced its property acquisitions. The company acquired land for development and for the construction of homes that were sold to homebuyers. At November 30, 2008, Lennar owned 74,681 home sites and had access through option contracts to an additional 38,589 home sites, of which 12,718 were through option contracts with third parties, and 25,871 were through option contracts with unconsolidated entities in which Lennar had investments. At November 30, 2007, the company owned 62,801 home sites and had access through option contracts to an additional 85,870 home sites, of which 22,877 were through option contracts with third parties, and 62,993 were through option contracts with unconsolidated entities.

7 Lennar supervised and controlled the development of land and the design and building of its residential communities with a relatively small labor force. The company hired subcontractors for site improvements and virtually all of the work involved in the construction of homes. Generally, arrangements with subcontractors provided that the company's subcontractors completed specified work in accordance with price schedules and applicable building codes and laws. The price schedules were subject to change to meet changes in labor and material costs or for other reasons. Lennar did not own heavy construction equipment. The company financed construction and land development activities, primarily with cash generated from operations and public debt issuances, as well as cash borrowed under its revolving credit facility.

8 The company employed sales associates who were paid salaries, commissions, or both, to complete on-site sales of homes. Lennar also sold homes through independent brokers. Lennar worked continuously to improve homeowner customer satisfaction throughout the presale, sale, construction, closing, and post-closing periods. Through the participation of sales associates, on-site construction supervisors, and customer care associates, Lennar created a quality home buying experience for its customers, which led to enhanced customer retention and referrals. The company delivered 15,735, 33,283, and 49,568 homes during 2008, 2007, and 2006, respectively.

LENNAR'S JOINT VENTURES

9 At November 30, 2008, Lennar had equity investments in 116 unconsolidated entities, compared to 214 un-consolidated entities at November 30, 2007. Due to market conditions at the time, the company focused on reducing the number of unconsolidated entities in which it had investments. The company's investments in unconsolidated entities by type of venture were as follows:

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	November 30,	
	2008	2007
	(In thousands)	
Land development	$633,652	738,481
Homebuilding	133,100	195,790
Total investment	$766,752	934,271

10 Lennar invested in unconsolidated entities that acquired and developed land (1) for its homebuilding operations or for sale to third parties; or, (2) for the construction of homes for sale to third-party homebuyers. Through these entities, Lennar primarily sought to reduce and share risk by limiting the amount of its capital invested in land, while obtaining access to potential future home sites and allowing the company to participate in strategic ventures. The 13-613-7use of these entities also, in some instances, enabled the company to acquire land to which it 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 were landowners/developers, other homebuilders, and financial or strategic partners. Joint ventures with landowners/developers gave the company access to home sites owned or controlled by a partner. Joint ventures with other homebuilders provided the company with the ability to bid jointly with the partner for large land parcels. Joint ventures with financial partners allowed Len-nar to combine its homebuilding expertise with access to its partners' capital. Joint ventures with strategic partners allowed the company to combine its homebuilding expertise with the specific expertise (e.g., commercial or infill experience) of its partner.

11 Although the strategic purposes of its joint ventures and the nature of its joint venture partners varied, the joint ventures were generally designed to acquire, develop, and/or sell specific assets during a limited lifetime. The joint ventures were typically structured through noncorporate entities in which control was shared with its venture partners. Each joint venture was unique in terms of its funding requirements and liquidity needs. Lennar and the other joint venture participants typically made pro-rata cash contributions to the joint venture. In many cases, Lennar's risk was limited to its equity contribution and potential future capital contributions. The capital contributions usually coincided in time with the acquisition of properties by the joint venture. Additionally, most joint ventures obtained third-party debt to fund a portion of the acquisition, development, and construction costs of their communities. The joint venture agreements usually permitted, but did 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 or maintenance guarantees, generally were required. See **Exhibits 5** and **6** for selected financial statement information about Lennar Corporation.

SHARING ARRANGEMENTS

12 Alliances, partnering, mergers and acquisitions, and joint ventures are sharing arrangements that enable parties to collaborate for mutual gain that would not otherwise be available from working alone. Each party may enter the relationship to obtain access to physical resources, financing, risk-sharing opportunities, specific skills and technologies, and new products and markets. Joint ventures usually involve creating a separate organization established through equity participation by the joint venture partners, and under their mutual shared control. Mergers and acquisitions involve the acquisition and control of one entity by another, or the creation of a third entity owned by each of the merger parties. Alliances usually involve contractual agreements to work together in specific ways and for specific periods, and share any resulting revenues, or profits, but do not involve equity participation by the parties.

13 One study found that joint venture announcements in the period 1972-1979 resulted in a statistically significant two-day increase in shareholder wealth of 0.74%, suggesting that investors perceive joint ventures as enhancing shareholder wealth.[3] Another study reported that the NUMMI joint venture established in 1983 between General Motors (GM) and Toyota in an idle GM plant was a major factor in the improvement in manufacturing quality and productivity at GM. At the outset, the cooperation provided an opportunity for each party to gain more from working together than working alone—Toyota wanted to learn about managing an American workforce, while GM wanted to learn about building small 13-713-8 13-813-9 13-913-10 13-1013-11 13-1113-12 13-1213-13 13-1313-14 13-1413-15cars using lean manufacturing methods, and to utilize an idle plant.[4] A third study noted that joint venture formations reached a peak in 1995, but have declined in popularity because executives have been concerned about three key issues: lack of control, lack of trust, and uncertainty about exiting from the arrangement.[5]

EXHIBIT 5: Lennar's 2008 Financial Statements

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CONSOLIDATED BALANCE SHEETS
November 30, 2008 and 2007

ASSETS **Homebuilding:**	**2008**	**2007**
Cash and cash equivalents	1,091,468	642,467
Restricted cash	8,828	35,429
Receivables, net	94,520	207,691
Income tax receivables	255,460	881,525
Inventories:		
Finished homes and construction in progress	2,080,345	2,180,670
Land under development	1,741,407	1,500,075
Consolidated inventory not owned	678,338	819,658
Total inventories	4,500,090	4,500,403
Investments in unconsolidated entities	766,752	934,271
Other assets	99,802	863,152
	6,816,920	8,064,938
Financial services	607,978	1,037,809
Total assets	7,424,898	9,102,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	246,727	376,134
Liabilities related to consolidated inventory not owned	592,777	719,081
Senior notes and other debts payable	2,544,935	2,295,436
Other liabilities	834,873	1,129,791
	4,219,312	4,520,442
Financial services	416,833	731,658
Total liabilities	4,636,145	5,252,100
Minority interest	165,746	28,528
Stockholders' equity:		
Preferred stock	—	—
Class A common stock of $0.10 par value per share Authorized: 2008 and 2007—300,000 shares Issued: 2008—140,503 shares; 2007—139,309 shares	14,050	13,931
Class B common stock of $0.10 par value per share Authorized: 2008 and 2007—90,000 shares Issued: 2008—32,964 shares; 2007—32,962 shares	3,296	3,296
Additional paid-in capital	1,944,626	1,920,386
Retained earnings	1,273,159	2,496,933
Deferred compensation plan; 2007—36 Class A common shares and 4 Class B common shares	—	(332)
Deferred compensation liability	—	332
Treasury stock, at cost; 2008—11,229 Class A common shares and 1,680 Class B common shares; 2007—10,705 Class A common shares and 1,679 Class B common shares	(612,124)	(610,366)
Accumulated other comprehensive loss	—	(2,061)
Total stockholders' equity	2,623,007	3,822,119
Total liabilities and stockholders' equity	7,424,898	9,102,747

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended November 30, 2008, 2007 and 2006

	2008	**2007**	**2006**
Revenues:			
Homebuilding	4,263,038	9,730,252	15,623,040
Financial services	312,379	456,529	643,622
Total revenues	4,575,417	10,186,781	16,266,662
Costs and expenses:			
Homebuilding	4,541,881	12,189,077	14,677,565
Financial services	343,369	450,409	493,819
Corporate general and administrative	129,752	173,202	193,307
Total costs and expenses	5,015,002	12,812,688	15,364,691
Gain on recapitalization of unconsolidated entity	133,097	175,879	—
Goodwill impairments	—	(190,198)	—
Equity in loss from unconsolidated entities	(59,156)	(362,899)	(12,536)
Management fees and other income (expense), net	(199,981)	(76,029)	66,629
Minority interest income (expense), net	4,097	(1,927)	(13,415)
Earnings (loss) before (provision) benefit for income taxes	(561,528)	(3,081,081)	942,649
(Provision) benefit for income taxes	(547,557)	1,140,000	(348,780)
Net earnings (loss)	(1,109,085)	(1,941,081)	593,869
Basic earnings (loss) per share	(7.00)	(12.31)	3.76
Diluted earnings (loss) per share	(7.00)	(12.31)	3.69

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended November 30, 2008, 2007 and 2006

	2008	**2007**	**2006**
Cash flows from operating activities:			
Net earnings (loss)	(1,109,085)	(1,941,081)	593,869
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	32,399	54,303	45,431
Amortization of discount/premium on debt, net	2,662	2,461	4,580
Gain on recapitalization of unconsolidated entity	(133,097)	(175,879)	—
Gain on sale of personal lines insurance policies	—	—	(17,714)
Equity in loss from unconsolidated entities, including $32.2 million, $364.2 million and $126.4 million, respectively, of the Company's share of SFAS 144 valuation adjustments related to assets of unconsolidated entities in 2008, 2007 and 2006	59,156	362,899	12,536
Distribution of earnings from unconsolidated entities	21,069	106,883	174,979
Minority interest (income) expense, net	(4,097)	1,927	13,415
Share-based compensation expense	29,871	35,478	36,632
Tax (provision) benefits from share-based awards	(6,139)	5,171	15,705
Excess tax benefits from share-based awards	—	(4,590)	(7,103)
Deferred income tax provision (benefit)	772,508	(438,817)	(198,005)
Valuation adjustments and write-offs of option deposits and pre-acquisition costs, notes receivables and goodwill impairments	565,465	2,767,522	501,786

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Changes in assets and liabilities, net of effect from acquisitions:			
(Increase) decrease in restricted cash	4,624	(10,633)	(2,115)
(Increase) decrease in receivables	828,646	(542,400)	47,843
(Increase) decrease in inventories, excluding valuation adjustments and write-offs of option deposits and pre-acquisition costs	292,264	666,228	(371,268)
Decrease in other assets	7,166	48,509	9,253
Decrease in financial services loans held-for-sale	83,622	190,254	78,922
Decrease in accounts payable and other liabilities	(346,200)	(683,722)	(386,211)
Net cash provided by operating activities	1,100,834	444,513	552,535
Cash flows from investing activities:			
Net (additions) disposals of operating properties and equipment	1,390	81	(26,783)
Contributions to unconsolidated entities	(403,709)	(607,957)	(729,304)
Distributions of capital from unconsolidated entities	87,802	542,346	321,610
Distributions in excess of investment in unconsolidated entity	—	354,644	—
Decrease in financial services loans held-for-investment	5,006	18,130	70,970
Purchases of investment securities	(176,514)	(107,791)	(108,626)
Proceeds from sales and maturities of investment securities	220,322	107,530	82,492
Proceeds from sale of personal lines insurance policies	—	—	18,500
Acquisitions, net of cash acquired	—	—	(33,213)
Net cash provided by (used in) investing activities	(265,703)	306,983	(404,354)
Cash flows from financing activities:			
Net repayments under financial services debt	(315,654)	(607,794)	(120,858)
Net proceeds from 5.95% senior notes	—	—	248,665
Net proceeds from 6.50% senior notes	—	—	248,933
Redemption of senior floating-rate notes due 2007	—	—	(200,000)
Redemption of senior floating-rate notes due 2009	—	(300,000)	—
Proceeds from other borrowings	3,548	32,178	2,489
Partial redemption of 7 5/8% senior notes due 2009	(322)	—	—
Principal payments on other borrowings	(132,055)	(188,544)	(150,793)
Net proceeds from sale of land to an unconsolidated land investment venture	—	445,000	—
Exercise of land options contracts from an unconsolidated land investment venture	(48,434)	—	—
Receipts related to minority interests	154,275	9,008	1,449
Payments related to minority interests	(3,240)	(45,553)	(72,800)
Excess tax benefits from share-based awards	—	4,590	7,103
Common stock:			
Issuances	224	21,588	31,131
Repurchases	(1,758)	(3,971)	(323,229)
Dividends	(83,487)	(101,123)	(101,295)
Net cash used in financing activities	(426,903)	(734,621)	(429,205)
Net increase (decrease) in cash and cash equivalents	408,228	16,875	(281,024)
Cash and cash equivalents at beginning of year	795,194	778,319	1,059,343
Cash and cash equivalents at end of year	1,203,422	795,194	778,319
Summary of cash and cash equivalents:			
Homebuilding	1,091,468	642,467	661,662
Financial services	111,954	152,727	116,657

EXHIBIT 6: Selected Footnotes from Lennar's 2008 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 variable interest entities (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 variable interest entities 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.

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 in accordance with SFAS 66. 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.

Investments in Unconsolidated Entities

The Company evaluates its investments in unconsolidated entities for impairment during each reporting period in accordance with APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* ("APB 18"). A series of operating losses of an investee or other factors may indicate that a decrease in value of the Company's investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value.

Additionally, the Company considers various qualitative factors to determine if a decrease in the value of the investment is other than temporary. These factors include age of the venture, intent, and ability for the Company to retain its investment in the entity, financial condition, and long-term prospects of the entity and relationships with the other partners and banks. If the Company believes that the decline in the fair value of the investment is temporary, then no impairment is recorded.

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

The Company's assumptions on the projected future distributions from the unconsolidated entities are dependent on market conditions. Specifically, distributions are dependent on cash to be generated from the sale of inventory by the unconsolidated entities. Such inventory is also reviewed for potential impairment by the unconsolidated entities in accordance with SFAS 144. The unconsolidated entities generally use a 20% discount rate in their SFAS 144 reviews for impairment, subject to the perceived risks associated with the

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community's cash flow streams relative to its inventory. If a valuation adjustment is recorded by an unconsolidated entity in accordance with SFAS 144, the Company's proportionate share is reflected in the Company's equity in earnings (loss) from unconsoli-dated entities with a corresponding decrease to its investment in unconsolidated entities. In certain instances, the Company may be required to record additional losses relating to its investment in unconsolidated entities under APB 18, if the Company's investment in the unconsolidated entity, or a portion thereof, is deemed to be unrecoverable through its disposition. These losses are included in management fees and other income (expense), net.

During the years ended November 30, 2008, 2007 and 2006, the Company recorded $205.0 million, $496.4 million, and $140.9 million, respectively, of valuation adjustments to its investments in unconsolidated entities, which included $32.2 million, $364.2 million, and $126.4 million, respectively, in 2008, 2007, and 2006 of the Company's share of SFAS 144 valuation adjustments related to the assets of the Company's unconsolidated entities, and $172.8 million, $132.2 million, and $14.5 million, respectively, in 2008, 2007, and 2006 of valuation adjustments to investments in unconsolidated entities in accordance with APB 18. These valuation adjustments were calculated based on market conditions and assumptions made by management at the time the valuation adjustments were recorded, which may differ materially from actual results if market conditions change. See Note 2 for details of valuation adjustments and write-offs by reportable segment and Homebuilding Other.

The Company tracks its share of cumulative earnings and cumulative 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 investing activities.

4. Investments in Unconsolidated Entities Summarized condensed financial information on a combined 100% basis related to unconsolidated entities in which the Company has investments that are accounted for by the equity method was as follows:

Balance Sheets	November 30, 2008	November 30, 2007
	(Dollars in thousands)	
Assets:		
Cash and cash equivalents	135,081	301,468
Inventories	7,115,360	7,941,835
Other assets	541,984	827,208
	7,792,425	9,070,511
Liabilities and equity:		
Accounts payable and other liabilities	1,042,002	1,214,374
Debt	4,062,058	5,116,670
Equity of:		
The Company	766,752	934,271
Others	1,921,613	1,805,196
Total equity of unconsolidated entities	2,688,365	2,739,467
	7,792,425	9,070,511
The Company's equity in its unconsolidated entities	29%	34%

Statements of Operations	Years Ended November 30 2008	2007	2006
		(In thousands)	
Revenues	862,728	2,060,279	2,651,932
Costs and expenses	1,394,601	3,075,696	2,588,196
Net earnings (loss) of unconsolidated entities	(531,873)	(1,015,417)	63,736
The Company's share of net loss—recognized[1]	(59,156)	(362,899)	(12,536)

[1] For the years ended November 30, 2008, 2007, and 2006, the Company's share of net loss recognized from unconsoli-dated entities includes $32.2 million, $364.2 million, and $126.4 million, respectively, of the Company's share of SFAS 144 valuation adjustments related to assets of the unconsolidated entities in which the Company has investments.

The Company's partners generally are unrelated homebuilders, landowners/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-today manager of the unconsolidated entities and receives management fees and/or reimbursement of expenses for performing this function. During the years ended November 30, 2008, 2007, and 2006, the Company received management fees and reimbursement of expenses from the unconsolidated entities totaling $33.3 million, $52.1 million, and $72.8 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, 2008, 2007, and 2006, $416.2 million, $977.5 million, and $742.5 million, respectively, of the unconsolidated entities' revenues were from land sales to the Company. The Company does not include in its 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

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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.

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

In November 2007, the Company sold a portfolio of land consisting of approximately 11,000 home sites in 32 communities located throughout the country to a strategic land investment venture with Morgan Stanley Real Estate Fund II, L.P., an affiliate of Morgan Stanley & Co., Inc., in which the Company has a 20% ownership interest and 50% voting rights. The Company also manages the land investment venture's operations and receives fees for its services. As part of the transaction, the Company entered into option agreements and obtained rights of first offer, providing the Company the opportunity to purchase certain finished home sites. The Company has no obligation to exercise the options, and cannot acquire a majority of the entity's assets. Due to the Company's continuing involvement, the transaction did not qualify as a sale by the Company under GAAP; thus, the inventory has remained on the Company's consolidated balance sheet in consolidated inventory not owned. In 2007, the Company recorded a SFAS 144 valuation adjustment of $740.4 million on the inventory sold to the investment venture. As a result of the transaction, the land investment venture recorded the purchase of the portfolio of land as inventory. As of November 30, 2008, the portfolio of land (including land development costs) of $538.4 million is reflected as inventory in the summarized condensed financial information related to unconsolidated entities in which the Company has investments.

The summary of the Company's net recourse exposure related to the unconsolidated entities in which the Company has investments was as follows:

	November 30,	
	2008	2007
	(In thousands)	
Several recourse debt—repayment	78,547	123,022
Several recourse debt—maintenance	167,941	355,513
Joint and several recourse debt—repayment	138,169	263,364
Joint and several recourse debt—maintenance	123,051	291,727
Land seller debt recourse exposure	12,170	—
The Company's maximum recourse exposure	519,878	1,033,626
Less joint and several reimbursement agreements with the Company's partners	(127,428)	(238,692)
The Company's net recourse exposure	392,450	794,934

The recourse debt exposure in the table above represents the Company's maximum recourse exposure to loss from guarantees and does not take into account the underlying value of the collateral. During the year ended November 30, 2008, the Company reduced its maximum recourse exposure related to unconsolidated joint ventures by $513.7 million.

The Company's Credit Facility requires the Company to effect quarterly reductions of its maximum recourse exposure related to joint ventures in which it has investments by a total of $200 million by November 30, 2009, of which the Company has already made significant progress. The Company must also effect quarterly reductions during its 2010 fiscal year totaling $180 million, and during the first six months of its 2011 fiscal year totaling $80 million. By May 31, 2011, the Company's maximum recourse exposure related to joint ventures in which it has investments cannot exceed $275 million (see Note 7).

Although the Company, in some instances, guarantees the indebtedness of unconsolidated entities in which it has an investment, the Company's unconsolidated entities that have recourse debt have significant amount of assets and equity. The summarized balance sheets of the Company's unconsolidated entities with recourse debt were as follows:

	November 30,	
	2008	2007
	(In thousands)	
Assets	2,846,819	3,220,695
Liabilities	1,565,148	2,311,216
Equity	1,281,671	909,479

In addition, the Company and/or its partners sometimes guarantee the obligations of an unconsolidated entity in order to help secure a loan to that entity. When the Company and/or its partners provide guarantees, the uncon-solidated entity generally receives more favorable terms from its lenders than would otherwise be available to it. In a repayment guarantee, the Company and its 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. The maintenance guarantees only apply if the value or the collateral (generally land and improvements) is less than a specified percentage of the loan balance. If the Company is required to make a payment under a maintenance guarantee to bring the value of the collateral above the specified percentage of the loan balance, the payment would constitute a capital contribution or loan to the unconsolidated entity and increase the Company's share of any funds the unconsolidated entity distributes. During the years ended November 30, 2008 and 2007, amounts paid under the Company's maintenance guarantees were $74.0 million and $84.1 million, respectively. In accordance with FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, as of November 30, 2008, the fair values of the maintenance guarantees and repayment guarantees were not material. The Company believes that as of November 30, 2008, in the event it becomes legally obligated to perform under a guarantee of the obligation of an unconsoli-dated entity due to a triggering event under a guarantee, most of the time the collateral should be sufficient to repay at least a significant portion of the obligation, or the Company and its partners would contribute additional capital into the venture.

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In many of the loans to unconsolidated entities, the Company and another entity or entities generally related to the Company's subsidiary's joint venture partner(s) 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 was to be done in phases, very often the guarantee is to complete only the phases as to which construction has already commenced and for which loan proceeds were used. Under many of the completion guarantees, the guarantors are permitted, under certain circumstances, to use undisbursed loan proceeds to satisfy the completion obligations, and in many of those cases, the guarantors pay interest only on those funds, with no repayment of the principal of such funds required.

Indebtedness of an unconsolidated entity is secured by its own assets. There is no cross collateralization of debt to different unconsolidated entities; however, some unconsolidated entities own multiple properties and other assets. In connection with a loan to an unconsolidated entity, the Company and its partners often guarantee to a lender either jointly and severally or on a several basis, any, or all of the following: (i) the completion of the development, in whole or in part, (ii) indemnification of the lender from environmental issues, (iii) indemnification of the lender from "bad boy acts" of the unconsolidated entity (or full recourse liability in the event of unauthorized transfer or bankruptcy), and (iv) that the loan to value and/or loan to cost will not exceed a certain percentage (maintenance or remargining guarantee) or that a percentage of the outstanding loan will be repaid (repayment guarantee).

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

In certain instances, the Company has placed performance letters of credit and surety bonds with municipalities for its joint ventures.

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

	November 30,	
	2008	2007
	(In thousands)	
The Company's net recourse exposure	392,450	794,934
Reimbursement agreements from partners	127,428	238,692
Partner several recourse	285,519	465,641
Non-recourse land seller debt or other debt	90,519	202,048
Non-recourse debt with completion guarantee	820,435	1,432,880
Non-recourse debt without completion guarantee	2,345,707	1,982,475
Total debt	4,062,058	5,116,670

14 Evidence suggests that strategic alliances also create shareholder value. One study of strategic alliances formed during the period 1983-1992 found that there were significant positive announcement returns of 0.64% surrounding the announcement.[6] A study of alliances in the movie industry found that movie studios financed their least risky projects internally, and that cofinanced projects through alliances were relatively riskier and more likely to be 13-1513-16undertaken by studios that were more financially constrained.[7] The authors argued that the results were consistent with the notion that a studio might improve the incentive of managers of a riskier project by deploying the project outside the firm in an alliance in which the enforceable contract between the two parties guaranteed a "baseline level of financing."[8]
15 Another form of joint venture is a financial joint venture, also known as project financing. Under project financing, two or more equity partners combine their capital with funds provided by lenders to invest in a specific project. Finnerty (1996) defines project finance as: "The raising of funds to finance an economically separable capital investment project in which the providers of funds look primarily to the cash flows from the project as the source of funds to service their loans and provide a return of and a return on their equity invested in the project."[9] Some have suggested that the primary purpose of project financing is to enable equity partners to engage in off-balance sheet financing. For example, if each equity partner owned 50% of the total equity, accounting rules in many countries would enable the partners to avoid consolidating the financial statements of the joint venture, and thereby avoid reporting the joint venture debt on their own books, as permitted under the equity method of accounting. Brealey, Cooper, and Habib suggest that project financing enables equity partners to obtain debt financing on more favorable terms by reducing transaction costs incurred by lenders in assessing the creditworthiness of the specific project assets. If the equity partners borrowed debt funds directly, a lender would be required to assess the creditworthiness of the entire asset portfolio.[10]

COMPETITION

16 The residential homebuilding industry is a very competitive business. Participants compete vigorously for homebuyers in each of the major market regions. Efforts by lenders to sell foreclosed homes were an increasingly competitive factor in the deep recession in the U.S. that began in 2008. Lennar competed for homebuyers on the basis of location, price, reputation, amenities, design, quality, and financing. Lennar also competed with other homebuilders for desirable properties, raw materials, reliable and skilled labor, and with third parties in selling land to homebuilders and others. There were several large geographically diversified homebuilders in the U.S., including D.R. Horton, Inc., KB Home, and Pulte Homes, Inc., vying in the same markets as Lennar. See **Exhibits 7** and **8** for selected financial information about Lennar's competitors in the homebuilding industry.
17 ***D.R. Horton, Inc.*** was the largest homebuilding company in the United States, based on homes closed during the 12 months ended September 30, 2008. The company constructed and sold high-quality homes through its operating divisions in 27 states and 77 metropolitan markets of the United States, primarily under the name of D.R. Horton, America's Builder. The company's homes ranged in size from 1,000 to 5,000 square feet, and in price from $90,000 to $900,000. The downturn in the industry resulted in a decrease in the size of the company's operations during fiscal 2007 and 2008. For the year ended September 30, 2008, Horton closed 26,396 homes with an average closing sales price of approximately $233,500. Through the company's financial services operations, it provided mortgage financing and

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title agency services to homebuyers in many of its homebuilding markets. DHI Mortgage, 13-1613-17 13-1713-18 13-1813-19the company's wholly owned subsidiary, provided mortgage financing services principally to purchasers of homes built by the company. Horton generally did not retain or service the mortgages it originated but, rather, sold the mortgages and related servicing rights to investors. A subsidiary title company served as title insurance agents by providing title insurance policies, examination, and closing services, primarily to the purchasers of its homes.

EXHIBIT 7: Selected Financial Data for Peer Companies

	DR Horton			KB Home			Pulte Homes		
Selected Financial Items	Sept 2008	Sept 2007	Sept 2006	Nov 2008	Nov 2007	Nov 2006	Dec 2008	Dec 2007	Dec 2006
Cash and Equivalents	1,387.3	269.6	587.6	1,141.5	1,343.7	654.6	1,655.3	1,060.3	551.3
Inventories	5,035.3	9,867.0	12,366.0	2,106.7	3,312.4	6,455.0	4,835.1	7,748.0	10,755.1
Investments at Equity	0.0	0.0	0.0	222.4	320.2	423.0	134.9	105.5	150.7
Total Assets	7,709.6	11,556.3	14,820.7	4,044.3	5,706.0	9,014.5	7,708.5	10,225.7	13,176.9
Long Term Debt Due in One Year	577.4	243.4	26.1	279.5	1.9	98.4	29.2	4.1	19.8
Notes Payable	203.5	387.8	1,191.7	0.0	0.0	0.0	237.6	440.6	814.7
Long Term Debt	2,967.5	3,745.6	4,860.8	1,662.0	2,159.9	3,027.4	3,142.8	3,483.5	3,545.1
Stockholders' Equity	2,834.3	5,586.9	6,452.9	830.6	1,850.7	2,922.7	2,835.7	4,320.2	6,577.4
Common Shares Outstanding	316.7	314.9	313.2	77.7	77.3	77.0	258.2	257.1	255.3
Sales	6,646.1	11,296.5	15,051.3	3,033.9	6,416.5	11,003.8	6,263.1	9,256.5	14,269.8
Cost of Goods Sold	8,228.6	10,420.7	11,361.8	3,305.5	6,809.1	8,833.3	7,037.1	10,001.8	11,837.7
Gross Profit	(1,582.5)	875.8	3,689.5	(271.6)	(392.6)	2,170.5	(774.0)	(745.3)	2,432.1
Operating Profit	(2,527.6)	(483.9)	1,974.2	(786.4)	(1,239.3)	770.1	(1,596.6)	(1,890.0)	1,212.4
Adjusted Net Income	(2,633.6)	(712.5)	1,233.3	(976.1)	(929.4)	482.4	(1,473.1)	(2,255.8)	687.5
Operating Activities—Net Cash Flow	1,879.9	1,355.5	(1,190.8)	341.3	1,194.3	715.7	1,220.4	1,218.3	(267.5)
Investing Activities—Net Cash Flow	(6.6)	(39.8)	(83.3)	(168.0)	486.8	(201.4)	(55.9)	(221.4)	(86.9)
Financing Activities—Net Cash Flow	(755.6)	(1,633.7)	711.9	(375.6)	(1,141.5)	(13.7)	(567.7)	(487.6)	(96.2)

EXHIBIT 8: Selected Financial Ratios for Peer Companies

	DR Horton			KB Home			Pulte Homes		
Liquidity:	Sept 2008	Sept 2007	Sept 2006	Nov 2008	Nov 2007	Nov 2006	Dec 2008	Dec 2007	Dec 2006
Acid Test Ratio	1.9	0.2	0.4	1.9	2.3	1.1	2.3	1.1	0.4
Current ratio	6.7	8.3	5.8	4.5	6.9	6.5	7.7	8.9	7.7
Asset Management:									
Day's Receivable	0.0	0.0	0.0	17.8	17.0	22.0	6.8	0.0	0.0
Day's Inventory	223.4	345.6	397.3	232.6	177.6	266.7	250.8	282.8	331.6
Day's Payable	30.2	27.2	–	95.7	71.4	–	19.3	21.8	–
Asset Turnover	0.9	1.0	1.0	0.8	1.1	1.2	0.8	0.9	1.1
Financial Leverage:									
Long-term Debt to Total Assets	0.5	0.3	0.3	0.5	0.4	0.3	0.4	0.3	0.3
Long-term Debt to Stockholders' Equity	1.3	0.7	0.8	2.3	1.2	1.1	1.1	0.8	0.5
Interest Coverage Ratio	−10.5	−1.5	5.4	−5.4	−6.2	3.1	−7.0	−7.3	4.2
Profitability:									
Gross Profit Margin Ratio	−23.8%	7.8%	24.5%	−9.0%	−6.1%	19.7%	−12.4%	−8.1%	17.0%
Return on Sales (ROS)	−39.6%	−6.3%	8.2%	−32.2%	−14.5%	4.4%	−23.5%	−24.4%	4.8%
Return on Assets (ROA)	−34.2%	−6.2%	8.3%	−24.1%	−16.3%	5.4%	−19.1%	−22.1%	5.2%
Return on (ending) Equity (ROE)	−92.9%	−12.8%	19.1%	−117.5%	−50.2%	16.5%	−51.9%	−52.2%	10.5%
Dupont Analysis:									
Return on (ending) Equity (ROE)									
ROE =	−92.9%	−12.8%	19.1%	−117.5%	−50.2%	16.5%	−51.9%	−52.2%	10.5%
Return on sales	−39.6%	−6.3%	8.2%	−32.2%	−14.5%	4.4%	−23.5%	−24.4%	4.8%
* Asset turnover	0.9	1.0	1.0	0.8	1.1	1.2	0.8	0.9	1.1
* Leverage	2.7	2.1	2.3	4.9	3.1	3.1	2.7	2.4	2.0

18 ***KB Home***, one of the nation's largest homebuilders, was a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH." The company's four home-building segments offered a variety of homes designed primarily for first-time, first move-up, and active adult buyers, including attached and detached single-family homes, townhomes, and condominiums. KB offered homes in development communities, at urban in-fill locations, and as part of mixed-use projects. The company delivered 12,438 homes in 2008 and 23,743 homes in 2007. In 2008, the average selling price of $236,400 decreased from $261,600 in 2007.

19 ***Pulte Homes, Inc.*** was a publicly held holding company whose subsidiaries engaged in the homebuilding and financial services businesses. Homebuilding, the company's core business, was engaged in the acquisition and development of land primarily for residential purposes within the continental United States, and the construction of housing on such land targeted for first-time, first and second move-up, and active adult home buyers.

LENNAR'S FUTURE

20 Amphlett knew that understanding Lennar's business and charting the company's future would be a difficult task. In addition to financial statement information, she gathered capital markets data (see **Exhibit 9**). The recent two-week vacation seemed a long while ago, even though she had been back at work only three days. She wondered whether Lennar's management would become distracted by efforts to control the damage caused by the Fraud Discovery Institute claims, and exacerbate the company's problems caused by the financial crisis, mortgage defaults, and a dramatic fall in house prices across the country, and particularly in Arizona, Florida, and Nevada, markets where Lennar was active.

EXHIBIT 9: Selected Capital Markets Information

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Lennar's equity beta (from *Value Line*, July 3, 2009)	1.95
Equity market risk premium (from Dimson, Marsh, and Staunton)	5–6% per year
Lennar's Class A common stock price per share (June 30, 2009)	$9.69
Lennar's Class B common stock price per share (June 30, 2009)	$7.60
Shares outstanding (November 30, 2008):	
Class A	129,251,272
Class B	31,284,003
Lennar's debt rating	B3
Yield to maturity on A-rated debt	6.2%
Yield to maturity on Baa-rated debt	7.30%
Yield to maturity on 10-year Treasury Bond (June 30, 2009)	3.64%
Value Line (July 3, 2009) estimated sales, net income (in thousands), and EPS in 2009	$3,325,000 −$350,000 −$2.10
Value Line (July 3, 2009) estimated sales, net income (in thousands), and EPS in 2010	$3,200,000 −$37,000 −$0.20

1

The Wall Street Journal, January 9, 2009.

2

See Lennar Corporation's 2008 10-K filing on the company's Web site.

3

John McConnell and Tim Nantell, "Common Stock Returns and Corporate Combinations: The Case of Joint Ventures," *Journal of Finance*, 40: 519–536 (1985).

4

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