1999 ANNUAL REPORT

Table of Contents

Financial highlights 3

Letter to shareholders 4

A simple emphasis: our customers 11

A simple operating model: where, what and how 13

A simple focus: growing strong in America's fastest growing markets 14

A simple strategy: "Everything's Included℠"

from A to 17

Simply one stop: financial services 19

...and simply a great place to work 21

Financial information 23

Simply Lennar

The future belongs to the focused.

It's our focal point. It's our strategy. It's the way we build homes and sell homes. It's the way we control our growth. It's simply the way we manage our business.

Simply Lennar

Building a better home

As the nation's fifth largest residential builder, with operations in Florida, California, Texas, Arizona and Nevada, we've helped to fulfill the home ownership dreams of over 160,000 families since the company was founded in 1954 - over 12,500 families in 1999 alone. Our fundamental goal: to build a better home, for the first-time buyer, the family moving up to a larger home, or the retirees looking for a home and community that fits their active lifestyle. We've continually set our standards higher, with a new generation of quality Zero Defect homes and our "Everything's Included℠" program of upgraded home features. Keeping it simple and making it special. That's what it's all about.

Building superior financial services

Through our Financial Services Division, we've also helped to simplify the homebuying process with services that include everything from title, mortgage and closing services to cable television and alarm system installation and monitoring.

Building significant careers

The Lennar family consists of some 4,900 associates. We're proud of our history of helping our associates build their careers, reflecting our commitment to being the best in the industry. As we've grown, our associates have grown with us, enriching our unique corporate culture and bringing high levels of innovation, initiative and expertise to our programs.

Building shareholder value

At Lennar Corporation, our success is based on maintaining consistent and predictable growth in revenues, earnings and deliveries, while remaining focused on return on capital and return on equity. We exceeded our goals in all three areas in 1999, building shareholder value by reducing homebuilding debt, further diversifying our earnings stream, consolidating our national operations and increasing both new home deliveries and our financial services customer base.

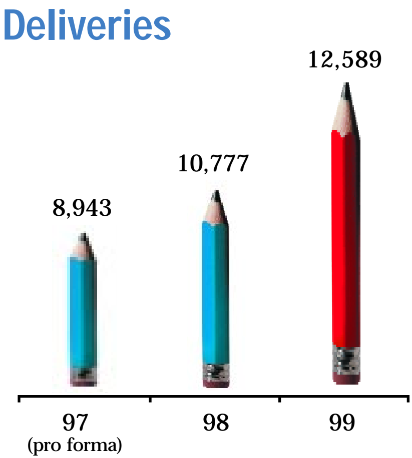
Strong, consistent earnings per share growth has helped to build our reputation on Wall Street, just as our quality homes have built our reputation on Main Street.

Building one of the best balance sheets in the business

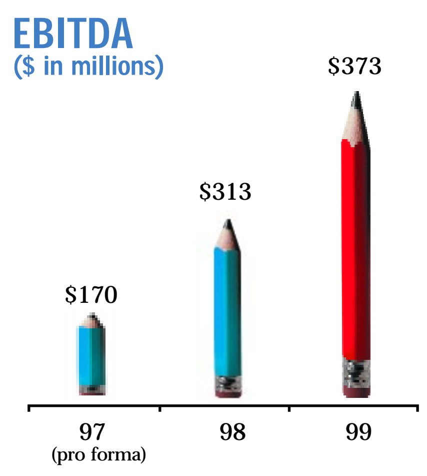
For forty-five years, our reputation has been built on a very simple principle: build the best homes and provide the best services to our customers, and great financial results will follow. It's a simple formula that's helped us build shareholder value year after year, as well as one of the best balance sheets in the business.

Financial Highlights

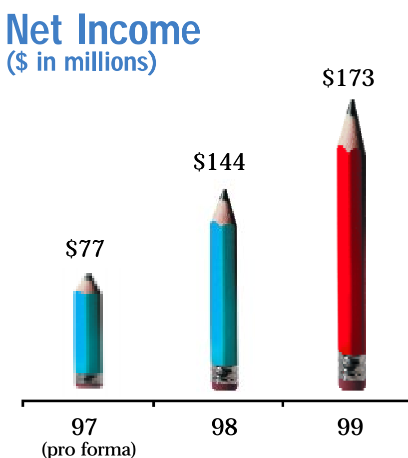
Deliveries



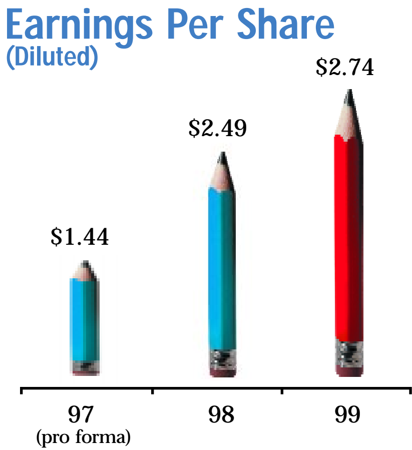
EBITDA
($ in millions)



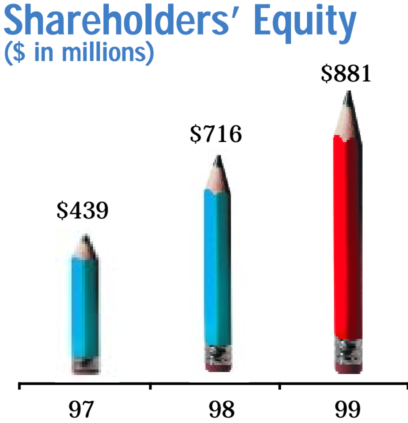
Net Income
($ in millions)



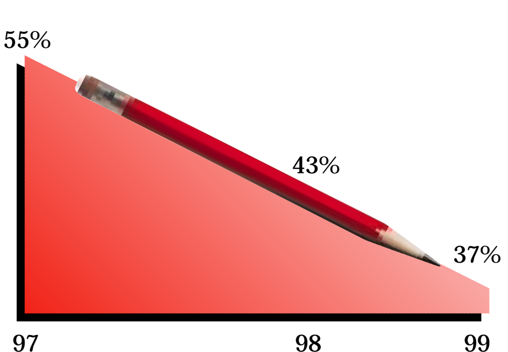
Earnings Per Share
(Diluted)



Shareholders' Equity
($ in millions)



Debt to Total Capital Ratio



Simply another record year

Dear Shareholders:

1999 was another record year for Lennar Corporation, as we continued to expand our customer base and grow our revenues, earnings and new home deliveries. We further streamlined our operations, including fully integrating the new operations acquired in 1998 and 1999, while managing a more balanced and diverse product offering.

Lennar has continued to deliver shareholder value by growing earnings and building a strong and stable balance sheet. We've done it with a simple, prudent financial and business strategy.

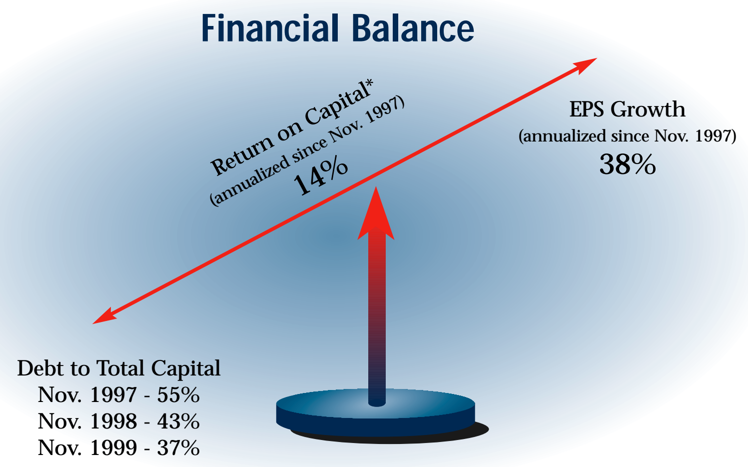
In 1999 we...

- Grew total revenues to $3.1 billion, a 29% increase
- Grew net earnings by 20% to $173 million
- Reduced our debt to total capital ratio from 43% to 37%
- Reduced our revolver balance to $0 at November 30, 1999
- Increased shareholders' equity by $166 million to $881 million

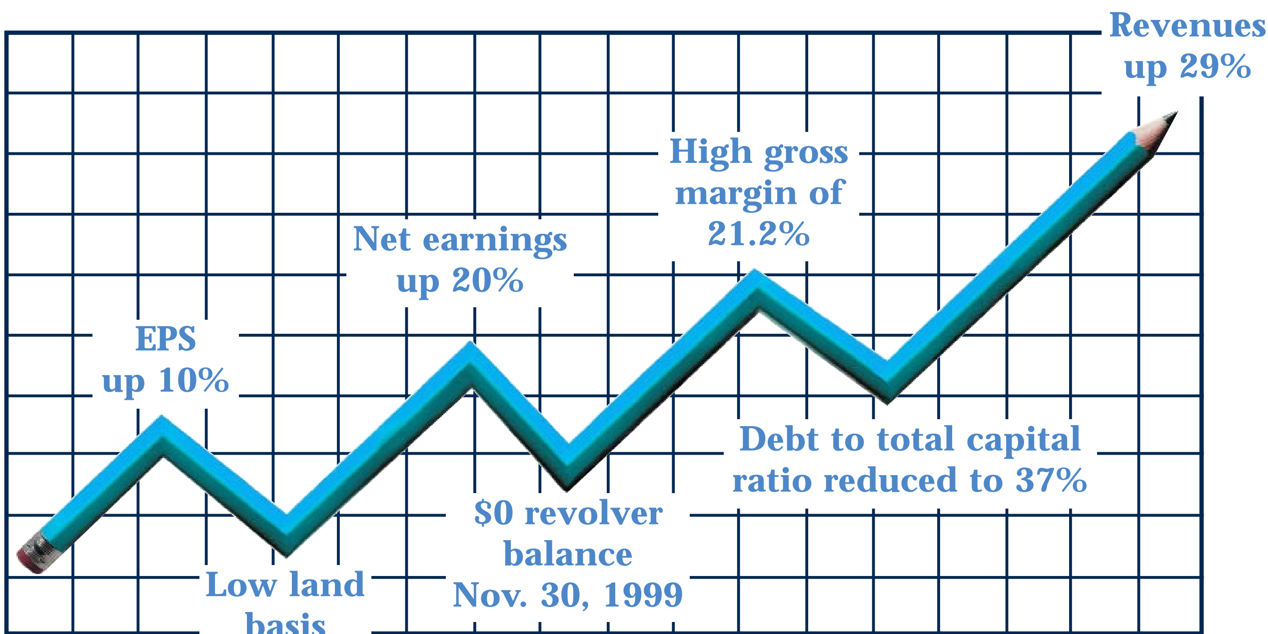
Our growth reflected a four-tiered corporate strategy: a simple operating model, well-paced expansion of the business, continued diversification of our product offerings and a conservative fiscal strategy. Our focus is to:

- Maintain a strong balance sheet
- Diversify and grow earnings
- Maintain high gross margins and a low land basis
- Maximize our return on capital investment
- Fully integrate our newly acquired companies, management and associates
- Increase market share in core markets

Simply strategic... By focusing our operating strategy on improving our balance sheet while we grow earnings per share and generate high returns on capital, we keep our company positioned for future success. A strong balance sheet is the foundation for seizing opportunities when market inefficiencies present themselves.



* Net income plus after tax interest/(avg. debt + avg. equity)



Maintained a simple operating strategy...

Simply the best... Buying a home is an investment, and we maximize the value of that investment with the "Everything's Included℠" program of luxury standard features, from top name appliances to upgraded carpet in a full range of colors, at a great value to the buyer. "Everything's Included℠" was introduced at nearly every price level in 1999 at Lennar communities, and along with our industry-leading Zero Defects homebuilding policy, it's the cornerstone of our business philosophy of *keeping it simple and making it special.* "Everything's Included℠" means simplicity for the buyer and the builder, with added value to the customer, reduced necessity of upgrades and changes and an expedited production schedule.

Simply streamlined... Our streamlined business structure creates economies of scale that benefit our customers, subcontractors and associates alike. Our two divisions: Lennar Homes and Lennar Financial Services (LFS) allow us to cover nearly every aspect of the homebuilding and buying process, keeping it simple for the buyer and the builder. Our compact management structure keeps us lean and highly focused, while leveraging the localized experience of our team for maximum growth, market by market.

Simply focused... We have remained compact by focusing on the nation's fastest growing markets; *we're coast to coast and focused.* The housing markets in Florida, California, Texas, Arizona and Nevada are among the nation's top markets for the homebuilding industry. Our strength is bolstered by the acquisition of local builders who bring market expertise to the table, positioning us for continued strong growth.

Achieved a lot by doing more...

Simply stronger acquisitions... Lennar Corporation grew to approximately 4,900 associates nationwide in 1999, an increase of about 800 associates. Our expansion included the integration of our newly acquired LFS companies: Eagle Home Mortgage, Southwest Land Title and North American Title Guaranty in 1999 and North American Title in 1998.

These strategic acquisitions, along with our 1997 and 1998 acquisitions (Pacific Greystone, Winncrest Homes, ColRich Communities and Polygon Communities), helped to strengthen our positions in our Western and Southwestern markets, while adding to our human capital of experienced, able management.

Simply diversifying... At Lennar, maintaining a diverse business is the key to building long-term, stable earnings growth. We have built that diversity by applying a "one-stop shopping" approach to the homebuying experience. By building strong homebuilding operations, and leveraging them with financial and ancillary services, we are able to create a value-added business, and capture an increasing percentage of buyers. Again, it's about simplicity - covering everything from the home itself to the mortgage to the security and cable television systems.

Our title companies handled nearly 140,000 transactions in 1999. Strategic Technologies, Inc. (STI) grew its customer base significantly in 1999 and now has approximately 7,600 cable and 6,300 alarm monitoring customers nationwide.

LFS completed nearly 15,000 loan originations in 1999, up 90% versus 1998. The dollar value of loans originated by LFS grew to $2.2 billion, up a full 110% versus 1998. In addition, the capture rate of Lennar homebuyers to our mortgage and ancillary services increased from 59% in 1998 to 63% in 1999. And while LFS pretax earnings edged down 7% versus 1998 to $31 million, revenues grew by 27%, reaching $269 million.

This diverse stream of earnings, and the continued addition of ancillary services in our technologies division, will help us continue to deliver a high level of profitability and return on equity to our shareholders.

Simply covering all the demographics... Diversity also means building in a range of price brackets and consumer markets. We delivered over 12,500 homes nationwide in 1999, ranging in price from $100,000 to a million-plus, with a majority falling between $100,000 and $400,000. We cover a broad consumer market that includes first-time buyers, "move-up" buyers trading up to a larger home, and active adult homebuyers (older buyers, retirees and "empty-nesters").

And improved our balance sheet...

Simply achieving more... We achieved record earnings, revenues and earnings per share in 1999. At the same time, we reduced our debt to total capital ratio to 37% and brought our revolving credit balance to zero by the end of the year. To put it simply, our highs and lows were some of the best in the business.

Simply balanced... Lennar Corporation continues to have one of the strongest balance sheets in the homebuilding industry. We have achieved this through conservative fiscal policies, which balance short-term growth with long-term earnings stability. Since November 1997, we have achieved an annualized 38% increase in earnings per share while reducing our debt to total capital ratio from 55% to 37%.

...While keeping it simple.

At Lennar Corporation, "Keeping it Simple" is more than just a marketing strategy. It's a new way of doing business, and one that we think has revolutionized the homebuilding industry. It's about building homes that homebuyers and investors love, and making the homebuying process simpler and more satisfying for our customers. It's about cultivating a prudent financial strategy - achieving a zero revolver balance and reducing our debt to capital ratio to less than 40%. It's also about nurturing a corporate culture that rewards individual achievement, while working toward a unified vision. And it's about rewarding our shareholders with a sound balance sheet, excellent returns on equity and record earnings.

With so much to look forward to, it's easy to forget that we've been in business for nearly a half century. But it's that longevity and our constant emphasis on quality, simplicity and innovation, which have helped us to build one of the best reputations in the homebuilding industry.

We would like to thank the almost 5,000 associates of Lennar that have worked so hard to ensure the success of our company. We would like to thank our customers for putting their trust in Lennar to build the home of their dreams. We'd also like to thank our shareholders for your continued investment and belief in our company. We've worked hard to earn your trust, and we're looking forward to continued shared success in the short and the long-term.

Sincerely,

Stuart A. Miller
President & Chief Executive Officer

P.S. Simply another great deal

On February 17, 2000, we announced the signing of a definitive agreement to acquire U.S. Home Corporation to create the largest homebuilder in America based on profitability and revenues.

ei
Lennar
CORPORATION

A simple emphasis: our customers

For many families, buying a home is the most significant single purchase they will make. For us, it's the most significant relationship we will forge. Growing with the homebuyer, from their first home to their dream home, is the Lennar way.

The Lennar homebuyer spans the entire range, from young families, couples and singles buying their first home, to growing families moving up to a larger home, to "empty nesters" and active seniors looking for a resort lifestyle with amenities and activities to suit a lifestyle of independence and leisure. By making the process simple and satisfying, with unparalleled customer service before, during and after the sale, we are able to keep many of our homebuyers in the Lennar family as their housing needs change. We call it TLC - Total Lennar Care. Our customers call it a great buying experience.

- We strive to offer a quality "Zero Defects" home with "Everything's Included℠" features that make our homes a great value for the first-time buyer.
- Our spacious floor plans and expanded array of "Everything's Included℠" features packages are ideal for the move-up homebuyer, who often has children living at home, and thus requires more space and options.
- We offer a variety of low-maintenance plans with an expanded menu of amenities and recreational facilities to meet the needs of active adults.

FIRST-TIME BUYERS	MOVE-UP BUYERS	ACTIVE ADULTS
Keeping it simple for the first-time homebuyer means offering the best value for the money, and a no-hassle process for choosing and purchasing their new home. Lennar homes targeted to the first-time buyer often include: • A home priced from $100,000 to over $200,000. • The value of our "Everything's Included℠" upgraded features packages. • Well-planned communities with recreational facilities suited for young singles, couples and families, including tot lots, swimming pools, club-houses and more. • The TLC buying experience - which often means that their next home will also be a Lennar home.	For families "trading up" to a larger home, Lennar offers an expanded array of features. Often, our "move-up" families started out as first-time Lennar homebuyers. Enhanced amenities often include: • A spacious home from under $200,000 to over $400,000. • "Everything's Included℠" options including pre-wired computer work stations for students or home offices and multi-purpose spare rooms. • Master-planned communities loaded with amenities and recreational facilities.	Every day, 10,000 Americans reach fifty years of age. And as the 75-million-plus Baby Boomers reach this milestone, they are changing the face of aging to one that is more affluent, active, and health conscious. Lennar communities for America's fastest growing population are built for entertaining and for play, with convenient features that make home not just a place to be, but a place to live. Features often include: • Homes priced from $100,000 to over $200,000. • Low maintenance inside and out, including landscaping and lawn care. • State-of-the-art recreational facilities, including special golfing communities and more.

A simple operating model: where, what and how

Where we build...

Our strategy of keeping things simple will continue to enable us to grow quickly and efficiently. Lennar is coast to coast and focused on the large and growing markets of Florida, California, Texas, Arizona and Nevada. By targeting high-growth markets, Lennar has been able to leverage the expertise of our management teams, enhancing both efficiency and profitability.

- Lennar is one of the largest builders in the top three housing states of California, Texas and Florida, which accounted for nearly a third of total housing production in the U.S. in 1999.
- According to the Census Bureau, the seventeen fastest growing counties in the country are all located in the five states we operate in.
- In the South and West, the children of the Baby Boom generation, the so-called Echo Boomers, are well-educated, increasingly affluent, and acquiring homes at a heated pace, driving housing markets such as Florida, California, Texas, Arizona and Nevada to record growth. We are taking the lead by constantly modernizing our floor plans and amenities to meet the needs of these technologically savvy, younger buyers.

What we build...

A home with "Everything's Included[SM]". It just doesn't get any simpler than that. Our "Everything's Included[SM]" program benefits our customers by ensuring consistent quality, timely delivery and great value, while still allowing them to personalize, not customize their home. From that simple framework, Lennar Corporation has built a reputation as one of the leading homebuilders in the U.S.

How we build...

It's all about Zero Defects. And that means that every home we build, every mortgage loan we make, everything we do, and every element of our business is approached with the attitude that there will be zero tolerance for error. Yes, errors are still made from time to time... we're human. But Zero Defects is about attitude. It's a determination that we will always strive to be the best.

The high quality of our homes, encapsulated in our Zero Defects policy, combined with the upgraded features of our "Everything's Included[SM]" program, encourage many of our customers to refer family and friends to Lennar, or to purchase another Lennar home as they move along the income and demographic spectrum. The way we see it, we're building more than just homes - we're building relationships that will last for years to come.

A simple focus: growing strong in America's fastest growing markets

California

In just a few years, Lennar has become the second largest builder in the state of California. Our 1997 merger with Pacific Greystone, the parent company of Greystone Homes, created one of the nation's largest homebuilding and financial services companies. Other California acquisitions include Bramalea (1995), Renaissance Homes (1996) and Polygon Communities, ColRich Communities and Winncrest Homes (1998).

California ranked first in the nation in annualized total personal income (TPI) through the 3rd quarter of 1999. TPI was up 5.5% through the 3rd quarter. The state also ranked 3rd in residential building permits and 1st in single family home sales with over 700,000homes in 1999.

Florida

Lennar is Florida's largest homebuilder, with ten divisions throughout the state, including Miami, Fort Lauderdale, Palm Beach, Melbourne, Tampa Bay, Fort Myers (Southwest Florida) and Orlando.

Florida is the nation's 4th most populous state, and also ranked 4th in annualized TPI through the 3rd quarter of 1999. The state ranked 1st in residential permits and third in single family home sales in 1999.

Arizona/Nevada

Lennar has over 25 years experience building in Arizona. Arizona ranked 6th in residential permits in 1999, and 8th in single family home sales. The state also had the second highest increase in annualized total personal income through the 3rd quarter of 1999 (up 8.6%).

Lennar has a strong presence in Nevada, which was the fastest growing state in terms of annualized TPI growth through the 3rd quarter of 1999, with a 10.4% increase.

Both Arizona and Nevada provide excellent opportunities to expand our retirement communities.

Texas

Lennar builds throughout Texas, in Dallas, Fort Worth, Houston and Austin. Lennar acquired local builder Village Builders of Houston and Friendswood Development Company in 1996.

Texas ranked 3rd nationwide in annualized total personal income through the 3rd quarter of 1999. The state had a 5.6% increase in per capita income, the fourth highest rate in the U.S. Texas ranked 2nd in both residential permits and single family home sales in 1999.

LENNAR Z VALUES

OUR ZERO DEFECT COMMITMENT

1. OFFER OUR CUSTOMERS THE VERY BEST VALUE IN THE MARKETPLACE WITH OUR "EVERYTHING'S INCLUDED℠" FEATURES.

2. MAKE THE LENNAR HOMEBUYING EXPERIENCE ONE THAT IS UNPARALLELED IN OUR INDUSTRY BY PROVIDING OUR CUSTOMERS WITH THE HIGHEST LEVEL OF PRIDE, PROFESSIONALISM AND INTEGRITY.

3. DELIVER EACH AND EVERY HOME TO OUR CUSTOMERS WITH ZERO DEFECTS PRIOR TO CLOSING.

4. PROMPTLY RESPOND TO ALL SERVICE REQUESTS ON THE NEXT BUSINESS DAY, OR ON THE SAME DAY WHENEVER POSSIBLE.

5. COMPLETE ALL WARRANTY REPAIRS IN A TIMELY, COURTEOUS AND PROFESSIONAL MANNER.

Lennar Corporation

"I was surprised on opening day, when these people would actually come up to me and talk about how delighted they were about the things that were included in the home. They were just amazed. They'd never seen anybody do that."

Denis Cullumber
Division President,
South Coast Division

"Zero Defects and Z-Values mean to me focusing on all the right things. It means focusing on delivering the highest quality product in the industry today. It means delivering unparalleled service to our homebuyers and friends. It means focusing on teamwork and working hard, but always having fun and working as a team towards both our personal and professional goals."

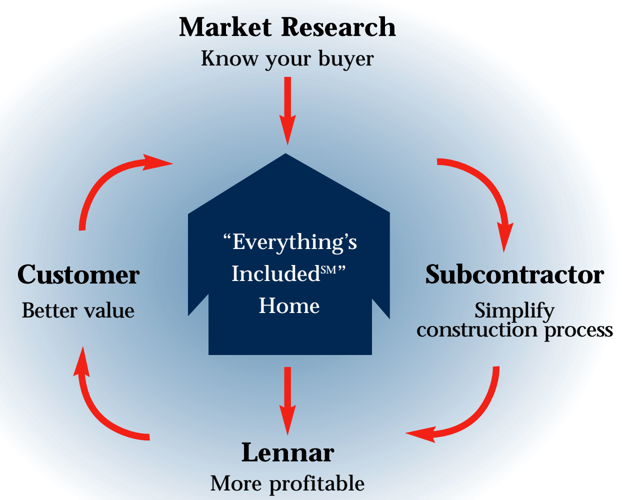
Mike Levesque
Division President,
San Diego Division

A simple strategy: "Everything's Included℠" from A to Z

Simply "Everything's Included℠"

At Lennar, building the best home starts with a simple strategy: know your customer. We put our market research expertise to work to determine what home features will offer the best value to the customer on a market by market basis, whether it's upgraded carpeting or top name kitchen appliances. By pre-selecting optimal home features for inclusion in our standard homes, we are able to deliver a home that's personalized for the homebuyer, without the need for customization. We sum it up in two words: "EVERYTHING'S INCLUDED℠".

- For the subcontractor, "EVERYTHING'S INCLUDED℠" means a simplified construction process. By eliminating the need for customization, they are able to achieve the consistent quality and timely delivery that benefits their bottom line, while building homes that customers love.
- For the customer, "EVERYTHING'S INCLUDED℠" means the best value in the market. The cost savings from bulk purchases from suppliers results in added value which is passed on to our customers.
- For Lennar, "EVERYTHING'S INCLUDED℠" means profitibility. Even flow production and lower costs translate into higher margins and lower overhead for Lennar.



Simply Zero Defects

Our quest to build the home of our customers' dreams where "EVERYTHING'S INCLUDED℠" is part of our larger mission; a mission we call Zero Defects. Our commitment to Zero Defects encompasses everything we do, from the way we build our homes to the way we service them prior to and even after closing. From our timely response to service requests to our professionalism and Total Lennar Care, Zero Defects is a commitment to excellence; a commitment that shapes our values, even as it grows our business.

Zero Defects is also about the pride our associates share in every aspect of what we do. When they put on their Lennar name badge, our associates can be proud of the company they represent. Pride in ownership. Pride in our commitment to quality. Pride in our company's past, present and unlimited future.

It's a simple strategy. Build the best. Be the best... with Zero Defects.

"We were able to purchase the home and start the paperwork immediately with representatives from Lennar. And they handled the complete financing for us. They gave us extremely competitive rates. We had many options in that respect, and they handled the whole program for us. So we didn't have to go outside and shop for ourselves. They took care of all of that."

Clyde Collins
Homeowner, Coto de Caza

Simply one stop: financial services

A simpler process...

Enhancing the homebuying experience for our customers means simplifying the process of choosing, financing and closing on a new home. Offering the customer a single source for all their financial and residential services needs is just one more way we're earning the trust of our homebuyers. At the same time, we're diversifying our revenue base.

Our Financial Services Division had $31 million in pretax earnings in 1999, and that success came as a result of "capturing" an increasing percentage of Lennar homebuyers (63% in 1999, versus 59% in 1998).

- Our mortgage division had just under 15,000 mortgage loan originations in 1999, up 90% versus 1998.
- The dollar value of loan originations reached $2.2 billion, a 110% increase versus 1998.
- STI increased its customer base in 1999 and now has approximately 7,600 cable and 6,300 alarm monitoring customers.
- Our title services business completed 139,000 title transactions in 1999.

All of this resulted in a revenue increase for LFS of 27% to $269 million.

...at a faster pace

Lennar is focused on utilizing the internet to simplify the process of purchasing a home. By focusing on internet solutions, we will enable our customers to benefit from the latest technology. With the majority of our customers being internet users, we have focused attention on providing broadband services to deliver high-speed internet access to our homebuyers.

Mortgage Services	Title Services	Technologies
Universal American Mortgage Company (UAMC), Eagle Home Mortgage (Eagle)	TitleAmerica, Regency Title Company, North American Title, Southwest Land Title, Universal Title Insurers and North American Title Guaranty	Strategic Technologies, Inc. (STI)
The acquisition of Eagle in 1999 added to the strength of our portfolio of mortgage services that started with the establishment of UAMC in 1981. UAMC and Eagle originated almost 15,000 loans in 1999 with a dollar value of $2.2 billion. The Division's servicing portfolio totaled $3.1 billion (38,000 loans) at November 30, 1999.	LFS added two new companies to its title group in 1999: Southwest Land Title and North American Title Guaranty. Combined, LFS title companies handled 139,000 transactions in 1999, versus 123,000 in 1998.	STI provides cable TV, home security systems and monitoring services to both Lennar and other communities in California and Florida. STI was founded in 1996, and represents a key growth engine for the company. STI's customer base grew to 7,600 cable customers and 6,300 alarm customers at the end of 1999.

Where's the WOW?
By Dr. S
LSU
CW
WOW!

...and simply a great place to work

Our associates

For our 4,900 associates, Lennar Corporation is more than just a place to work. It's a family. And as our associates grow their careers, they can take pride in being part of a company with a proud history, and an unlimited future.

Our able management team is among the most experienced in the business. Collectively, our senior managers have many years of combined real estate, homebuilding and home finance experience. Like our management, our associates know their stuff - they have the regional and demographic expertise to maximize our programs. And by integrating the local management of the businesses we acquire, we are able to leverage their expertise, adding to it unparalleled support and the Lennar way of doing business.

Our culture

Our corporate culture is unique. We like to say that we have more smiles per hour worked than any other company in the industry, bar-none. At Lennar, it's about integrity, a passion for excellence, and a commitment to rewarding both teamwork and individual achievement.

We keep the atmosphere positive, bringing an entrepreneurial spirit to each business challenge. We have been able to achieve great results because our management and associates work together to be the best in everything we do.

10 Ways To Say
Lennar Corporation
1. Special Words Special Feelings
2. NAME BADGE Of Honor
3. We're Always Home
4. Tickled, Delighted & Happy Customers
5. A Little Red Hen
6. Making Friends
7. Zero Defects
8. Sharing A Smile
9. Creating WOW! in Everything We Do
10. "Everything's Included" ei

FINANCIAL TABLE OF CONTENTS

Five Year Summary of Selected Financial Data	24
Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Report of Independent Auditors	30
Report of Management	31
Consolidated Balance Sheets	32
Consolidated Statements of Earnings	33
Consolidated Statements of Cash Flows	34
Consolidated Statements of Stockholders' Equity	36
Notes to Consolidated Financial Statements	37
Supplemental Pro Forma Financial Information (Unaudited)	49
Shareholder Information & Comparative Common Stock Data	50

Five Year Summary of Selected Financial Data

Lennar Corporation and Subsidiaries
At or for the Years Ended November 30,

(Dollars in thousands, except per share amounts)	**1999**	1998	1997	1996	1995
Results of Operations:					
Revenues:					
Homebuilding	**$ 2,849,207**	2,204,428	1,208,570	952,648	665,510
Financial services	**$ 269,307**	212,437	94,512	89,013	65,476
Total revenues	**$ 3,118,514**	2,416,865	1,303,082	1,041,661	730,986
Operating earnings – business segments:					
Homebuilding	**$ 340,803**	283,369	120,240	91,066	58,530
Financial services	**$ 31,096**	33,335	35,545	28,650	19,015
Corporate general and administrative expenses	**$ 37,563**	28,962	15,850	12,396	10,523
Earnings from continuing operations before income taxes	**$ 285,477**	240,114	85,727	84,429	53,310
Earnings from continuing operations	**$ 172,714**	144,068	50,605	51,502	32,519
Earnings from discontinued operations	**$ –**	–	33,826	36,484	37,908
Net earnings	**$ 172,714**	144,068	84,431	87,986	70,427
Per share amounts (diluted):					
Earnings from continuing operations	**$ 2.74**	2.49	1.34	1.42	0.90
Earnings from discontinued operations	**$ –**	–	0.89	1.01	1.05
Net earnings per share	**$ 2.74**	2.49	2.23	2.43	1.95
Cash dividends per share – common stock	**$ .05**	.05	.088	.10	.10
Cash dividends per share – Class B common stock	**$ .045**	.045	.079	.09	.09
Financial Position:					
Total assets	**$ 2,057,647**	1,917,834	1,343,284	1,589,593	1,341,065
Total debt	**$ 802,295**	798,838	661,695	689,159	557,055
Stockholders' equity	**$ 881,499**	715,665	438,999	695,456	607,794
Shares outstanding (000's)	**57,917**	58,151	53,160	35,928	35,864
Stockholders' equity per share	**$ 15.22**	12.31	8.26	19.36	16.95
Delivery and Backlog Information:					
Number of homes delivered	**12,589**	10,777	6,702	5,968	4,680
Backlog of home sales contracts	**2,891**	4,100	3,318	1,929	1,802
Dollar value of backlog	**$ 652,000**	840,000	665,000	312,000	255,000

As a result of the Company's spin-off of its commercial real estate investment and management business, including the Investment Division business segment, the selected financial data for 1996 and 1995 has been restated to reflect the Company's Investment Division as a discontinued operation.

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those which are anticipated. Such factors include, but are not limited to, changes in general economic conditions, the market for homes generally and in areas where the Company has developments, the availability and cost of land suitable for residential development, materials prices, labor costs, interest rates, consumer confidence, competition, environmental factors and government regulations affecting the Company's operations.

RESULTS OF OPERATIONS

Overview

Lennar achieved record net earnings in 1999 of $172.7 million, or $2.74 per share diluted, compared to $144.1 million, or $2.49 per share diluted, in 1998. The increase in net earnings in 1999 primarily reflected the Company's growth in California and a generally strong housing market in the first half of the year. The Company achieved record earnings in 1999 while further strengthening its balance sheet by reducing the ratio of homebuilding debt to total capital to 37% at November 30, 1999, compared to 43% at November 30, 1998.

Homebuilding

The Homebuilding Division sells and constructs single-family attached and detached homes. These activities also include the purchase, development and sale of residential land. The following tables set forth selected financial and operational information for the periods indicated:

Selected Homebuilding Division Financial Data

(Dollars in thousands, except average sales prices)	Years Ended November 30, **1999**	1998	1997
Revenues:			
Sales of homes	**$2,671,744**	2,089,762	1,130,989
Sales of land	**150,315**	77,185	63,797
Equity in earnings from partnerships	**19,482**	30,908	4,024
Other	**7,666**	6,573	9,760
Total revenues	**$2,849,207**	2,204,428	1,208,570
Gross margin – home sales ($)	**$ 566,322**	448,021	223,298
Gross margin – home sales (%)	**21.2%**	21.4%	19.7%
Gross margin – land sales ($)	**$ 22,228**	12,617	16,168
Selling, general & administrative expenses ($)	**$ 272,550**	210,039	130,006
Selling, general & administrative expenses (%)	**10.2%**	10.1%	11.5%
Operating earnings ($)	**$ 340,803**	283,369	120,240
Operating earnings (%)	**12.0%**	12.9%	10.0%
Average sales price	**$ 212,000**	194,000	169,000

Summary of Home and Backlog Data

Deliveries	**1999**	1998	1997
Florida	**4,241**	3,761	3,367
California	**3,731**	3,029	587
Texas	**3,107**	2,484	2,075
Arizona/Nevada	**1,510**	1,503	673
	12,589	10,777	6,702
New Orders			
Florida	**3,788**	4,010	3,457
California	**3,362**	2,851	758
Texas	**3,056**	2,519	2,305
Arizona/Nevada	**1,174**	1,636	592
	11,380	11,016	7,112
Backlog – Homes			
Florida	**1,091**	1,544	1,295
California	**779**	1,148	783
Texas	**652**	703	668
Arizona/Nevada	**369**	705	572
	2,891	4,100	3,318
Backlog – Dollar Value *(In thousands)*	**$ 652,000**	840,000	665,000

Revenues from sales of homes increased 28% in 1999 and 85% in 1998 compared to the previous years, primarily as a result of increases in the number of new home deliveries and the average sales price. The increase in deliveries in 1999 reflected growth in California, where the Company made several acquisitions in 1998, and generally favorable market conditions throughout the Company's homebuilding markets in the first half of 1999. The primary increases in 1998 occurred in California and Arizona/Nevada as a result of the merger with Pacific Greystone in 1997, and additional acquisitions made in 1998. The higher average sales price in 1999 reflected both price increases and a shift in product mix in certain markets. The increase in the average sales price in 1998 was due primarily to a greater percentage of deliveries in the California market, where average sales prices are higher.

Gross margin as a percentage of sales of homes decreased 20 basis points in 1999 compared to 1998, and increased 170 basis points in 1998 compared to 1997. The slight decrease in gross margin percentage in 1999 was due primarily to the Company's recent expansion into inland areas of California where gross margin percentages are lower than those in the other areas of California in which the Company operates. The Company continues to generate its highest overall gross margin percentages in the California market. The increase in gross margin percentage in 1998 was primarily attributable to a greater percentage of deliveries from the California market as a result of the merger with Pacific Greystone and other acquisitions, and higher gross margin percentages in the Company's Texas homebuilding market.

Gross margins from sales of land were higher in 1999 compared to 1998 due primarily to the increase in revenues from sales of land. Equity in earnings from partnerships decreased in 1999 compared to 1998 due primarily to a lower level of land sales by the Company's partnerships. The increase in equity in earnings from partnerships in 1998 compared to 1997 reflected a full year of earnings from Lennar Land Partners, which was formed on October 31, 1997. Margins achieved on sales of land

and equity in earnings from partnerships may vary significantly from period to period depending on the timing of land sales by the Company and its partnerships.

Selling, general and administrative expenses as a percentage of revenues from sales of homes were nearly unchanged in 1999 compared to 1998, and were 140 basis points lower in 1998 compared to 1997. The decrease in 1998 compared to 1997 resulted primarily from the increase in revenues in 1998 as a result of the Company's expansion.

New home orders increased 3% in 1999 and 55% in 1998 compared to the previous years. The increase in 1999 reflected higher new orders in the first half of 1999 due primarily to expansion in California and strong demand in Texas. While new home orders rose in fiscal 1999, they were lower in the second half of the fiscal year compared to the same period in 1998 due primarily to lower new orders in Florida and Arizona/Nevada, where there were decreases in the average number of communities and some softening in demand in certain markets. The Company expects new home orders in early fiscal 2000 to be below comparable 1999 levels. However, assuming there are no significant changes in economic conditions or demand for new homes, new order trends are expected to improve with the addition of new communities throughout the year. The growth in new home orders in 1998 compared to 1997 was primarily attributable to the Company's growth in California, where the Company made several acquisitions in 1997 and 1998. Backlog dollar value decreased 22% to $652.0 million at November 30, 1999, compared to $840.0 million at November 30, 1998, due primarily to an improved backlog conversion rate of 86% in the fourth quarter of 1999 compared to 67% in the fourth quarter of 1998.

Financial Services

The Financial Services Division provides mortgage financing, title insurance and closing services for Lennar homebuyers and others. The Division also packages and resells residential mortgage loans and mortgage-backed securities, performs mortgage loan servicing activities and provides cable television and alarm monitoring services to residents of Lennar communities and others. The following table sets forth selected financial and operational information relating to the Financial Services Division:

	Years Ended November 30,		
(Dollars in thousands)	**1999**	1998	1997
Revenues	**$ 269,307**	212,437	94,512
Costs and expenses	**238,211**	179,102	58,967
Operating earnings	**$ 31,096**	33,335	35,545
Dollar value of mortgages originated	**$2,162,479**	1,031,338	419,933
Number of mortgages originated	**14,900**	7,900	3,500
Principal balance of servicing portfolio	**$3,128,234**	3,213,235	3,073,010
Number of loans serviced	**38,000**	41,000	39,700
Number of title transactions	**139,000**	123,000	12,000

The 27% increase in revenues from the Financial Services Division in 1999 compared to 1998 reflected higher mortgage services revenues as a result of the growth in Lennar home deliveries, a higher capture rate of Lennar homebuyers and acquisitions made by the Division in 1999, combined with higher title services revenues which resulted from a higher number of title transactions in the first half of 1999 and acquisitions made in 1998 and 1999. Operating earnings from the Financial Services Division were lower in 1999 compared to 1998 primarily due to reduced earnings from title services as a result of a lower level of refinance activity, and a highly competitive pricing environment in the mortgage business.

Revenues and operating earnings from the Financial Services Division in 1998 included a significant contribution from North American Title, which was acquired in January 1998. Additionally, the Division experienced improved profits from mortgage services primarily due to increased homebuilding volume and a greater capture rate of Lennar homebuyers and others. These improvements in 1998 were offset by the absence of the portions of this Division previously involved in commercial mortgage lending and investments, which were spun-off on October 31, 1997.

Corporate General and Administrative

Corporate general and administrative expenses as a percentage of total revenues were 1.2% in 1999, 1998 and 1997.

Interest

Interest expense was $48.9 million, or 1.6% of total revenues, in 1999, $47.6 million, or 2.0% of total revenues, in 1998 and $25.0 million (for continuing operations), or 1.9% of total revenues, in 1997. The decrease in interest as a percentage of total revenues in 1999 was mainly due to a lower average borrowing rate in the first nine months of 1999, primarily as a result of the Company's issuance of $229 million of zero-coupon senior convertible debt securities late in the third quarter of 1998. These notes have an effective interest rate of 3 7/8%. Interest incurred was $54.6 million in 1999, $50.5 million in 1998 and $36.1 million (for continuing operations) in 1997. The 1999 increase was primarily due to an increase in average debt outstanding in 1999. The increases in interest expense and interest incurred in 1998 compared to 1997 were primarily due to an increase in average debt outstanding as a result of the Company's growth in 1998.

Spin-off, Formation of Partnership and Merger

On June 10, 1997, the Company's Board of Directors approved a plan to spin-off its commercial real estate investment and management business consisting of the Investment Division (which is classified as a discontinued operation in the accompanying consolidated statements of earnings and cash flows), the portions of the Financial Services Division involved in commercial mortgage lending and investments and certain assets of the Homebuilding Division utilized in related businesses. The spin-off was conducted through a tax-free distribution of the stock of LNR Property Corporation ("LNR") to the stockholders of Lennar and was completed on October 31, 1997. The Investment Division was involved in the development, management and

leasing, as well as the acquisition and sale of commercial and multi-family residential rental properties and land. The Investment Division also was a participant and manager in a number of partnerships which acquired portfolios of commercial mortgage loans and real estate and acquired, at a discount, the unrated portions of debt securities which were collateralized by commercial real estate loans. Operating earnings from the discontinued Investment Division were $68.4 million in 1997.

At the time of the spin-off transaction, Lennar and LNR formed a general partnership to acquire, develop and sell land. Lennar and LNR contributed properties to the partnership in exchange for 50% general partnership interests. In 1999, certain assets and liabilities of this partnership were contributed at net book value to a second general partnership and the Company and LNR each received 50% general partnership interests in the second partnership. The two partnerships are collectively referred to as "Lennar Land Partners".

In the fourth quarter of 1997, the Company recorded a restructuring charge to continuing operations for the estimated costs of the spin-off of LNR and formation of Lennar Land Partners. The restructuring charge was $29.2 million and consisted of professional fees, transaction costs, the write-off of deferred loan costs on mortgages and notes which were paid off to effect the spin-off and an impairment charge relating to the change in use of land that was contributed to Lennar Land Partners. The liabilities recorded as part of the restructuring charge had been paid as of November 30, 1999.

On October 31, 1997, the Company also completed a merger with Pacific Greystone Corporation. The merger significantly expanded the Company's operations in California and Arizona and provided the Company with operations in Nevada.

FINANCIAL CONDITION AND CAPITAL RESOURCES

In 1999, $121.3 million in cash was provided by the Company's operations, compared to $63.2 million in 1998. Cash flows from operations in 1999 consisted primarily of $172.7 million of net earnings. This generation of cash was primarily offset by $77.4 million of cash used to increase inventories through land purchases, land development and construction and $41.2 million of cash used to reduce accounts payable and other liabilities. Cash flows from operations in 1998 consisted primarily of $144.1 million of net earnings and an increase in accounts payable and other liabilities of $130.5 million. This generation of cash was primarily offset by $112.3 million of cash used to increase inventories through land purchases, land development and construction and $111.6 million of cash used to increase loans held for sale or disposition by the Company's Financial Services Division.

In 1999, $28.5 million in cash was used in the Company's investing activities compared to $209.8 million in 1998. Cash flows used in investing activities in 1999 and 1998 included $19.7 million and $190.5 million, respectively, of cash used for acquisitions.

The Company finances its land acquisition and development activities, construction activities, financial services activities and general operating needs primarily from cash generated from operations as well as from revolving lines of credit, public debt and equity, financial institution borrowings and purchase money notes. The Company also buys land under option agreements. Option agreements permit the Company to acquire portions of properties when it is ready to build homes on them. The financial risk of adverse market conditions associated with longer-term land holdings is managed by prudent underwriting of land purchases in areas that the Company views as desirable growth markets, diversification of risk through partnerships with other entities and careful management of the land development process. Based on its current financing capabilities, the Company does not believe that its land holdings have a significant adverse effect on its liquidity.

At November 30, 1999, the Company had unsecured revolving credit facilities in the aggregate amount of $645 million, which may be used to refinance existing indebtedness, for working capital, for acquisitions and for general corporate purposes. At November 30, 1999, there were no amounts outstanding under the Company's unsecured revolving credit facilities, compared to $136.7 million outstanding at November 30, 1998. In February 1999, the Company issued $282 million of 7 5/8% Senior Notes. The Senior Notes are due in 2009 and were issued for the purpose of reducing amounts outstanding under revolving credit facilities and redeeming outstanding 10 3/4% notes. Proceeds from the offering, after underwriting and market discounts, expenses and settlement of a related interest rate hedge agreement were approximately $266 million. In March 1999, the Company redeemed all of the outstanding 10 3/4% Senior Notes due 2004 of one of its subsidiaries, Greystone Homes, Inc., at a price of 105.375% of the principal amount outstanding plus accrued interest. Cash paid to redeem the notes was $132 million, which approximated their carrying value.

In the third quarter of 1998, the Company issued, for $229 million, zero-coupon senior convertible debentures due 2018 ("Debentures") with a face amount at maturity of $493 million. The Debentures were issued at a price of $464.13 per $1,000 face amount at maturity, which equates to a yield to maturity over the life of the Debentures of 3 7/8%. Proceeds from the offering, after underwriting discount and expenses, were approximately $223 million. The Debentures are convertible at any time into the Company's common stock at the rate of 12.3768 shares per $1,000 face amount at maturity. If the Debentures are converted during the first five years, the Company may elect to pay cash equal to the fair value of the common stock at the time of the conversion. Holders have the option to require the Company to repurchase the Debentures on any of the fifth, tenth or fifteenth anniversary dates from the issue date for the initial issue price plus accrued original issue discount. The Company has the option to satisfy the repurchases with any combination of cash and/or shares of the Company's common stock. The Company will have the option to redeem the Debentures, in cash, at any time after the fifth anniversary date for the initial issue price plus accrued

original issue discount. At November 30, 1999, the amount outstanding, net of unamortized original issue discount, was $237.9 million.

The Company's ratio of homebuilding debt to total capital was 37% at November 30, 1999, compared to 43% at November 30, 1998. In addition to the use of capital in the Company's ordinary homebuilding and financial services activities, the Company will continue to actively evaluate various other uses of capital which fit into its homebuilding and financial services strategies and meet its profitability and return on capital requirements. This may include acquisitions of or investments in other entities and continued repurchases of shares of the Company's outstanding common stock. These activities may be funded through any combination of the Company's currently available credit facilities, cash generated from operations, sales of assets or the issuance of public debt, common stock or preferred stock under existing and future shelf registrations.

Lennar Financial Services finances its mortgage loans and servicing activities by pledging them as collateral for borrowings under a line of credit totaling $315 million. Total borrowings under the financial services line of credit were $236.6 million and $196.7 million at November 30, 1999 and 1998, respectively.

Limited-purpose finance subsidiaries of Lennar Financial Services have placed mortgage loans and other receivables as collateral for various long-term financings. These subsidiaries pay the debt service on the long-term borrowings primarily from the cash flows generated by the related pledged collateral. Therefore, the related interest income and interest expense substantially offset one another in each of the years in the three-year period ended November 30, 1999. As part of the spin-off of the Company's commercial real estate investment and management business, the Company transferred to LNR its interest in the assets of the limited-purpose finance subsidiaries to the extent such assets exceeded the related liabilities. The Company believes that the cash flows generated by these subsidiaries will be adequate to meet the required debt payment schedules.

The Company utilizes interest rate swap agreements to manage interest costs and hedge against risks associated with changing interest rates. At November 30, 1999, the Company had three interest rate swap agreements outstanding with a total notional amount of $200 million, which will mature in 2002. These agreements fixed the LIBOR index (to which certain of the Company's debt interest rates are tied) at approximately 6.1%. The Financial Services Division, in the normal course of business, also uses derivative financial instruments to meet the financing needs of its customers and reduce its own exposure to fluctuations in interest rates. Counterparties to each of the above agreements are major financial institutions. Credit loss from counterparty non-performance is not anticipated.

In March 1999, the Company filed a shelf registration statement and prospectus with the Securities and Exchange Commission to offer, from time-to-time, its common stock, preferred stock, depositary shares, debt securities or warrants at an aggregate initial offering price not to exceed $500 million. Proceeds can be used for repayment of debt, acquisitions and general corporate purposes. As of November 30, 1999, no securities had been issued under this registration statement.

In September 1999, the Company's Board of Directors approved the repurchase of up to ten million shares of the Company's outstanding common stock. The Company may repurchase shares, from time-to-time, subject to market conditions. As of February 8, 2000, the Company had repurchased 9.7 million shares of its outstanding common stock for an aggregate purchase price of approximately $155.9 million (including approximately 442,000 shares for an aggregate purchase price of approximately $6.0 million during fiscal 1999). On February 8, 2000, the Company's Board of Directors authorized the repurchase of an additional five million shares of the Company's outstanding common stock.

The Company has maintained excellent relationships with the financial institutions participating in its financing arrangements and has no reason to believe that such relationships will not continue in the future. Based on the Company's current financial condition and credit relationships, Lennar believes that its operations and borrowing resources will provide for its current and long-term capital requirements at the Company's anticipated levels of growth.

PLAN AND AGREEMENT OF MERGER

In February 2000, the Company entered into a definitive agreement to acquire U.S. Home Corporation through a merger in which the U.S. Home stockholders will receive a total of approximately $476 million, of which approximately one-half will be in cash and the remainder will be in common stock of the Company (with the common stock portion, and therefore the total purchase price, subject to adjustment if the price of the Company's stock is greater or lower than specified levels) in exchange for their stock. U.S. Home will become a wholly-owned subsidiary of the Company. When the acquisition takes place, U.S. Home's debt is expected to include bank debt and approximately $525 million of publicly-held debt. The holders of the publicly-held debt have the right to require U.S. Home to redeem such debt within 90 days of the completion of the transaction. The Company has access to the resources required to close the transaction and, if necessary, refinance U.S. Home's debt. The transaction is subject to approval by the stockholders of both companies, as well as expiration or termination of waiting periods under antitrust laws and other regulatory matters. If the necessary stockholder and regulatory approvals are obtained, the Company expects the transaction to close by the end of May 2000.

BACKLOG

Backlog represents the number of homes subject to pending sales contracts. Homes are sold using sales contracts which are usually accompanied by sales deposits. Before entering into sales contracts, the Company generally prequalifies its customers. In some instances, purchasers are permitted to cancel sales contracts if they are unable to close on the sale of their existing home or fail to qualify for financing and under certain other circumstances. The

Company experienced a cancellation rate of 20% in 1999, 20% in 1998 and 19% in 1997. Although cancellations can delay the sales of the Company's homes, they have not had a material impact on sales, operations or liquidity, because the Company closely monitors the progress of prospective buyers in obtaining financing and monitors and adjusts construction start plans to match the level of demand for homes. The Company does not recognize revenue on homes covered by pending sales contracts until the sales are closed and title passes to the new homeowners.

SEASONALITY

The Company has historically experienced variability in results of operations from quarter to quarter due to the seasonal nature of the homebuilding business. The Company typically experiences the highest rate of orders for new homes in the first half of the calendar year although the rate of orders for new homes is highly dependent on the number of active communities and the timing of new community openings. Because new home deliveries trail orders for new homes by several months, the Company typically has a greater percentage of new home deliveries in the second half of its fiscal year compared to the first half. As a result, the Company's earnings from sales of homes are generally higher in the second half of the fiscal year.

INTEREST RATES AND CHANGING PRICES

Inflation can have a long-term impact on the Company 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. Increased construction costs, rising interest rates, as well as increased materials and labor costs, may reduce gross margins. In recent years the increases in these costs have followed the general rate of inflation and hence have not had a significant adverse impact on the Company. In addition, deflation can impact the value of real estate. There can be no assurance that changing prices will not have a material adverse impact on the Company's future results of operations.

YEAR 2000

The "Year 2000 issue" relates to issues which may arise from the inability of existing computer systems to properly recognize the year 2000. If not corrected, computer systems may fail or miscalculate data.

The Company uses a variety of operating systems, computer software applications, computer hardware equipment and other equipment in conjunction with its homebuilding and financial services operations. In addition, the Company uses other non-information technology internal office systems. The Company converted the majority of its computer information systems to one company-wide system which is Year 2000 compliant and made modifications to its other computer information systems to make them Year 2000 compliant. The Company is not currently aware of any issues which have arisen in any of its computer systems or other non-information technology systems as a result of the Year 2000 issue. In addition, the Company has not experienced or been notified of any significant Year 2000 issues relating to its significant vendors, subcontractors, suppliers and others. The financial impact of becoming Year 2000 compliant has not been and is not expected to be material to the Company's financial position or results of operations.

NEW ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities.* The effective date of this statement, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133 – an amendment of FASB Statement No. 133*, is for fiscal years beginning after June 15, 2000. SFAS No. 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, a change in the fair value of the derivative will either be offset against the change in the fair value of the hedged asset, liability or firm commitment through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Management does not currently believe that the implementation of SFAS No. 133 will have a material impact on the Company's results of operations or financial position.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Lennar Corporation:

We have audited the accompanying consolidated balance sheets of Lennar Corporation and subsidiaries (the "Company") as of November 30, 1999 and 1998, and the related consolidated statements of earnings, cash flows and stockholders' equity for each of the three years in the period ended November 30, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lennar Corporation and subsidiaries at November 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1999, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective December 1, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.*

Deloitte & Touche LLP

Miami, Florida
January 11, 2000, except for Note 15, as to which the date is February 16, 2000

Report of Management

The accompanying consolidated financial statements are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. Management relies on internal accounting controls, among other things, to produce records suitable for the preparation of financial statements. The Company employs internal auditors whose work includes evaluating and testing internal accounting controls.

The responsibility of our independent auditors for the financial statements is limited to their expressed opinion on the fairness of the consolidated financial statements taken as a whole. Their examination is performed in accordance with generally accepted auditing standards which include tests of our accounting records and internal accounting controls and evaluation of estimates and judgments used to prepare the financial statements.

An Audit Committee of outside members of the Board of Directors periodically meets with management, the external auditors and internal auditors to evaluate the scope of auditing activities and review results. Both the external and internal auditors have full and free access to the Committee, without management present, to discuss any appropriate matters.

Bruce E. Gross
Chief Financial Officer

Diane J. Bessette
Controller

Consolidated Balance Sheets

Lennar Corporation and Subsidiaries
November 30, 1999 and 1998

(In thousands, except per share amounts)	**1999**	1998
ASSETS		
Homebuilding:		
Cash and cash equivalents	**$ 83,256**	34,677
Receivables, net	**11,162**	23,803
Inventories:		
Construction in progress and model homes	**1,234,213**	1,131,540
Land held for development	**40,338**	67,013
Total inventories	**1,274,551**	1,198,553
Investments in partnerships	**173,310**	156,536
Other assets	**97,826**	137,311
	1,640,105	1,550,880
Financial services assets	**417,542**	366,954
	$ 2,057,647	1,917,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Homebuilding:		
Accounts payable and other liabilities	**$ 333,532**	355,707
Mortgage notes and other debts payable, net	**523,661**	530,630
	857,193	886,337
Financial services liabilities	**318,955**	315,832
Stockholders' equity:		
Preferred stock	**–**	–
Common stock of $0.10 par value per share Authorized 100,000 shares; Issued: 1999 – 48,511; 1998 – 48,241	**4,851**	4,824
Class B common stock of $0.10 par value per share Authorized 30,000 shares; Issued: 1999 – 9,848; 1998 – 9,910	**985**	991
Additional paid-in capital	**525,623**	523,645
Retained earnings	**356,058**	186,205
Treasury stock, at cost; 442 shares of common stock	**(6,018)**	–
	881,499	715,665
	$ 2,057,647	1,917,834

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

Lennar Corporation and Subsidiaries
Years Ended November 30, 1999, 1998 and 1997

(In thousands, except per share amounts)	**1999**	1998	1997
Revenues:			
Homebuilding	**$ 2,849,207**	2,204,428	1,208,570
Financial services	**269,307**	212,437	94,512
Total revenues	**3,118,514**	2,416,865	1,303,082
Costs and expenses:			
Homebuilding	**2,508,404**	1,921,059	1,088,330
Financial services	**238,211**	179,102	58,967
Corporate general and administrative	**37,563**	28,962	15,850
Interest	**48,859**	47,628	24,979
Restructuring charge	**–**	–	29,229
Total costs and expenses	**2,833,037**	2,176,751	1,217,355
Earnings from continuing operations before provision for income taxes	**285,477**	240,114	85,727
Provision for income taxes	**112,763**	96,046	35,122
Earnings from continuing operations	**172,714**	144,068	50,605
Earnings from discontinued operations (net of income taxes of $21,166)	**–**	–	33,826
Net earnings	**$ 172,714**	144,068	84,431
Basic earnings per share:			
Continuing operations	**$ 2.97**	2.59	1.35
Discontinued operations	**–**	–	0.90
	$ 2.97	2.59	2.25
Diluted earnings per share:			
Continuing operations	**$ 2.74**	2.49	1.34
Discontinued operations	**–**	–	0.89
	$ 2.74	2.49	2.23

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Lennar Corporation and Subsidiaries
Years Ended November 30, 1999, 1998 and 1997

(In thousands)	**1999**	1998	1997
Cash flows from operating activities:			
Earnings from continuing operations	**$ 172,714**	144,068	50,605
Earnings from discontinued operations	**–**	–	33,826
Adjustments to reconcile net earnings to net cash			
provided by (used in) operating activities:			
Depreciation and amortization	**38,956**	25,264	9,352
Amortization of discount/premium on debt, net	**8,774**	(885)	(313)
Equity in earnings from partnerships	**(19,482)**	(30,908)	(32,947)
Investment Division gain on sales of other real estate	**–**	–	(25,401)
Restructuring charge	**–**	–	29,229
Increase (decrease) in deferred income taxes	**28,125**	12,469	(30,086)
Changes in assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in receivables	**8,173**	8,636	(22,468)
Increase in inventories	**(77,428)**	(112,347)	(106,995)
(Increase) decrease in other assets	**(3,639)**	(1,970)	5,194
(Increase) decrease in financial services loans held for sale or disposition	**6,293**	(111,582)	(32,358)
Increase (decrease) in accounts payable and other liabilities	**(41,196)**	130,451	31,297
Net cash provided by (used in) operating activities	**121,290**	63,196	(91,065)
Cash flows from investing activities:			
Operating properties and equipment:			
Additions	**(15,328)**	(13,233)	(70,773)
Sales	**–**	51	48,178
Sales of land held for investment	**–**	–	6,253
(Increase) decrease in investments in partnerships, net	**6,524**	(6,724)	131,777
Decrease in financial services mortgage loans	**1,587**	136	745
Purchases of investment securities	**(13,119)**	(3,361)	(113,011)
Receipts from investment securities	**11,600**	3,733	158,053
Acquisitions of properties and businesses, net of cash acquired	**(19,747)**	(190,524)	–
Acquisition of Pacific Greystone Corporation – cash acquired	**–**	–	7,764
Other, net	**(39)**	150	2,279
Net cash provided by (used in) investing activities	**(28,522)**	(209,772)	171,265
Cash flows from financing activities:			
Net borrowings (repayments) under revolving credit facilities	**(136,650)**	(239,850)	7,600
Net borrowings (repayments) under financial services short-term debt	**(856)**	136,205	30,641
Net proceeds from issuance of senior notes	**266,153**	–	–
Net proceeds from issuance of zero-coupon senior convertible debentures	–	222,960	–
Proceeds from other borrowings	**1,856**	114,581	164,873
Principal payments on other borrowings	**(160,570)**	(127,571)	(212,206)
Limited-purpose finance subsidiaries, net	**769**	727	304
Spin-off transaction – assets distributed, cash	**–**	–	(69,035)
Common stock:			
Issuance	**3,251**	41,251	2,829
Payment made under acquisition agreement	**(1,252)**	–	–
Repurchases of common stock	**(6,018)**	–	–
Dividends	**(2,861)**	(2,749)	(3,277)
Net cash provided by (used in) financing activities	**(36,178)**	145,554	(78,271)

Consolidated Statements of Cash Flows (Continued)

(In thousands)		**1999**	1998	1997
Net increase (decrease) in cash and cash equivalents		**56,590**	(1,022)	1,929
Cash and cash equivalents at beginning of year		**61,577**	62,599	60,670
Cash and cash equivalents at end of year	$	**118,167**	61,577	62,599
Summary of cash and cash equivalent balances:				
Homebuilding	$	**83,256**	34,677	52,926
Financial services		**34,911**	26,900	9,673
	$	**118,167**	61,577	62,599
Supplemental disclosures of cash flow information:				
Cash paid for interest, net of amounts capitalized	$	**9,647**	15,254	27,511
Cash paid for income taxes	$	**108,845**	60,157	86,796
Supplemental disclosures of non-cash investing and financing activities:				
Purchases of investment securities financed by sellers	$	**–**	–	23,366
Assumption of mortgages related to acquisitions of properties	$	**29,342**	28,913	25,348
Exchange transactions – like kind tax deferred	$	**–**	–	46,000
Contribution to Lennar Land Partners	$	**–**	–	146,803
Common stock issued in 1998 acquisitions	$	**–**	94,096	–
Acquisition of Pacific Greystone Corporation:				
Fair value of assets acquired, inclusive of cash of $7,764	$	**–**	–	394,786
Goodwill recorded		**–**	–	45,803
Liabilities assumed		**–**	–	(224,516)
Common stock issued	$	**–**	–	216,073
Spin-off of commercial real estate investment and management business:				
Assets distributed, non-cash	$	**–**	–	(959,752)
Assets distributed, cash		**–**	–	(69,035)
Liabilities distributed		**–**	–	461,400
Net unrealized gain on securities available-for-sale distributed		**–**	–	18,774
Distribution	$	**–**	–	(548,613)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Lennar Corporation and Subsidiaries
Years Ended November 30, 1999, 1998 and 1997

(In thousands)	**1999**	1998	1997
Common stock:			
Beginning balance	**$ 4,824**	4,322	2,594
Shares issued – merger with Pacific Greystone Corporation	**–**	–	1,703
Shares issued – acquisitions	**–**	350	–
Shares issued – equity draw-down agreement	**–**	114	–
Shares issued – employee stock plans	**21**	35	20
Conversion of Class B common stock	**6**	3	5
Balance at November 30	**4,851**	4,824	4,322
Class B common stock:			
Beginning balance	**991**	994	999
Conversion to common stock	**(6)**	(3)	(5)
Balance at November 30	**985**	991	994
Additional paid-in capital:			
Beginning balance	**523,645**	388,797	171,618
Shares issued – merger with Pacific Greystone Corporation	**–**	–	214,370
Shares issued – acquisitions	**–**	93,746	–
Payment made under acquisition agreement	**(1,252)**	–	–
Shares issued – equity draw-down agreement	**–**	35,957	–
Shares issued – employee stock plans	**3,230**	5,145	2,809
Balance at November 30	**525,623**	523,645	388,797
Retained earnings:			
Beginning balance	**186,205**	44,886	512,345
Net earnings	**172,714**	144,068	84,431
Spin-off of commercial real estate investment and management business	–	–	(548,613)
Cash dividends – common stock	**(2,418)**	(2,302)	(2,493)
Cash dividends – Class B common stock	**(443)**	(447)	(784)
Balance at November 30	**356,058**	186,205	44,886
Treasury stock:			
Beginning balance	**–**	–	–
Repurchases of common stock	**(6,018)**	–	–
Balance at November 30	**(6,018)**	–	–
Unrealized gain on securities available-for-sale, net:			
Beginning balance	**–**	–	7,900
Net unrealized gains for the year	**–**	–	10,874
Spin-off of commercial real estate investment and management business	**–**	–	(18,774)
Balance at November 30	**–**	–	–
Total stockholders' equity	**$ 881,499**	715,665	438,999

See accompanying 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 and partnerships in which a controlling interest is held (the "Company"). The Company's investments in partnerships (and similar entities) in which a significant, but less than a controlling, interest is held are accounted for by the equity method. All significant intercompany transactions and balances have been eliminated.

As a result of the Company's spin-off of its commercial real estate investment and management business, including the Investment Division business segment, the accompanying 1997 financial statements have been restated to reflect the Investment Division as a discontinued operation (see Note 2).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the 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 homeowners. Revenues from sales of other real estate (including the sales of land and operating properties) are recognized when a significant down payment is received, the earnings process is complete and the collection of any remaining receivables is reasonably assured.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Due to the short maturity period of the cash equivalents, the carrying amount of these instruments approximates their fair values. Cash and cash equivalents as of November 30, 1999 and 1998 included $33.5 million and $15.0 million, respectively, of cash held in escrow for periods of up to three days and $1.7 million and $1.6 million at November 30, 1999 and 1998, respectively, of restricted deposits.

Inventories

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, in the first quarter of 1997. Under this standard, inventories to be held and used 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. SFAS No. 121 requires companies to evaluate long-lived assets for impairment based on the undiscounted future cash flows of the assets. Write-downs of inventories deemed to be impaired are recorded as adjustments to the cost basis of the respective inventories. The Company's adoption of SFAS No. 121 in the first quarter of 1997 had no effect on the Company's financial position or results of operations.

Start-up costs, construction overhead and selling expenses are expensed as incurred. Homes held for sale are classified as construction in progress until delivered. Land, land development, amenities and other costs are accumulated by specific area and allocated proportionately to homes within the respective area.

Interest and Real Estate Taxes

Interest and real estate taxes attributable to land, homes and operating properties are capitalized and added to the cost of those properties as long as the properties are being actively developed. Interest related to homebuilding, including interest costs relieved from inventories, is included in interest expense. Interest expense relating to the financial services operations is included in its respective costs and expenses.

During 1999, 1998 and 1997, interest costs of $62.9 million, $55.7 million and $62.8 million, respectively (excluding the limited-purpose finance subsidiaries), were incurred and $54.8 million, $45.9 million and $33.5 million, respectively, were capitalized by the Company's homebuilding and discontinued investment operations. Capitalized interest charged to expense, including amounts charged to discontinued investment operations, in 1999, 1998 and 1997 was $49.0 million, $43.1 million and $25.7 million, respectively.

Operating Properties and Equipment

Operating properties and equipment are recorded at cost. Depreciation is calculated to amortize the cost of depreciable assets over their estimated useful lives using the straight-line method. The estimated useful life for operating properties is 30 years and for equipment is 2 to 5 years.

Investment Securities

Investment securities are accounted for in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* Under SFAS No. 115, debt and equity securities that have determinable fair values are classified as available-for-sale unless they are classified as held-to-maturity. Securities classified as held-to-maturity are carried at amortized cost because they are purchased with the intent and ability to hold to maturity. Available-for-sale securities are recorded at fair value. Any unrealized holding gains or losses on available-for-sale securities are reported in a separate component of stockholders' equity, net of tax effects, until realized.

Historically, the majority of investment securities were held by the commercial real estate investment and management business, which was spun-off in 1997. At November 30, 1999 and 1998, investment securities classified as held-to-maturity totaled $8.9 million and $5.2 million, respectively, and were included in other assets of the Financial Services Division. There were no other investment securities at November 30, 1999 or 1998.

Derivative Financial Instruments

The Company utilizes interest rate swaps and other agreements to manage interest costs and hedge against risks associated with changing interest rates. The Company designates interest rate swaps and other agreements as hedges of specific debt instruments or anticipated transactions. Interest differentials on interest rate swaps are recognized as adjustments to interest incurred on the related debt instruments. The related

amounts payable to or receivable from counterparties are included in other liabilities or other assets in the consolidated balance sheets. The fair values of the interest rate swap agreements are not recognized in the financial statements. Gains or losses on interest rate hedges on anticipated debt issuances are recorded at the time the debt is issued as part of the carrying value of the debt and recognized over the life of the debt as an adjustment to interest incurred.

The Financial Services Division, in the normal course of business, uses derivative financial instruments to meet the financing needs of its customers and reduce its own exposure to fluctuations in interest rates. The Division enters into forward commitments and option contracts to protect the value of loans held for sale or disposition from increases in market interest rates. Adjustments are made to the carrying values of these loans based on changes in the market value of these hedging contracts (see Note 13).

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is amortized by the Company on a straight-line basis over periods ranging from 15 to 20 years. At November 30, 1999 and 1998, goodwill was $61.2 million and $50.7 million, respectively (net of accumulated amortization of $6.4 million and $3.1 million, respectively). In the event that facts and circumstances indicate that the carrying value of goodwill may be impaired, an evaluation of recoverability is performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the goodwill are compared to the carrying amount to determine if a write-down to fair value based on discounted cash flows is required. No impairment existed at November 30, 1999 or 1998. Goodwill is included in other assets of the Homebuilding Division and the assets of the Financial Services Division in the consolidated balance sheets.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes.* Under SFAS No. 109, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse.

Stock-Based Compensation

The Company grants stock options to certain employees for a fixed number of shares with an exercise price not less than the fair value of the shares at the date of grant. The Company accounts for the stock option grants in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees.* No compensation expense is recognized because all stock options granted have exercise prices not less than the market value of the Company's stock on the date of the grant. The impact of the pro forma disclosures required by SFAS No. 123, *Accounting for Stock-Based Compensation,* is included in Note 12.

Earnings per Share

In 1998, the Company adopted SFAS No. 128, *Earnings per Share,* which requires a dual presentation of basic and diluted earnings per share on the face of the statement of earnings. Basic earnings per share is computed by dividing earnings attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Earnings per share for 1997 has been restated to conform with SFAS No. 128 (see Note 11).

Financial Services

Mortgage loans held for sale or disposition by the Financial Services Division are recorded at the lower of cost or market, as determined on an aggregate basis. Premiums and discounts recorded on these loans are presented as an adjustment to the carrying amount of the loans and are not amortized.

When the Division sells loans or mortgage-backed securities into the secondary market, a gain or loss is recognized to the extent that the sales proceeds exceed, or are less than, the book value of the loans or the securities. Loan origination fees, net of direct origination costs, are deferred and recognized as a component of the gain or loss when loans are sold. The Division either retains the servicing on the loans and mortgage-backed securities it sells and recognizes servicing fee income as those services are performed or sells the servicing rights on the loans or mortgage-backed securities it originates on a flow basis.

On December 1, 1996, the Company adopted SFAS No. 122, *Accounting for Mortgage Servicing Rights.* On January 1, 1997, the Company adopted SFAS No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* which superceded SFAS No. 122, and requires, among other things, that the book value of loans be allocated between the mortgage servicing right and the related loan at the time of sale or securitization, if servicing is retained. The adoption of both SFAS No. 122 and SFAS No. 125 resulted in an increase of $1.5 million in after-tax net earnings in the year ended November 30, 1997.

Mortgage servicing rights are periodically evaluated for impairment based on the fair value of these rights. The fair value of mortgage servicing rights is determined by discounting the estimated future cash flows using a discount rate commensurate with the risks involved. This method of valuation incorporates assumptions that market participants would use in their estimates of future servicing income and expense, including assumptions about prepayment, default and interest rates. For purposes of measuring impairment, the loans underlying the mortgage servicing rights are stratified on the basis of interest rate and type. The amount of impairment is the amount by which the mortgage servicing rights, net of accumulated amortization, exceed their fair value by strata. Impairment, if any, is recognized through a valuation allowance and a charge to current operations. The book value and fair value of mortgage servicing rights was $15.6 million and $23.1 million,

respectively, at November 30, 1999 and $11.1 million and $14.8 million, respectively, at November 30, 1998. A valuation allowance related to mortgage servicing rights was not required at or for the years ended November 30, 1999 and 1998.

Mortgage servicing rights are amortized in proportion to, and over the period of, the estimated net servicing income of the underlying mortgages.

New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The effective date of this statement, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133 – an amendment of FASB Statement No. 133*, is for fiscal years beginning after June 15, 2000. SFAS No. 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, a change in the fair value of the derivative will either be offset against the change in the fair value of the hedged asset, liability or firm commitment through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Management does not currently believe that the implementation of SFAS No. 133 will have a material impact on the Company's results of operations or financial position.

Reclassification

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the 1999 presentation.

2. Spin-Off of Commercial Real Estate Investment and Management Business and Formation of Lennar Land Partners

On June 10, 1997, the Company's Board of Directors approved a plan to spin-off the commercial real estate investment and management business consisting of the Investment Division, the portions of the Financial Services Division involved in commercial mortgage lending and investments and certain assets of the Company's Homebuilding Division utilized in related businesses. The spin-off was conducted through a distribution of the stock of LNR Property Corporation ("LNR") to the stockholders of Lennar pursuant to a separation and distribution agreement that provided that for each existing share of the Company, the shareholders received one share of common stock of LNR, with the right during a limited period after the spin-off to exchange that common stock for Class B common stock of LNR. The spin-off, in the form of a tax-free distribution, was completed on October 31, 1997 and was recorded as an adjustment to stockholders' equity.

On October 31, 1997, the Company and LNR formed a general partnership to acquire, develop and sell land. The Company and LNR contributed properties to the partnership in exchange for 50% general partnership interests. In 1999, certain assets and liabilities of this partnership were contributed at net book value to a second general partnership and the Company and LNR each received 50% general partnership interests in the second partnership. The two partnerships are collectively referred to as "Lennar Land Partners". Pursuant to management agreements, the Company manages the day-to-day operations of Lennar Land Partners and receives a management fee. The partnership agreements for Lennar Land Partners permit the Company and LNR to (i) engage in business activities which conflict with or are in direct competition with Lennar Land Partners and (ii) acquire properties from, or sell properties to, Lennar Land Partners. The Company has options to purchase a portion of the assets originally contributed to Lennar Land Partners and may be granted options to purchase all or portions of properties which subsequently are acquired by Lennar Land Partners.

The Company's 1997 consolidated financial statements were restated to reflect the Investment Division business segment as a discontinued operation. Accordingly, the revenues and expenses have been excluded from the respective captions in the consolidated statements of earnings, and have been reported through the date of disposition as "earnings from discontinued operations".

The components of earnings from discontinued operations were as follows:

(In thousands)	Year Ended November 30, 1997
Revenues:	
Rental income	$ 51,254
Equity in earnings from partnerships	21,071
Management fees	13,343
Gain on sales of real estate, net	20,401
Other	18,418
Total revenues	124,487
Costs and expenses	56,099
Operating earnings	68,388
Interest	13,396
Earnings from discontinued operations before income taxes	54,992
Income taxes	21,166
Earnings from discontinued operations	$ 33,826

Earnings from discontinued operations include the results of operations through October 31, 1997, the measurement and disposal date. Accordingly, the Company did not recognize a loss on disposal of the discontinued Investment Division. During the fourth quarter of 1997, the Company recorded a restructuring charge to continuing operations for the estimated costs of the spin-off and formation of Lennar Land Partners. The restructuring charge was $29.2 million and consisted of professional fees, transaction costs, the write-off of deferred loan costs on mortgages and notes which were paid off to effect the spin-off and an impairment charge of $13.7 million relating to the change in use of land that was contributed to Lennar Land Partners. The liabilities recorded as part of the restructuring charge had been paid as of November 30, 1999.

In addition to the Investment Division business segment, assets and liabilities of the Homebuilding and Financial Services Divisions utilized in the commercial real estate investment and management business were distributed in the spin-off of LNR. For the year ended November 30, 1997, revenues of $39.9 million and expenses of $15.5 million were associated with the assets and liabilities of the Financial Services Division distributed in the spin-off of LNR. The revenues and expenses associated with the assets and liabilities of the Homebuilding Division distributed in the spin-off of LNR were not significant for the year ended November 30, 1997.

3. Acquisitions

During the third quarter of 1998, the Company acquired the properties of two California homebuilders, ColRich Communities and Polygon Communities. During the first quarter of 1998, the Company acquired a Northern California homebuilder, Winncrest Homes, and the North American Asset Development Group of companies ("NAADC"), which provide title and escrow services in California, Arizona and Colorado. In September 1998, NAADC acquired a small escrow company in California. In connection with these transactions, the Company paid $202 million in cash (inclusive of cash acquired of $12 million) and issued $94 million in common stock (3.5 million shares). The cash portion of these transactions was funded primarily from the Company's revolving credit facilities and issuance of zero-coupon senior convertible debentures. The Company received assets with a fair value of $335 million and assumed liabilities totaling $47 million in connection with these transactions. In addition, the Company recorded goodwill of $8 million relating to the acquisitions of NAADC, Winncrest and the escrow company. Goodwill is being amortized on a straight-line basis over 20 years. The acquisitions were accounted for using the purchase method of accounting. In 1999, the Company paid $1.3 million to the sellers of one of the properties acquired, under an agreement which set a floor on the value of a portion of the shares of common stock given to the sellers as part of the consideration for the acquisition. The agreement allowed the Company to settle the floor in cash or stock. As a result, the payment was recorded as a reduction in stockholders' equity in 1999. The results of each acquired entity are included in the Company's consolidated statements of earnings since the respective acquisition dates. The pro forma effect of the acquisitions on the results of operations are not presented as they are not considered material.

On June 10, 1997, the Company's Board of Directors approved a plan to acquire Pacific Greystone Corporation ("Greystone") through a merger in which the shareholders of the Company received one share of common stock or Class B common stock of the corporation which survived the merger for each share of common stock or Class B common stock of the Company held by them, and the shareholders of Greystone received 1.138 shares of common stock of the surviving corporation for each outstanding share of Greystone common stock. The surviving corporation was renamed Lennar Corporation. This merger resulted in the Company's shareholders owning approximately 68% of the surviving corporation and Greystone shareholders owning the remaining 32% of that corporation. The merger became effective after the distribution of the stock of LNR to which the Company transferred its commercial real estate investment and management business and the Greystone shareholders did not receive any interest in LNR. The merger was conditioned upon the distribution taking place. Such merger became effective on October 31, 1997. Total consideration for this acquisition was $216.1 million, of which $45.8 million was assigned to the excess of the purchase price over the fair value of net assets acquired and recorded as goodwill. Goodwill is being amortized on a straight-line basis over 20 years. The consideration consisted of $213.7 million (17 million shares) for newly issued common stock and $2.4 million for Greystone stock options which vested at the acquisition date.

The Company accounted for the merger using the purchase method of accounting and the results of Greystone's operations have been included in the Company's consolidated statements of earnings since November 1, 1997. Revenues and net earnings on an unaudited pro forma basis would have increased by $580.6 million and $28.5 million, respectively, during 1997 had the acquisition occurred on December 1, 1996. The pro forma earnings per share would have been $2.13 per share diluted ($2.16 per share basic) in 1997.

4. Operating Segments

In 1999, the Company adopted SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information,* which establishes new standards for the way that public enterprises report information about operating segments. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The implementation of SFAS No. 131 did not have a significant impact on the Company's definition of operating segments and related disclosures.

The Company has two operating segments: Homebuilding and Financial Services. The Company's reportable segments are strategic business units that offer different products and services. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1.

Homebuilding

Homebuilding operations include the sale and construction of single-family attached and detached homes. These activities also include the purchase, development and sale of residential land.

The following table sets forth financial information relating to the homebuilding operations:

(In thousands)	Years Ended November 30, 1999	1998	1997
Revenues:			
Sales of homes	**$2,671,744**	2,089,762	1,130,989
Sales of land and other revenues	**157,981**	83,758	73,557
Equity in earnings from partnerships	**19,482**	30,908	4,024
Total revenues	**2,849,207**	2,204,428	1,208,570
Costs and expenses:			
Cost of homes sold	**2,105,422**	1,641,741	907,691
Cost of land and other expenses	**130,432**	69,279	50,633
Selling, general and administrative	**272,550**	210,039	130,006
Total costs and expenses	**2,508,404**	1,921,059	1,088,330
Operating earnings	**$ 340,803**	283,369	120,240
Depreciation and amortization	**$ 29,505**	20,762	2,085
Additions to operating properties and equipment	**$ 2,283**	5,987	1,579

Financial Services

Lennar Financial Services provides mortgage financing, title insurance and closing services for Lennar homebuyers and others. The Division also packages and resells residential mortgage loans and mortgage-backed securities, performs mortgage loan servicing activities and provides cable television and alarm monitoring services to residents of Lennar communities and others. The following table sets forth financial information relating to the financial services operations:

(In thousands)	Years Ended November 30, 1999	1998	1997
Revenues	**$269,307**	212,437	94,512
Costs and expenses	**238,211**	179,102	58,967
Operating earnings	**$ 31,096**	33,335	35,545
Depreciation and amortization	**$ 9,451**	4,502	594
Interest income, net	**$ 12,301**	10,878	24,935
Additions to operating properties and equipment	**$ 13,045**	7,246	2,598

5. Receivables

(In thousands)	November 30, 1999	1998
Accounts receivable	**$ 10,826**	9,374
Mortgages and notes receivable	**2,444**	17,962
	13,270	27,336
Allowance for doubtful accounts	**(2,108)**	(3,533)
	$ 11,162	23,803

6. Partnerships

Summarized financial information on a combined 100% basis related to the Company's significant partnerships and other similar entities (collectively the "Partnerships") accounted for by the equity method was as follows:

(In thousands)	November 30, 1999	1998
Assets:		
Cash	**$143,257**	16,880
Land under development	**389,974**	353,850
Other assets	**117,939**	105,154
	$651,170	475,884
Liabilities and equity:		
Accounts payable and other liabilities	**$ 47,118**	43,867
Notes and mortgages payable	**227,271**	143,286
Equity of:		
The Company	**171,960**	154,544
Others	**204,821**	134,187
	$651,170	475,884

(In thousands)	Years Ended November 30, 1999	1998	1997
Revenues	**$283,979**	277,544	227,517
Costs and expenses	**219,100**	192,130	173,951
Pre-tax earnings of partnerships	**$ 64,879**	85,414	53,566
Company share of pre-tax earnings	**$ 19,482**	30,908	11,876

At November 30, 1999, the Company's equity interest in each of these Partnerships ranged from 15% to 50%. At November 30, 1999, these Partnerships were primarily involved in the acquisition and development of residential land. The Company shares in the profits and losses of these Partnerships and, when appointed the manager of the Partnerships, receives fees for the management of the assets. In most cases, when the Company is involved in a partnership, it is through a subsidiary which is the general partner and whose only asset is its interest in the partnership. Certain of the Partnerships have partnership interests in other partnerships. The outstanding debt of one of the Company's Partnerships and one second-tier partnership, amounting to $192.5 million at November 30, 1999, is guaranteed by the Company.

As manager of Lennar Land Partners, the Company is entitled to reimbursement for all out-of-pocket expenses directly incurred in its capacity as manager (the "Direct Expenses") including but not limited to costs and expenses of employees (salary, bonus and benefits), contractors, agents, professional fees, telephone, travel, productions and reproductions of documents and postage. In addition to the Direct Expenses, the Company shares some of its employees, contractors, agents, facilities and equipment and other expenses with Lennar Land Partners (the "Indirect Expenses"). The reimbursement for the Indirect Expenses is $0.5 million per month. In 1999 and 1998, Lennar Land Partners reimbursed the Company $1.5 million and $1.7 million, respectively, of Direct Expenses and $6.0 million of Indirect Expenses in both 1999 and 1998. The Company, in the ordinary course of business, purchases developed land from Lennar Land Partners for use in its homebuilding

activities. In 1999 and 1998, these land purchases amounted to $109.3 million and $90.7 million, respectively. The Company believes amounts paid to Lennar Land Partners for land purchases approximate amounts that would have been paid to independent third parties.

7. Operating Properties and Equipment

(In thousands)	November 30, 1999	1998
Furniture, fixtures and equipment	**$ 16,351**	17,996
Community recreational facilities	**3,564**	7,905
	19,915	25,901
Accumulated depreciation	**(14,010)**	(11,300)
	$ 5,905	14,601

Operating properties and equipment are included in other assets in the consolidated balance sheets.

8. Mortgage Notes and Other Debts Payable

(In thousands)	November 30, 1999	1998
Unsecured:		
Zero-coupon senior convertible debentures due 2018	**$237,897**	231,897
7 5/8% senior notes due 2009	**269,548**	–
Revolving credit facilities with floating interest rates	–	136,650
10 3/4% senior notes	–	133,812
Mortgage notes on land with fixed interest rates from 6.0% to 10.0% due through 2001 – no recourse to the Company	**16,216**	28,271
	$523,661	530,630

In February 1999, the Company issued $282 million of 7 5/8% Senior Notes due 2009 for the purpose of reducing amounts outstanding under revolving credit facilities and redeeming outstanding 10 3/4% Senior Notes. Proceeds from the offering, after underwriting and market discounts, expenses and settlement of a related interest rate hedge agreement, were approximately $266 million. In March 1999, the Company redeemed all of the outstanding 10 3/4% Senior Notes due 2004 of one of its subsidiaries, Greystone Homes, Inc., at a price of 105.375% of the principal amount outstanding plus accrued interest. Cash paid to redeem the notes was $132 million, which approximated their carrying value.

In July 1998, the Company issued, for $229 million, zero-coupon senior convertible debentures due 2018 ("Debentures") with a face amount at maturity of $493 million. The Debentures were issued at a price of $464.13 per $1,000 face amount at maturity, which equates to a yield to maturity over the life of the Debentures of 3 7/8%. Proceeds from the offering, after underwriting discount and expenses, were approximately $223 million. The Debentures are convertible at any time into the Company's common stock at the rate of 12.3768 shares per $1,000 face amount at maturity. If the Debentures are converted during the first five years, the Company may elect to pay cash equal to the fair value of the common stock at the time of the conversion. Holders have the option to require the Company to repurchase the Debentures on any of the fifth, tenth, or fifteenth anniversary dates from the issue date for the initial issue price plus accrued original issue discount. The Company has the option to satisfy the repurchases with any combination of cash and/or shares of the Company's common stock. The Company will have the option to redeem the Debentures, in cash, at any time after the fifth anniversary date for the initial issue price plus accrued original issue discount.

At November 30, 1999, the Company had unsecured revolving credit facilities (together the "Facilities") in the aggregate amount of $645 million, which may be used to refinance existing indebtedness, for working capital, for acquisitions and for general corporate purposes. The Facilities agreement is with 16 financial institutions. Of the total Facilities, $500 million is structured as a five-year revolving credit facility maturing June 30, 2002. The second facility (up to $145 million) is structured as a revolving credit facility, maturing October 27, 2000. The Company may elect, at the maturity of the second facility, to convert borrowings under that facility to a term loan which amortizes in equal quarterly amounts and matures on June 30, 2002. Certain Financial Services Division subsidiaries are co-borrowers under this facility. At November 30, 1999 and 1998, no borrowings were allocated to this Division. No amounts were outstanding under the Facilities at November 30, 1999. The weighted average interest rate of the Facilities at November 30, 1998 was 6.4%. The Company utilizes interest rate swap agreements to manage interest costs and hedge against risks associated with changing interest rates.

The minimum aggregate principal maturities of mortgage notes and other debts payable during the five years subsequent to November 30, 1999 are as follows: 2000 – $11.3 million and 2001 – $4.9 million. The remaining principal obligations are due subsequent to November 30, 2004. All of the notes secured by land contain collateral release provisions for accelerated payment which may be made as necessary to maintain construction schedules.

9. Financial Services

The assets and liabilities related to the Company's financial services operations (as described in Note 4) were as follows:

(In thousands)	November 30, 1999	1998
Assets:		
Cash and receivables, net	**$ 54,031**	40,479
Mortgage loans held for sale or disposition, net	**229,042**	214,954
Mortgage loans, net	**22,562**	21,370
Mortgage servicing rights, net	**15,564**	11,080
Operating properties and equipment, net	**21,378**	11,165
Title plants	**14,587**	16,104
Goodwill, net	**20,070**	7,935
Other	**14,684**	8,975
Limited-purpose finance subsidiaries	**25,624**	34,892
	$417,542	366,954
Liabilities:		
Notes and other debts payable	**$253,010**	233,316
Other	**40,321**	47,624
Limited-purpose finance subsidiaries	**25,624**	34,892
	$318,955	315,832

A $315 million warehouse line of credit is used to fund the Division's mortgage loans and servicing activities. Borrowings under this agreement were $236.6 million and $196.7 million at November 30, 1999 and 1998, respectively, and were collateralized by mortgage loans with outstanding principal balances of $221.7 million and $196.9 million, respectively, and by servicing rights relating to approximately $2.5 billion and $2.7 billion of loans, respectively. There are several interest rate pricing options which fluctuate with market rates. The borrowing rate has been reduced to the extent that custodial escrow balances exceeded required compensating balance levels. The effective interest rate on this agreement at November 30, 1999 and 1998 was 4.5% and 5.1%, respectively. The warehouse line of credit facility matures April 28, 2000 at which time the Company expects this facility to be renewed.

Certain of the Division's servicing agreements require it to pass through payments on loans even though it is unable to collect such payments and, in certain instances, be responsible for losses incurred through foreclosure. Exposure to this credit risk is minimized through geographical diversification and review of the mortgage loan servicing created or purchased. Management believes that it has provided adequate reserves for expected losses based on the fair value of the underlying collateral. Provisions for these losses have not been material to the Company.

In prior years, limited-purpose finance subsidiaries of the Financial Services Division placed mortgages and other receivables as collateral for various long-term financings. These limited-purpose finance subsidiaries pay the principal of, and interest on, these financings primarily from the cash flows generated by the related pledged collateral, which includes a combination of mortgage notes, mortgage-backed securities and funds held by a trustee.

At November 30, 1999 and 1998, the balances outstanding for the bonds and notes payable were $25.6 million and $34.9 million, respectively. The borrowings mature in years 2013 through 2018 and carry interest rates ranging from 6.1% to 13.4%. The annual principal repayments are dependent upon collections on the underlying mortgages, including prepayments, and cannot be reasonably determined. As part of the spin-off of the Company's commercial real estate investment and management business in 1997, LNR received an interest in the assets of the limited-purpose finance subsidiaries to the extent such assets exceeded the related liabilities. This interest amounted to $3.0 million at the date of the spin-off.

10. Income Taxes

The provision for income taxes, including the provision relating to discontinued operations in 1997, consisted of the following:

	Years Ended November 30,		
(In thousands)	**1999**	1998	1997
Current:			
Federal	**$ 71,091**	74,739	75,769
State	**13,547**	9,308	7,239
	84,638	84,047	83,008
Deferred:			
Federal	**24,422**	6,493	(26,043)
State	**3,703**	5,506	(677)
	28,125	11,999	(26,720)
	$112,763	96,046	56,288

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 asset are as follows:

	November 30,	
(In thousands)	**1999**	1998
Deferred tax assets:		
Acquisition adjustments	**$13,900**	24,630
Reserves and accruals	**37,557**	41,722
Net operating loss and capital loss carryforwards, tax affected	**5,788**	6,340
Investments in partnerships	**4,099**	4,943
Other	**2,923**	3,229
Deferred tax assets	**64,267**	80,864
Less: valuation allowance	**(8,508)**	(7,659)
Total deferred tax assets, net	**55,759**	73,205
Deferred tax liabilities:		
Capitalized expenses	**14,538**	5,538
Deferred gains	**1,065**	1,203
Installment sales	**2,547**	2,386
Other	**4,634**	2,978
Total deferred tax liabilities	**22,784**	12,105
Net deferred tax asset	**$32,975**	61,100

The Homebuilding Division's net deferred tax asset amounting to $33.3 million and $57.5 million at November 30, 1999 and 1998, respectively, is included in other assets in the consolidated balance sheets.

At November 30, 1999 and 1998, the Financial Services Division had a net deferred tax liability of $0.3 million and a net deferred tax asset of $3.6 million, respectively.

SFAS No. 109 requires the reduction of the deferred tax asset by a valuation allowance if, based on the weight of available evidence, it is more likely than not that a portion or all of the deferred tax asset will not be realized. At November 30, 1999 and 1998, the Company had a valuation allowance of $8.5 million and $7.7 million, respectively, for net operating loss and

capital loss carryforwards and certain acquisition adjustments which currently are not expected to be realized. Based on management's assessment, it is more likely than not that the net deferred tax asset will be realized through future taxable earnings.

A reconciliation of the statutory rate and the effective tax rate follows:

	% of Pre-tax Income		
	1999	1998	1997
Statutory rate	**35.0**	35.0	35.0
State income taxes, net of federal income tax benefit	**3.9**	4.0	4.0
Other	**0.6**	1.0	1.0
Effective rate	**39.5**	40.0	40.0

11. Earnings Per Share

The Company adopted SFAS No. 128 in the first quarter of 1998. Earnings per share for 1997 has been restated to conform with SFAS No. 128. Basic and diluted earnings per share for the years ended November 30, 1999, 1998 and 1997 were calculated as follows:

(In thousands, except per share amounts)	**1999**	1998	1997
Numerator:			
Numerator for basic earnings per share – net earnings	**$ 172,714**	144,068	84,431
Interest on zero-coupon convertible debentures, net of tax	**5,538**	1,732	–
Numerator for diluted earnings per share	**$ 178,252**	145,800	84,431
Denominator:			
Denominator for basic earnings per share – weighted average shares	**58,246**	55,660	37,473
Effect of dilutive securities:			
Employee stock options	**684**	945	410
Zero-coupon convertible debentures	**6,105**	2,019	–
Denominator for diluted earnings per share – adjusted weighted average shares and assumed conversions	**65,035**	58,624	37,883
Basic earnings per share	**$ 2.97**	2.59	2.25
Diluted earnings per share	**$ 2.74**	2.49	2.23

12. 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 have been issued as of November 30, 1999.

Common Stock

The Company has two classes of common stock. The common stockholders have one vote for each share owned in matters requiring stockholder approval and during both 1999 and 1998 received quarterly dividends of $0.0125 per share. The Class B common stockholders have ten votes for each share of stock owned and during both 1999 and 1998 received quarterly dividends of $0.01125 per share. As of November 30, 1999, Mr. Leonard Miller, Chairman of the Board of the Company, owned or controlled 9.8 million shares of common stock and Class B common stock, which represented approximately 67% voting control of the Company.

In September 1999, the Company's Board of Directors approved the repurchase of up to ten million shares of the Company's outstanding common stock. The Company may repurchase shares, from time-to-time, subject to market conditions. During fiscal 1999, the Company repurchased approximately 442,000 shares of its outstanding common stock for an aggregate purchase price of approximately $6.0 million.

In March 1999, the Company filed a shelf registration statement and prospectus with the Securities and Exchange Commission to offer, from time-to-time, its common stock, preferred stock, depositary shares, debt securities or warrants at an aggregate initial offering price not to exceed $500 million. Proceeds can be used for repayment of debt, acquisitions and general corporate purposes. As of November 30, 1999, no securities had been issued under this registration statement.

In March 1998, the Company entered into an equity draw-down agreement with a major international banking firm (the "Firm") under which the Company has the option to sell common stock, up to proceeds of $120 million, to the Firm in increments of up to $15 million (or such higher amount as may be agreed to by the parties) per month. In the event the Company elects to sell common stock, the sales price is equal to 98% of the average of the daily high and low stock price from time-to-time. As of November 30, 1999, the Company had issued 1.1 million shares under the agreement resulting in proceeds to the Company of $36 million, all of which occurred in fiscal 1998.

Restrictions on Payment of Dividends

Other than as required to maintain the financial ratios and net worth requirements under the revolving credit facilities, there are no restrictions on the payment of dividends on common stock by the Company. The cash dividends paid with regard to a share of Class B common stock in a calendar year may not be more than 90% of the cash dividends paid with regard to a share of common stock in that calendar year. Furthermore, there are no agreements which restrict the payment of dividends by subsidiaries of the Company.

Stock Option Plans

The Lennar Corporation 1991 Stock Option Plan (the "1991 Plan") provided for the granting of options to certain key employees of the Company to purchase shares at prices not less than market value as of the date of the grant. No options granted under the 1991 Plan may be exercisable until at least six months after the date of the grant. Thereafter, exercises are permitted in varying installments, on a cumulative basis. Each stock option granted 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 Lennar Corporation 1997 Stock Option Plan (the "1997 Plan") provides for the granting of options or stock appreciation rights to certain key employees of the Company to purchase shares at prices not less than market value as of the date of the grant. No options granted under the 1997 Plan may be exercisable until at least six months after the date of the grant. Thereafter, exercises are permitted in varying installments, on a cumulative basis. Each stock option and stock appreciation right granted will expire on a date determined at the time of the grant, but not more than 10 years after the date of the grant.

A summary of the Company's stock option activity for the years ended November 30, 1999, 1998 and 1997 was as follows:

	1999		1998		1997	
	Stock Options	**Weighted Average Exercise Price**	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	**3,679,256**	**$ 15.52**	2,815,880	$ 10.60	1,056,350	$ 12.65
Granted	**211,000**	**$ 23.95**	1,372,500	$ 24.12	972,500	$ 19.52
Forfeited:						
Terminations	**(235,108)**	**$ 19.83**	(201,498)	$ 16.60	(13,900)	$ 19.47
Spin-off transaction	**–**	**–**	–	–	(249,150)	$ 12.55
Exercised	**(209,918)**	**$ 10.05**	(307,626)	$ 8.41	(173,850)	$ 11.17
Spin-off adjustment	**–**	**–**	–	–	459,030	$(11.45)
Greystone options assumed	**–**	**–**	–	–	764,900	$ 11.58
Outstanding, end of year	**3,445,230**	**$ 16.20**	3,679,256	$ 15.52	2,815,880	$ 10.60
Exercisable, end of year	**1,299,743**	**$ 11.87**	1,142,616	$ 10.69	1,012,946	$ 10.24
Available for grant, end of year	**1,310,072**		1,334,622		2,611,122	
Weighted average fair value per share of options granted during the year under SFAS No. 123	**$ 9.40**		$ 9.03		$ 7.96	

The following table summarizes information about fixed stock options outstanding at November 30, 1999:

	Options Outstanding			Options Exercisable	
Range of Per Share Exercise Prices	Number Outstanding at November 30, 1999	Weighted Average Remaining Contractual Life	Weighted Average Per Share Exercise Price	Number Outstanding at November 30, 1999	Weighted Average Per Share Exercise Price
$ 2.56 – $ 4.56	347,586	1.7 years	$ 3.47	135,843	$ 3.23
$ 6.66 – $ 9.97	469,270	3.2 years	$ 9.22	310,362	$ 9.61
$10.14 – $18.16	1,343,494	6.8 years	$14.02	745,658	$12.55
$19.47 – $34.13	1,284,880	4.7 years	$24.46	107,880	$24.54

The Company applies APB Opinion No. 25 and related Interpretations in accounting for its fixed stock option plans. No compensation expense is recognized because all stock options granted have exercise prices not less than the market value of the Company's stock on the date of the grant. Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. Had the Company adopted SFAS No. 123 in accounting for fixed stock option plans, the pro forma effect would not be material to the Company's reported earnings from continuing operations, net earnings and earnings per share for the years ended November 30, 1999, 1998 and 1997.

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	1999	1998	1997
Dividend yield	**0.2% - 0.3%**	0.1% - 0.3%	0.3% - 0.4%
Volatility rate	**40% - 42%**	32% - 39%	25% - 28%
Risk-free interest rate	**4.8% - 6.1%**	4.7% - 6.0%	5.8% - 6.1%
Expected option life (years)	**3.9 - 7.7**	3.9 - 7.7	3.9 - 8.6

Employee Stock Ownership/401(k) Plan

Prior to 1998, the Employee Stock Ownership/401(k) Plan (the "Plan") provided shares of stock to employees who had completed one year of continuous service with the Company. During 1998, the Plan was amended to exclude any new shares from being provided to employees. All prior year contributions to employees actively employed on or after October 1, 1998 vest at a rate of 20% per year over a five year period. All active participants in the plan whose employment terminated prior to October 1, 1998 vested based upon the plan that was active prior to their termination of employment. Under the 401(k) portion of the Plan, contributions made by employees can be invested in a variety of mutual funds, and the Company may also make contributions for the benefit of employees. The Company records as compensation expense an amount which approximates the vesting of the contributions to the Employee Stock Ownership portion of the Plan, as well as the Company's contribution to the 401(k) portion of the Plan. This amount was $3.1 million in 1999, $2.9 million in 1998 and $1.7 million in 1997. In 1997, 34,469 shares of Lennar common stock were contributed to participants' accounts.

13. Financial Instruments

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at November 30, 1999 and 1998, using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The table excludes cash and cash equivalents, receivables and accounts payable, which had fair values approximating their carrying values.

	November 30,			
(In thousands)	**1999**		1998	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
ASSETS				
Financial services:				
Mortgage loans held for sale or disposition, net	**$229,042**	**231,116**	214,954	219,395
Mortgage loans, net	**22,562**	**22,112**	21,370	21,100
Investments held-to-maturity	**8,902**	**8,904**	5,240	5,297
Limited-purpose finance subsidiaries - collateral for bonds and notes payable	**25,624**	**26,499**	34,892	38,221
LIABILITIES				
Homebuilding:				
Mortgage notes and other debts payable	**$523,661**	**466,311**	530,630	511,019
Financial services:				
Notes and other debts payable	**$253,010**	**252,865**	233,316	233,188
Limited-purpose finance subsidiaries - bonds and notes payable	**25,624**	**26,638**	34,892	35,591
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS				
Homebuilding:				
Interest rate swap agreements	**$ –**	**1,724**	–	(6,423)
Interest rate hedge agreement	**–**	**–**	–	(15,578)
Financial services:				
Commitments to originate loans	**$ –**	**(197)**	–	18
Forward commitments to sell loans	**–**	**434**	–	(539)

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

Mortgage notes and other debts payable: The fair value of fixed rate borrowings is based on quoted market prices. Variable rate borrowings are tied to market indices and thereby approximate fair value.

Financial services assets, liabilities and off-balance sheet financial instruments: The fair values are based on quoted market prices, if available. The fair values for instruments which do not have quoted market prices are estimated by the Company on the basis of discounted cash flows or other financial information.

Interest rate swap and hedge agreements: The fair value is based on dealer quotations and generally represents an estimate of the amount the Company would pay or receive to terminate the agreement at the reporting date.

During 1997, proceeds from the sale of available-for-sale securities amounted to $122.5 million and resulted in gross realized gains of $2.9 million. In 1997, available-for-sale securities were held by the commercial real estate investment and management business, which was spun-off in 1997.

The Company utilizes interest rate swap agreements to manage interest costs and hedge against risks associated with changing interest rates. Counterparties to these agreements are major financial institutions. Credit loss from counterparty non-performance is not anticipated. A majority of the Company's available variable rate borrowings are based on the London Interbank Offered Rate ("LIBOR") index. At November 30, 1999, Lennar had three interest rate swap agreements outstanding with a total notional amount of $200 million, which will mature in 2002. These agreements fixed the LIBOR index at approximately 6.1%. The effect of the interest rate swap agreements on interest incurred and on the average cost of borrowing was an increase of $1.8 million and 0.22%, $0.8 million and 0.11% and $0.8 million and 0.17% for the years ended November 30, 1999, 1998 and 1997, respectively. During 1998, the Company entered into a contract to hedge the interest rate risk associated with the anticipated issuance of $200 million of 10-year senior notes. The contract fixed the yield on the 10-year U.S. Treasury Note (which was used as a basis for determining the interest rate on the Company's issuance of the senior notes) at 5.8%. In February 1999, the Company issued $282 million of 10-year Senior Notes (see Note 8). The payment made to the counterparty to this agreement at the time the Senior Notes were issued was $11.2 million. Such amount was recorded as a reduction of the carrying value of the Senior Notes and will be amortized as an adjustment to interest incurred over the life of the Senior Notes.

As of November 30, 1999, the Financial Services Division's pipeline of loans in process totaled approximately $371.8 million. There is no exposure to credit risk in this type of commitment until the loans are funded. However, the Division uses the same credit policies in the approval of the commitments as are applied to all lending activities. Since a portion of these commitments is expected to expire without being exercised by the borrower, the total commitments do not necessarily represent future cash requirements. There is no exposure to market risk until a rate commitment is extended by the Company to a borrower. Loans in the pipeline of loans in process for which interest rates were committed to the borrower totaled approximately $79.4 million as of November 30, 1999. Substantially all of these commitments are for periods of 30 days or less.

Mandatory mortgage-backed securities ("MBS") forward commitments are used by the Company to hedge its interest rate exposure during the period from when the Company extends an interest rate lock to a loan applicant until the time at which the loan is sold to an investor. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk is managed by the Company by entering into agreements with investment bankers with primary dealer status and with permanent investors meeting the credit standards of the Company. At any time, the risk to the Company, in the event of default by the purchaser, is the difference between the contract price and current market value. At November 30, 1999, the Company had open commitments amounting to $235.5 million to sell MBS with varying settlement dates through January 2000. The mortgage loan inventory and pipeline will be used to form the MBS that will fill the forward delivery contracts.

14. Commitments and Contingent Liabilities

The Company and certain subsidiaries are parties 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 financial condition of the Company.

The Company is subject to the usual obligations associated with entering into contracts for the purchase (including option contracts), development, and sale of real estate in the routine conduct of its business. Option contracts for the purchase of land permit the Company to acquire portions of properties when it is ready to build homes on them. The use of option contracts allows the Company to manage the financial risk of adverse market conditions associated with longer-term land holdings.

The Company has entered into agreements to lease certain office facilities and equipment under operating leases. Future minimum payments under the noncancelable leases are as follows: 2000 - $18.9 million; 2001 - $15.6 million; 2002 - $11.8 million; 2003 - $7.6 million; 2004 - $5.0 million and thereafter - $9.5 million. Rental expense for the years ended November 30, 1999, 1998 and 1997 was $24.3 million, $14.3 million and $2.5 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 $85.1 million at November 30, 1999. The Company also had outstanding performance and surety bonds with estimated costs to complete of $361.3 million related principally to its obligations for site improvements at various projects at November 30, 1999. The Company does not believe that any such bonds are likely to be drawn upon.

15. Subsequent Event

In February 2000, the Company entered into a definitive agreement to acquire U.S. Home Corporation through a merger in which the U.S. Home stockholders will receive a total of approximately $476 million, of which approximately one-half will be in cash and the remainder will be in common stock of the Company (with the common stock portion, and therefore the total purchase price, subject to adjustment if the price of the Company's stock is greater or lower than specified levels) in exchange for their stock. U.S. Home will become a wholly-owned subsidiary of the Company. When the acquisition takes place, U.S. Home's debt is expected to include bank debt and approximately $525 million of publicly-held debt. The holders of the publicly-held debt have the right to require U.S. Home to redeem such debt within 90 days of the completion of the transaction. The Company has access to the resources required to close the transaction and, if necessary, refinance U.S. Home's debt. The transaction is subject to approval by the stockholders of both companies, as well as expiration or termination of waiting periods under antitrust laws and other regulatory matters. If the necessary stockholder and regulatory approvals are obtained, the Company expects the transaction to close by the end of May 2000.

16. Quarterly Data (unaudited)

(In thousands, except per share amounts)		First	Second	Third	Fourth
1999					
Revenues	$	590,599	738,357	819,497	970,061
Earnings before income taxes	$	46,053	65,440	75,162	98,822
Net earnings	$	27,862	39,591	45,473	59,788
Earnings per share:					
Basic	$	0.48	0.68	0.78	1.03
Diluted	$	0.45	0.63	0.72	0.95
1998					
Revenues	$	440,712	532,106	620,935	823,112
Earnings before income taxes	$	27,005	42,677	58,441	111,991
Net earnings	$	16,203	25,606	35,065	67,194
Earnings per share:					
Basic	$	0.30	0.48	0.61	1.16
Diluted	$	0.30	0.47	0.59	1.06

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.

Supplemental Pro Forma Financial Information (Unaudited)

On June 10, 1997, the Company's Board of Directors approved a plan to spin-off its commercial real estate investment and management business through the distribution of the stock of LNR. The spin-off, in the form of a tax-free distribution, was completed effective October 31, 1997. Following the spin-off transaction, the Company and LNR formed Lennar Land Partners to acquire, develop and sell land. The Company and LNR contributed properties to Lennar Land Partners in exchange for 50% general partnership interests in Lennar Land Partners. The formation of Lennar Land Partners was effective as of October 31, 1997. On June 10, 1997, the Company's Board of Directors also approved a plan to acquire Pacific Greystone Corporation. The merger became effective after the spin-off of the commercial real estate investment and management business. Such merger became effective on October 31, 1997.

The following pro forma information for 1997 is presented to report results on a more comparable basis to 1999 and 1998. Results for 1997 have been adjusted to give pro forma effect to these transactions as if such transactions had been completed as of the beginning of 1997. The pro forma results for Lennar were derived from the 12 months ended November 30, 1997 and the pro forma results for Greystone were derived from the 12 months ended December 31, 1997. The following pro forma financial information does not purport to be indicative of the results of operations which would actually have been reported if the transactions had occurred on the date or for the period indicated:

(In thousands, except per share amounts)	**1999**	1998	Pro Forma 1997
Revenues:			
Homebuilding	**$ 2,849,207**	2,204,428	1,692,083
Financial services	**269,307**	212,437	57,448
Total revenues	**$ 3,118,514**	2,416,865	1,749,531
Operating earnings:			
Homebuilding	**$ 340,803**	283,369	172,141
Financial services	**31,096**	33,335	11,655
Total operating earnings	**371,899**	316,704	183,796
Corporate general and administrative expenses	**37,563**	28,962	23,212
Interest expense	**48,859**	47,628	30,657
Earnings before income taxes	**285,477**	240,114	129,927
Provision for income taxes	**112,763**	96,046	52,646
Net earnings	**$ 172,714**	144,068	77,281
Basic earnings per share	**$ 2.97**	2.59	1.46
Diluted earnings per share	**$ 2.74**	2.49	1.44

Shareholder Information
Lennar Corporation and Subsidiaries

Annual Meeting
The Annual Stockholders' Meeting will be held at 11:00 a.m. on April 4, 2000 at the Doral Park Golf and Country Club, 5001 N.W. 104th Avenue
Miami, Florida 33178

Registrar and Transfer Agent
BankBoston, N.A.
EquiServe L.P.
150 Royall Street
Canton, Massachusetts 02021

Listing
New York Stock Exchange (LEN)

Corporate Counsel
Clifford Chance Rogers & Wells LLP
200 Park Avenue
New York, New York 10166

Independent Auditors
Deloitte & Touche LLP
200 South Biscayne Boulevard, Suite 400
Miami, Florida 33131

Form 10-K Available
A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available without charge to any stockholder upon written request to:

Investor Relations
Lennar Corporation
700 N.W. 107th Avenue
Miami, Florida 33172
Telephone: (305) 559-4000

Comparative Common Stock Data

	Common Stock Prices New York Stock Exchange		Cash Dividends Per Share			
	High/Low Price		Common Stock		Class B	
Fiscal Quarter	**1999**	1998	**1999**	1998	**1999**	1998
First	**$27.88 – 21.63**	28.75 – 19.00	**1 1/4 ¢**	1 1/4 ¢	**1 1/8 ¢**	1 1/8 ¢
Second	**27.81 – 20.50**	36.19 – 24.19	**1 1/4 ¢**	1 1/4 ¢	**1 1/8 ¢**	1 1/8 ¢
Third	**24.94 – 17.50**	34.38 – 18.13	**1 1/4 ¢**	1 1/4 ¢	**1 1/8 ¢**	1 1/8 ¢
Fourth	**19.44 – 13.06**	24.38 – 14.88	**1 1/4 ¢**	1 1/4 ¢	**1 1/8 ¢**	1 1/8 ¢

As of November 30, 1999, there were approximately 800 holders of record of the Company's common stock.

Directors

Leonard Miller
Chairman of the Board, Lennar Corporation

Irving Bolotin
Retired Senior Vice President, Lennar Corporation

Jonathan M. Jaffe
Vice President and Regional President, Lennar Corporation

R. Kirk Landon
Chairman of the Board, Innovative Surveillance Technology; Former Chairman of the Board, American Bankers Insurance Group

Sidney Lapidus
Managing Director, E.M. Warburg, Pincus & Co., LLC

Reuben S. Leibowitz
Managing Director, E.M. Warburg, Pincus & Co., LLC

Stuart A. Miller
President and Chief Executive Officer, Lennar Corporation

Arnold P. Rosen
Retired Executive Vice President, Lennar Corporation

Steven J. Saiontz
Chief Executive Officer, LNR Property Corporation

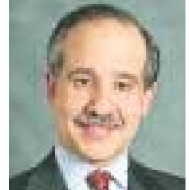
Leonard Miller

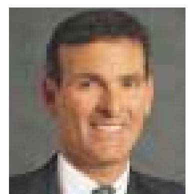
Irving Bolotin

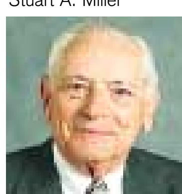
Jonathan M. Jaffe

R. Kirk Landon

Sidney Lapidus


Reuben S. Leibowitz


Stuart A. Miller


Arnold P. Rosen

Steven J. Saiontz

Officers and Senior Management

Lennar Corporate

Stuart A. Miller
President and Chief Executive Officer

Bruce E. Gross
Vice President and Chief Financial Officer

David B. McCain
Vice President, General Counsel and Secretary

Diane J. Bessette
Controller

Waynewright Malcolm
Treasurer

Lennar Homebuilding

Marshall Ames
Vice President

Jonathan M. Jaffe
Vice President and Regional President

Emile Haddad
Regional President

Michael Hutchison
Regional President

David M. Kitnick
Regional President

Jeff Roos
Regional President

Mark Shevory
Regional President

Jay Wissink
Regional President

Marc Chasman
Chief Financial Officer, Western Region

Lennar Financial Services

Allan J. Pekor
Vice President, Lennar Corporation; President, Lennar Financial Services, Inc.

Nancy A. Kaminsky
Executive Vice President and Chief Financial Officer, Lennar Financial Services, Inc.

Linda Reed
Executive Vice President, Lennar Financial Services, Inc.; President, Lennar Title Services, Inc.

Robert D. Rubin
President, Strategic Technologies, Inc.

Statement Regarding Forward-Looking Information

Certain statements contained in this annual report may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements involve risks, uncertainties and other factors that may cause actual results to differ materially from those which are anticipated. Such factors include, but are not limited to, changes in general economic conditions, the market for homes generally and in areas where the company has developments, the availability and cost of land suitable for residential development, materials prices, labor costs, interest rates, consumer confidence, competition, environmental factors and government regulations affecting the company's operations.

700 N.W. 107th Avenue, Miami, FL 33172

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