

LEVITT CORP
Form 10-Q
November 15, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended September 30, 2004

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number
001-31931

Levitt Corporation

(Exact name of registrant as specified in its Charter)

Florida
(State or other jurisdiction of
incorporation or organization)

11-3675068
(I.R.S. Employer
Identification No.)

1750 East Sunrise Boulevard
Ft. Lauderdale, Florida
(Address of principal executive offices)

33304
(Zip Code)

(954) 760-5200
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding for each of the Registrant's classes of common stock, as of November 9, 2004:

Class of Common Stock	Shares Outstanding
Class A common stock, \$0.01 par value	18,597,166
Class B common stock, \$0.01 par value	1,219,031

Levitt Corporation and Subsidiaries
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CFO Certification pursuant to Section 302

CEO Certification pursuant to Section 906

CFO Certification pursuant to Section 906

Table of Contents**Levitt Corporation****Consolidated Statements of Financial Condition - Unaudited****(In thousands except share data)**

	September 30, 2004	December 31, 2003
	<hr/>	<hr/>
Assets		
Cash and cash equivalents	\$ 109,746	35,965
Restricted cash	2,525	3,384
Notes receivable	5,729	5,163
Inventory of real estate	428,304	257,556
Investments in real estate joint ventures	1,550	4,106
Investment in Bluegreen Corporation	80,752	70,852
Other assets	21,990	15,034
Goodwill	1,541	
Deferred tax asset, net		654
	<hr/>	<hr/>
Total assets	\$ 652,137	392,714
	<hr/>	<hr/>
Liabilities and Shareholders Equity		
Accounts payable and accrued liabilities	\$ 53,962	40,011
Customer deposits	52,945	52,134
Current income tax payable	244	1,024
Notes and mortgage notes payable	210,777	111,625
Notes and mortgage notes payable to affiliates	49,128	61,618
Development bonds payable	441	850
Deferred tax liability, net	4,871	
	<hr/>	<hr/>
Total liabilities	372,368	267,262
Shareholders equity:		
Preferred stock, \$0.01 par value Authorized: 5,000,000 shares Issued and outstanding: no shares		
Class A Common Stock, \$0.01 par value Authorized: 50,000,000 shares Issued and outstanding: 18,597,166 and 13,597,166 shares, respectively	186	136
Class B Common Stock, \$0.01 par value Authorized: 10,000,000 shares Issued and outstanding: 1,219,031 and 1,219,031 shares, respectively	12	12
Additional paid-in capital	182,313	67,855
Retained earnings	97,026	57,020
Accumulated other comprehensive income	232	429
	<hr/>	<hr/>

Total shareholders' equity	<u>279,769</u>	<u>125,452</u>
Total liabilities and shareholders' equity	<u>\$652,137</u>	<u>392,714</u>

See accompanying notes to unaudited consolidated financial statements.

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Levitt Corporation

Consolidated Statements of Operations Unaudited
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
Sales of real estate	\$132,893	64,930	373,946	184,933
Title and mortgage operations	<u>1,164</u>	<u>607</u>	<u>3,473</u>	<u>1,588</u>
 Total revenues	 <u>134,057</u>	 <u>65,537</u>	 <u>377,419</u>	 <u>186,521</u>
 Costs and expenses:				
Cost of sales of real estate	98,513	46,487	275,854	135,162
Selling, general and administrative expenses	17,298	10,210	50,233	28,712
Interest expense, net	178		236	249
Other expenses	3,594	379	4,988	1,047
Minority interest	<u>(50)</u>	<u>(22)</u>	<u>(26)</u>	<u>127</u>
 Total costs and expenses	 <u>119,533</u>	 <u>57,054</u>	 <u>331,285</u>	 <u>165,297</u>
 Earnings from Bluegreen Corporation	 14,524	 8,483	 46,134	 21,224
(Loss) earnings from real estate joint ventures	5,790	3,350	10,651	5,156
Interest and other income	(25)	(16)	5,712	(98)
	<u>1,979</u>	<u>663</u>	<u>3,306</u>	<u>1,930</u>
 Income before income taxes	 22,268	 12,480	 65,803	 28,212
Provision for income taxes	<u>8,608</u>	<u>4,819</u>	<u>25,401</u>	<u>10,891</u>
 Net income	 <u>\$ 13,660</u>	 <u>7,661</u>	 <u>40,402</u>	 <u>17,321</u>
 Earnings per common share:				
Basic	\$ 0.69	0.52	2.23	1.17
Diluted	\$ 0.66	0.50	2.18	1.14
 Weighted average common shares outstanding:				
Basic	19,816	14,816	18,083	14,816
Diluted	19,872	14,816	18,127	14,816

Dividends declared per common share:

Class A common stock	\$ 0.02	0.02
Class B common stock	\$ 0.02	0.02

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**Levitt Corporation****Consolidated Statements of Comprehensive Income - Unaudited
(In thousands)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income	\$ 13,660	7,661	40,402	17,321
Other comprehensive income:				
Pro-rata share of unrealized (loss) gain recognized by Bluegreen on retained interests in notes receivable sold, net of tax	(211)	112	(197)	775
Comprehensive income	\$ 13,449	7,773	40,205	18,096

See accompanying notes to unaudited consolidated financial statements.

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Levitt Corporation

Consolidated Statement of Shareholders Equity - Unaudited
For the Nine Months Ended September 30, 2004
(In thousands)

	Class Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Compre- hensive Income (Loss)	Total
Balance at December 31, 2003	\$ 136	12	67,855	57,020	429	125,452
Net income				40,402		40,402
Other comprehensive loss					(197)	(197)
Issuance of common stock, net of stock issuance costs	50		114,719			114,769
Cash dividends paid				(396)		(396)
Issuance of Bluegreen common stock, net of tax			(261)			(261)
Balance at September 30, 2004	\$ 186	12	182,313	97,026	232	279,769

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**Levitt Corporation****Consolidated Statements of Cash Flows - Unaudited**
(In thousands)

	Nine Months	
	Ended September 30,	
	2004	2003
Operating activities:		
Net income	\$ 40,402	17,321
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	439	226
Increase in deferred income taxes	5,049	3,078
Earnings from Bluegreen Corporation	(10,651)	(5,156)
(Earnings) loss from real estate joint ventures	(5,712)	99
Gain on sale of building	(2,162)	
Changes in operating assets and liabilities:		
Restricted cash	859	(313)
Notes receivable	(566)	919
Inventory of real estate	(148,821)	(36,728)
Other assets	(5,275)	(2,405)
Accounts payable, accrued expenses and other liabilities	10,480	27,931
	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	(115,958)	4,972
	<u> </u>	<u> </u>
Investing activities:		
Investment in real estate joint ventures	(127)	(905)
Distributions from real estate joint ventures	8,464	1,196
Proceeds from partial sale of joint venture interest	340	
Purchase of Bowden Building Corporation, net of cash acquired	(6,109)	
Proceeds from sale of building	5,315	
Other	(2,045)	(343)
	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	5,838	(52)
	<u> </u>	<u> </u>
Financing activities:		
Proceeds from notes and mortgage notes payable	240,878	97,784
Proceeds from notes and mortgage notes payable to affiliates	26,482	28,571
Repayment of notes and mortgage notes payable	(158,451)	(74,820)
Repayment of notes and mortgage notes payable to affiliates	(38,972)	(32,834)
Repayment of development bonds payable	(409)	(3,590)
Proceeds from issuance of common stock, net of issuance costs	114,769	

Cash dividends paid	(396)	
	<u> </u>	<u> </u>
Net cash provided by financing activities	183,901	15,111
	<u> </u>	<u> </u>
Increase in cash and cash equivalents	73,781	20,031
Cash and cash equivalents at the beginning of period	35,965	16,014
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	\$ 109,746	36,045
	<u> </u>	<u> </u>

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Levitt Corporation
Consolidated Statements of Cash Flows - Unaudited
(In thousands)

	Nine Months Ended September 30,	
	2004	2003
Supplemental cash flow information		
Interest paid on borrowings	\$ 7,190	6,090
Income taxes paid	21,921	8,081
Supplemental disclosure of non-cash operating, investing and financing activities:		
Change in shareholder's equity resulting from the change in other comprehensive (loss) gain, net of taxes	(197)	775
Change in shareholder's equity from the net effect of Bluegreen's capital transactions, net of taxes	(261)	(106)
Increase in joint venture investment resulting from unrealized gain on non-monetary exchange	409	
Fair value of assets acquired from acquisition of Bowden Building Corporation	26,696	
Fair value of liabilities acquired from acquisition of Bowden Building Corporation	20,587	

See accompanying notes to unaudited consolidated financial statements.

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Levitt Corporation

Notes to Unaudited Consolidated Financial Statements

1. Presentation of Interim Financial Statements

Levitt Corporation (including its subsidiaries, the Company) engages in real estate activities through its Homebuilding and Land Divisions and other operations. The Homebuilding Division operates through Levitt and Sons, LLC (Levitt and Sons) and Bowden Building Corporation (Bowden), developers of single family home, townhome and condominium communities. The Land Division consists of the operations of Core Communities, LLC, a land and master-planned community developer (Core Communities). Other Operations includes Levitt Commercial, LLC, a developer of commercial properties (Levitt Commercial); an equity investment in Bluegreen Corporation, a New York Stock Exchange-listed company engaged in the acquisition, development, marketing and sale of ownership interests in vacation resorts and the development and sale of golf communities and residential land (Bluegreen); and investments in real estate and real estate joint ventures.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-segment transactions have been eliminated in consolidation. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004. Certain items in prior period financial statements have been reclassified to conform to the current presentation. These financial statements should be read in conjunction with the Company's consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2003 and quarterly reports on Forms 10-Q for the quarters ended March 31, 2004 and June 30, 2004.

Table of Contents**2. Stock Based Compensation**

The Company accounts for stock option grants under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. 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 grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, to stock-based employee compensation (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Pro forma net income				
Net income, as reported	\$ 13,660	7,661	40,402	17,321
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related income tax effects and minority interest	(149)		(748)	
Pro forma net income	\$ 13,511	7,661	39,654	17,321
Basic earnings per share:				
As reported	\$ 0.69	0.52	2.23	1.17
Pro forma	0.68	0.52	2.19	1.17
Diluted earnings per share:				
As reported	\$ 0.66	0.50	2.18	1.14
Pro forma	0.66	0.50	2.14	1.14

3. Inventory of Real Estate

Inventory of real estate is summarized as follows (in thousands):

	September 30, 2004	December 31, 2003
Land and land development costs	\$ 292,982	174,142
Construction costs	123,288	67,895
Other costs	12,034	15,519

\$428,304

257,556

Table of Contents**4. Interest**

Interest incurred relating to land under development and construction is capitalized to real estate inventory during the active development period. Interest is capitalized as a component of inventory at the effective rates paid on borrowings during the pre-construction and planning stages and the periods that projects are under development. Capitalization of interest is discontinued if development ceases at a project. Capitalized interest is expensed as a component of cost of sales as related homes, land and units are sold. The following table is a summary of interest incurred on notes and mortgage notes payable and the amounts capitalized (in thousands):

	Three Months ended September 30,		Nine Months ended September 30,	
	2004	2003	2004	2003
Interest incurred to non-affiliates	\$ 2,479	1,349	5,660	4,254
Interest incurred to affiliates	584	545	1,779	1,745
Interest capitalized	(2,885)	(1,894)	(7,203)	(5,750)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest expense, net	\$ 178		236	249
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest expensed in cost of sales	\$ 2,306	1,451	6,885	3,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Other Expenses and Interest and Other Income

Other expenses and interest and other income are summarized as follows (in thousands):

	Three Months ended September 30,		Nine Months ended September 30,	
	2004	2003	2004	2003
Other expenses				
Title and mortgage operations expenses	\$ 709	379	2,103	1,047
Hurricane expense, net of projected insurance recoveries	2,885		2,885	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other expenses	\$3,594	379	4,988	1,047
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Interest and other income

Interest income	\$ 408	190	885	651
Reversal of litigation reserve (see Note 9)	1,440		1,440	
Other income	<u>131</u>	<u>473</u>	<u>981</u>	<u>1,279</u>
Total interest and other income	<u>\$1,979</u>	<u>663</u>	<u>3,306</u>	<u>1,930</u>

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The Company accounts for its investment in Bluegreen under the equity method. At September 30, 2004, the Company owned approximately 9.5 million shares, or approximately 36%, of Bluegreen's outstanding common stock.

Bluegreen's condensed consolidated balance sheets and condensed consolidated statements of income are as follows (in thousands):

Condensed Consolidated Balance Sheets

	September 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
Total assets	\$ 648,500	570,406
	<u> </u>	<u> </u>
Total liabilities	414,835	378,878
Minority interest	7,340	4,648
Total shareholders' equity	226,325	186,880
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$ 648,500	570,406
	<u> </u>	<u> </u>

Condensed Consolidated Statements of Income

	Three Months ended		Nine Months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues and other income	\$ 190,636	128,407	451,192	315,617
Cost and other expenses	163,760	111,119	399,541	283,572
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before minority interest and provision for income taxes	26,876	17,288	51,651	32,045
Minority interest	360	699	2,692	1,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before provision for income taxes	26,516	16,589	48,959	30,170
Provision for income taxes	10,209	6,387	18,849	11,615
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 16,307	10,202	30,110	18,555



7. Notes and Mortgage Notes Payable

At September 30, 2004, the Company has approximately \$3.2 million of outstanding unsecured subordinated investment notes sold by the Company in a registered offering during 2003 and the first three months of 2004. In March 2004, the unsold notes under the original registration were deregistered.

Table of Contents**8. Commitments and Contingencies**

At September 30, 2004, the Company had approximately \$182.6 million of commitments to purchase properties for development. Approximately \$114.7 million of such commitments are subject to due diligence and satisfaction of certain requirements and conditions, including financing contingencies. The following table summarizes certain information relating to outstanding purchase and option contracts.

	Purchase Price	Units/ Acres	Expected Closing
	_____	_____	_____
Homebuilding Division	\$182.6 million	6,752 units	2004-2006

At September 30, 2004, cash deposits of approximately \$6.4 million secured the Company's commitments under these contracts.

At September 30, 2004 the Company had outstanding surety bonds and letters of credit of approximately \$26.0 million related primarily to its obligations to various governmental entities to construct improvements in the Company's various communities. The Company estimates that approximately \$9.0 million of work remains to complete these improvements. The Company does not believe that any outstanding bonds or letters of credit will likely be drawn upon.

9. Litigation

On December 29, 2000, Smith & Company, Inc. (Smith) filed a law suit against, among others, Levitt-Ansca Towne Partnership, a Florida limited partnership (Partnership), and Bellaggio by Levitt Homes, Inc. (BLHI), a Florida corporation and a wholly owned subsidiary of Levitt and Sons. The suit alleged, among other things, wrongful termination, breach and failure to pay for extra work performed outside the scope of the contract. A jury awarded Smith \$4.4 million of which BLHI's liability was estimated at \$2.6 million. The Partnership appealed the verdict, and in April 2004 the Fourth District Court of Appeal of the State of Florida reversed the trial court's previous award of damages in its entirety and remanded the matter to the trial court for a new trial on damages. The appeal bond previously posted was released in August 2004. The Company therefore reduced its litigation reserve by \$1.4 million reflecting the Company's assessment of potential liability. The \$1.4 million reduction was recorded as interest and other income in the accompanying statement of operations for the three and nine months ended September 30, 2004.

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10. Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has three reportable business segments: Homebuilding, Land and Other Operations. The Company evaluates segment performance primarily based on net income. The information provided for segment reporting is based on management's internal reports. The accounting policies of the segments are generally the same as those described in the summary of significant accounting policies. Eliminations consist primarily of the elimination of sales and profits on real estate transactions between the Land and Homebuilding Divisions, which were recorded based upon terms that management believes would be attained in an arm's-length transaction. The presentation and allocation of assets, liabilities and results of operations may not reflect the actual economic costs of the segments as stand-alone businesses. If a different basis of allocation were utilized, the relative contributions of the segments might differ, but management believes that the relative trends in segments would likely not be impacted.

The Company's Homebuilding segment consists of the operations of Levitt and Sons and Bowden while the Land segment consists of the operations of Core Communities. The Other Operations segment consists of the activities of Levitt Commercial, the Company's parent company operations and earnings from investments in Bluegreen and other real estate investments and joint ventures.

The following tables present unaudited segment information as of and for the three and nine months ended September 30, 2004 and 2003 (in thousands).

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Three Months Ended September 30, 2004	Homebuilding	Land	Other Operations	Eliminations	Total
Revenues					
Sales of real estate	\$ 112,431	20,163	779	(480)	132,893
Title and mortgage operations	1,164				1,164
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	113,595	20,163	779	(480)	134,057
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Costs and expenses					
Cost of sales of real estate	88,499	10,085	1,118	(1,189)	98,513
Selling, general and administrative expenses	12,269	2,652	2,377		17,298
Interest expense, net	177		1		178
Other expenses	3,094	500			3,594
Minority interest	(50)				(50)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total costs and expenses	103,989	13,237	3,496	(1,189)	119,533
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Earnings from Bluegreen Corporation	9,606	6,926	(2,717)	709	14,524
Earnings (loss) from joint ventures	18		5,790		5,790
Interest and other income	1,539	315	(43)		(25)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Income before income taxes	11,163	7,241	125	709	22,268
Provision for income taxes	4,318	2,799	1,217	274	8,608
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net income	\$ 6,845	4,442	1,938	435	13,660
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Inventory of real estate	\$ 309,841	123,893	12,153	(17,583)	428,304
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 357,893	179,049	132,778	(17,583)	652,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Notes, mortgage notes, and bonds payable	\$ 164,706	48,696	46,944		260,346
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Other

Three Months Ended September 30, 2003	Homebuilding	Land	Operations	Eliminations	Total
Revenues					
Sales of real estate	\$ 52,516	12,414			64,930
Title and mortgage operations	607				607
Total revenues	53,123	12,414			65,537
Costs and expenses					
Cost of sales of real estate	41,201	5,197	409	(320)	46,487
Selling, general and administrative expenses	7,183	2,072	955		10,210
Other expenses	379				379
Minority interest	(25)		3		(22)
Total costs and expenses	48,738	7,269	1,367	(320)	57,054
Earnings from Bluegreen Corporation	4,385	5,145	(1,367)	320	8,483
(Loss) earnings from joint ventures	(75)		3,350		3,350
Interest and other income	162	486	59		(16)
	162	486	15		663
Income before income taxes	4,472	5,631	2,057	320	12,480
Provision for income taxes	1,725	2,176	795	123	4,819
Net income	\$ 2,747	3,455	1,262	197	7,661
Inventory of real estate	\$186,404	50,159	4,512	(6,221)	234,854
Total assets	\$210,592	80,926	70,364	(5,359)	356,523
Notes, mortgage notes, and bonds payable	\$107,139	15,230	40,216		162,585

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Nine Months Ended September 30, 2004	Homebuilding	Land	Other Operations	Eliminations	Total
Revenues					
Sales of real estate	\$316,100	77,061	4,908	(24,123)	373,946
Title and mortgage operations	3,473				3,473
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	319,573	77,061	4,908	(24,123)	377,419
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Costs and expenses					
Cost of sales of real estate	248,830	33,755	5,325	(12,056)	275,854
Selling, general and administrative expenses	35,406	7,930	6,897		50,233
Interest expense, net	177	58	1		236
Other expenses	4,488	500			4,988
Minority interest	(50)		24		(26)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total costs and expenses	288,851	42,243	12,247	(12,056)	331,285
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Earnings from Bluegreen Corporation	30,722	34,818	(7,339)	(12,067)	46,134
Earnings from joint ventures	3,350		10,651		10,651
Interest and other income	1,654	1,332	2,362		5,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Income before income taxes	35,726	36,150	320	(12,067)	65,803
Provision for income taxes	13,790	13,954	2,312	(4,655)	25,401
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net income	\$ 21,936	22,196	3,682	(7,412)	40,402
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Inventory of real estate	\$309,841	123,893	12,153	(17,583)	428,304
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$357,893	179,049	132,778	(17,583)	652,137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Notes, mortgage notes, and bonds payable	\$164,706	48,696	46,944		260,346
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Other

Nine Months Ended September 30, 2003	Homebuilding	Land	Operations	Eliminations	Total
Revenues					
Sales of real estate	\$ 135,107	45,019	4,807		184,933
Title and mortgage operations	1,588				1,588
Total revenues	136,695	45,019	4,807		186,521
Costs and expenses					
Cost of sales of real estate	105,073	25,484	4,925	(320)	135,162
Selling, general and administrative expenses	19,774	5,770	3,168		28,712
Interest expense, net		224	25		249
Other expenses	1,047				1,047
Minority interest	(75)		202		127
Total costs and expenses	125,819	31,478	8,320	(320)	165,297
Earnings from Bluegreen Corporation	10,876	13,541	(3,513)	320	21,224
(Loss) earnings from joint ventures	(120)		5,156		5,156
Interest and other income	432	1,339	22		(98)
			159		1,930
Income before income taxes	11,188	14,880	1,824	320	28,212
Provision for income taxes	4,319	5,744	705	123	10,891
Net income	\$ 6,869	9,136	1,119	197	17,321
Inventory of real estate	\$ 186,404	50,159	4,512	(6,221)	234,854
Total assets	\$ 210,592	80,926	70,364	(5,359)	356,523
Notes, mortgage notes, and bonds payable	\$ 107,139	15,230	40,216		162,585

Table of Contents**11. Parent Company Financial Statements**

Condensed Statements of Financial Condition at September 30, 2004 and December 31, 2003, and Condensed Statements of Operations for the three and nine months ended September 30, 2004 and 2003 are shown below (in thousands):

Condensed Statements of Financial Condition

	September 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
Total assets	\$ 256,286	181,808
	<u> </u>	<u> </u>
Total liabilities	54,797	56,356
Total shareholders' equity	201,489	125,452
	<u> </u>	<u> </u>
Total liabilities and shareholders' equity	\$ 256,286	181,808
	<u> </u>	<u> </u>

Condensed Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues	\$ 43	12	156	34
Costs and expenses	2,390	1,339	6,979	3,740
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss before income taxes	(2,347)	(1,327)	(6,823)	(3,706)
Benefit for income taxes	(905)	(509)	(2,632)	(1,427)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss before earnings from wholly owned subsidiaries, net of tax	(1,442)	(818)	(4,191)	(2,279)
Earnings from wholly owned subsidiaries, net of tax	11,572	6,384	36,612	16,419
Earnings from Bluegreen Corporation, net of tax	3,556	2,058	6,542	3,167
(Loss) earnings from real estate joint ventures, net of tax	(26)	37	1,439	14
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 13,660	7,661	40,402	17,321
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Cash dividends received from subsidiaries for the nine months ended September 30, 2004 and 2003 were \$7.1 million and \$4.3 million, respectively. Some subsidiaries' borrowings contain covenants that, among other things, may have the effect of limiting dividends that can be paid to Levitt Corporation.

Table of Contents**12. Earnings per Share**

Basic earnings per common 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 common share is computed in the same manner as basic earnings per share, but it also gives consideration to dilutive stock options using the treasury stock method and the pro rata impact of Bluegreen's dilutive securities (stock options and convertible securities) on the amount of Bluegreen's earnings that the Company recognizes. There were no stock options of the Company granted in the three and nine months ended September 30, 2003 or outstanding at September 30, 2003.

The following table presents the computation of basic and diluted earnings per common share (in thousands, except for per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Numerator:				
Basic earnings per common share:				
Net income - basic	\$13,660	7,661	40,402	17,321
Diluted earnings per common share:				
Net income - basic	\$13,660	7,661	40,402	17,321
Pro rata share of the net effect of Bluegreen dilutive securities	(452)	(276)	(803)	(376)
Net income - diluted	\$13,208	7,385	39,599	16,945
Denominator:				
Basic average shares outstanding	19,816	14,816	18,083	14,816
Net effect of stock options assumed to be exercised	56		44	
Diluted average shares outstanding	19,872	14,816	18,127	14,816
Earnings per common share:				
Basic	\$.69	.52	2.23	1.17
Diluted	.66	.50	2.18	1.14

13. Dividends

On July 26, 2004 the Company's Board of Directors declared a cash dividend of \$0.02 per share on its Class A common stock and Class B common stock. The dividend was paid on August 16, 2004 to all shareholders of record on August 9, 2004.

On October 25, 2004 the Company's Board of Directors declared a cash dividend of \$0.02 per share on its Class A common stock and Class B common stock. The Board set the payment date for November 15, 2004, to all shareholders of record on November 8, 2004.

The Company has not adopted a policy of regular dividend payments. The payment of dividends in the future is subject to approval by the Board of Directors and will depend upon, among other factors, the Company's results of operations and financial condition.

Table of Contents**14. Equity Transactions**

In April 2004 the Company sold 5,000,000 shares of its Class A common stock pursuant to a registered underwritten offering at \$24.50 per share. Net proceeds from the sale totaled approximately \$114.8 million, after underwriting discounts, commissions and offering expenses. Approximately \$12.0 million of the net proceeds of the offering were used to repay indebtedness, \$7.4 million were used to fund the Bowden acquisition, and \$67.0 million were transferred to the Company's operating subsidiaries. The Company's management expects to use the balance of the proceeds to fund the Company's operations and growth and for general corporate purposes.

15. Acquisition

On April 28, 2004 the Company acquired Bowden for approximately \$7.4 million in cash. The acquisition was accounted for under the purchase method of accounting. Under this method the assets acquired and the liabilities assumed were recorded at their estimated fair value. The amount of the purchase price in excess of the estimated fair value of net assets acquired, recorded as goodwill, was approximately \$1.5 million. The following table summarizes the fair value of the assets acquired and liabilities assumed in connection with the purchase of all of Bowden's capital stock (in thousands):

Cash, cash equivalents and restricted cash	\$ 1,335
Inventory	21,927
Other assets	3,228
Goodwill	1,541
	<hr/>
Fair value of assets acquired	28,031
	<hr/>
Accounts payable and accrued liabilities	2,806
Customer deposits	287
Notes payable	16,725
Deferred tax liability	769
	<hr/>
Fair value of liabilities assumed	20,587