

LEVITT CORP
Form 10-Q
August 09, 2005

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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 June 30, 2005**

**○ 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.)

**2100 West Cypress Creek Road
Ft. Lauderdale, Florida**
(Address of principal executive offices)

33309
(Zip Code)

(954) 940-4950
(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 August 1, 2005:

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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PART I
Levitt Corporation
Consolidated Statements of Financial Condition **Unaudited**
(In thousands except share data)

	June 30, 2005	December 31, 2004
Assets		
Cash and cash equivalents	\$ 99,778	125,522
Restricted cash	982	2,017
Inventory of real estate	453,182	413,471
Investment in Bluegreen Corporation	87,658	80,572
Property and equipment, net	37,065	31,137
Other assets	37,540	25,748
Total assets	\$716,205	678,467
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	\$ 62,542	66,271
Customer deposits	45,838	43,022
Current income tax payable	6,560	4,314
Notes and mortgage notes payable	209,789	221,605
Notes and mortgage notes payable to affiliates	4,746	46,621
Junior subordinated debentures	54,124	
Deferred tax liability, net	2,605	1,845
Total liabilities	386,204	383,678
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 shares	186	186
Class B Common Stock, \$0.01 par value		
Authorized: 10,000,000 shares		
Issued and outstanding: 1,219,031 shares	12	12
Additional paid-in capital	180,772	180,790
Retained earnings	148,721	113,643
Accumulated other comprehensive income	310	158
Total shareholders' equity	330,001	294,789

Total liabilities and shareholders' equity	\$716,205	678,467
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See accompanying notes to unaudited consolidated financial statements.

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Levitt Corporation
Consolidated Statements of Income Unaudited
(In thousands, except per share data)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2005	2004	2005	2004
Revenues:				
Sales of real estate	\$ 107,094	142,530	305,960	241,053
Title and mortgage operations	947	1,339	1,895	2,309
Total revenues	108,041	143,869	307,855	243,362
Costs and expenses:				
Cost of sales of real estate	84,547	107,676	215,136	177,341
Selling, general and administrative expenses	19,459	18,888	42,605	32,935
Other expenses	626	777	1,942	1,476
Total costs and expenses	104,632	127,341	259,683	211,752
Earnings from Bluegreen Corporation	4,729	2,775	6,867	4,861
Earnings from real estate joint ventures	42	2,130	132	5,737
Interest and other income	1,453	849	2,775	1,327
Income before income taxes	9,633	22,282	57,946	43,535
Provision for income taxes	3,581	8,595	22,076	16,793
Net income	\$ 6,052	13,687	35,870	26,742
Earnings per common share:				
Basic	\$ 0.31	0.70	1.81	1.55
Diluted	\$ 0.30	0.68	1.79	1.53
Weighted average common shares outstanding:				
Basic	19,816	19,596	19,816	17,206
Diluted	19,949	19,638	19,957	17,245
Dividends declared per common share:				
Class A common stock	\$ 0.02		0.04	
Class B common stock	\$ 0.02		0.04	

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2005	2004	2005	2004
Net income	\$6,052	13,687	35,870	26,742
Other comprehensive income:				
Pro-rata share of unrealized gain recognized by Bluegreen Corporation on retained interests in notes receivable sold, net of tax	65	106	152	14
Comprehensive income	\$6,117	13,793	36,022	26,756

See accompanying notes to unaudited consolidated financial statements.

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Levitt Corporation
Consolidated Statement of Shareholders Equity Unaudited
Six Months Ended June 30, 2005
(In thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Compre- hensive Income	Total
Balance at December 31, 2004	\$186	12	180,790	113,643	158	294,789
Net income				35,870		35,870
Pro-rata share of unrealized gain recognized by Bluegreen on sale of retained interests, net of tax					152	152
Issuance of Bluegreen common stock, net of tax			(18)			(18)
Cash dividends paid				(792)		(792)
Balance at June 30, 2005	\$186	12	180,772	148,721	310	330,001

See accompanying notes to unaudited consolidated financial statements.

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

	Six Months Ended	
	June 30,	
	2005	2004
Operating activities:		
Net income	\$ 35,870	26,742
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	841	308
Change in deferred income taxes	675	1,692
Earnings from Bluegreen Corporation	(6,867)	(4,861)
Earnings from unconsolidated trusts	(28)	
Earnings from real estate joint ventures	(132)	(5,737)
Changes in operating assets and liabilities:		
Restricted cash	1,035	(1,613)
Inventory of real estate	(39,711)	(103,390)
Other assets	(8,396)	1,167
Accounts payable, accrued expenses and other liabilities	1,333	19,660
Net cash used in operating activities	(15,380)	(66,032)
Investing activities:		
Investment in real estate joint ventures	(25)	(35)
Distributions from real estate joint ventures	275	6,410
Partial sale of joint venture interest		305
Investment in unconsolidated trusts	(1,624)	
Distributions from unconsolidated trusts	16	
Purchase of Bowden Building Corporation, net of cash received		(6,109)
Additions to property and equipment	(6,760)	(4,062)
Net cash used in investing activities	(8,118)	(3,491)
Financing activities:		
Proceeds from notes and mortgage notes payable	144,406	157,136
Proceeds from notes and mortgage notes payable to affiliates	8,994	18,771
Proceeds from junior subordinated debentures	54,124	
Repayment of notes and mortgage notes payable	(156,222)	(110,306)
Repayment of notes and mortgage notes payable to affiliates	(50,869)	(27,450)
Repayment of development bonds payable		(391)
Payments for debt issuance costs	(1,887)	
Proceeds from issuance of common stock		122,500
Payments for stock issuance costs		(7,731)
Cash dividends paid	(792)	
Net cash (used in) provided by financing activities	(2,246)	152,529

(Decrease) increase in cash and cash equivalents	(25,744)	83,006
Cash and cash equivalents at the beginning of period	125,522	35,965
Cash and cash equivalents at end of period	\$ 99,778	118,971

(Continued on next page)

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

	Six Months Ended June 30,	
	2005	2004
Supplemental cash flow information		
Interest paid on borrowings, net of amounts capitalized	\$ (520)	99
Income taxes paid	19,214	13,480
Supplemental disclosure of non-cash operating, investing and financing activities:		
Increase in joint venture investment resulting from unrealized gain on non-monetary exchange		508
Fair value of assets acquired from acquisition of Bowden Building Corporation, net of cash acquired of \$1,335		26,696
Fair value of liabilities assumed 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 (Core Communities), a land and master-planned community developer. Other Operations includes Levitt Commercial, LLC (Levitt Commercial), a developer of industrial and residential properties; investments in real estate and real estate joint ventures; and an equity investment in Bluegreen Corporation (Bluegreen), a New York Stock Exchange-listed company engaged in the acquisition, development, marketing and sale of vacation ownership interests in primarily drive-to resorts, as well as residential homesites located around golf courses and other amenities.

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 six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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, 2004.

2. Stock Based Compensation

The Company currently 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.

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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		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Pro forma net income				
Net income, as reported	\$6,052	13,687	35,870	26,742
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related income tax effect	(154)	(137)	(306)	(544)
Pro forma net income	\$5,898	13,550	35,564	26,198
Basic earnings per share:				
As reported	\$ 0.31	0.70	1.81	1.55
Pro forma	\$ 0.30	0.69	1.79	1.52
Diluted earnings per share:				
As reported	\$ 0.30	0.68	1.79	1.53
Pro forma	\$ 0.29	0.68	1.78	1.50

The fair values of options granted were estimated on the date of their grant using the Black-Scholes option pricing model based on the following assumptions:

Expected volatility	43.08%	50.35%
Expected dividend yield	0.00%	0.32%
Risk-free interest rate	4.13%	4.40%
Expected life	7	10 years

3. Inventory of Real Estate

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

	June 30,	December 31,
	2005	2004
Land and land development costs	\$344,128	291,721
Construction costs	83,122	100,129
Capitalized interest	13,109	10,803
Other costs	12,823	10,818
	\$453,182	413,471

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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 summarizes interest incurred and amounts capitalized (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Interest incurred to non-affiliates	\$ 3,892	1,821	6,775	3,181
Interest incurred to affiliates	207	561	820	1,195
Interest capitalized	(4,099)	(2,382)	(7,595)	(4,318)
Interest expense, net	\$			58
Interest expensed in cost of sales	\$ 2,194	2,779	5,289	4,579

5. Investment in Bluegreen Corporation

The Company accounts for its investment in Bluegreen under the equity method. At June 30, 2005, the Company owned approximately 9.5 million shares, or approximately 31%, of Bluegreen's outstanding common stock.

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

Unaudited Condensed Consolidated Balance Sheets

	June 30,	December 31,
	2005	2004
Total assets	\$664,835	634,809
Total liabilities	\$369,625	363,933
Minority interest	7,730	6,009
Total shareholders' equity	287,480	264,867
Total liabilities and shareholders' equity	\$664,835	634,809

Table of Contents**Unaudited Condensed Consolidated Statements of Income**

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Revenues and other income	\$ 185,270	152,211	315,318	259,154
Cost and other expenses	161,030	135,908	279,806	234,379
Income before minority interest and provision for income taxes	24,240	16,303	35,512	24,775
Minority interest	948	1,503	1,721	2,332
Income before provision for income taxes	23,292	14,800	33,791	22,443
Provision for income taxes	8,967	5,698	13,010	8,641
Net income	\$ 14,325	9,102	20,781	13,802

6. Debt

The Company formed two statutory business trusts, Levitt Capital Trust I (LCT I) and Levitt Capital Trust II (LCT II) and each issued trust preferred securities and invested the proceeds thereof in junior subordinated debentures of the Company. Distributions on the trust preferred securities are cumulative and based upon the liquidation value of the trust preferred security. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or earlier redemption. The junior subordinated debentures are redeemable in whole or in part at the Company's option at any time after five years from the issue date or sooner following certain specified events. The terms of the Trust's common securities are nearly identical to the trust preferred securities. The issuances of the trust preferred securities were each part of larger pooled trust security offerings which were not registered under the Securities Act of 1933.

On March 15, 2005, LCT I issued \$22.5 million of trust preferred securities and used the proceeds to purchase an identical amount of junior subordinated debentures from the Company. Interest on these junior subordinated debentures and distributions on these trust preferred securities are payable quarterly in arrears at a fixed rate of 8.11% through March 30, 2010 and thereafter at a floating rate of 3.85% over 3-month London Interbank Offered Rate (LIBOR) until the scheduled maturity date of March 30, 2035. In addition, the Company contributed \$696,000 to LCT I in exchange for all of its common securities, and those proceeds were also used to purchase an identical amount of junior subordinated debentures from the Company. On May 4, 2005, LCT II issued \$30.0 million of trust preferred securities and used the proceeds to purchase an identical amount of junior subordinated debentures from the Company. Interest on these junior subordinated debentures and distributions on these trust preferred securities are payable quarterly in arrears at a fixed rate of 8.09% through June 30, 2010 and thereafter at a floating rate of 3.80% over 3-month LIBOR until the scheduled maturity date of June 30, 2035. In addition, the Company contributed \$928,000 to LCT II in exchange for all of its common securities and those proceeds were also used to purchase an identical amount of junior subordinated debentures from the Company. The Company used the proceeds from these financings to repay approximately \$38.0 million of indebtedness to affiliates and intends to use the balance for general corporate purposes.

In April 2005, Core Communities entered into a \$40.0 million line of credit with an unaffiliated financial institution to provide future funding for land acquisition and development activities. Borrowings under the line of credit bear interest at the borrower's option of either (i) the prime rate less twenty-five basis points or (ii) LIBOR plus two hundred fifty basis points. Accrued interest is due and payable

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monthly in arrears, and all outstanding principal and accrued interest is due and payable in April 2007. Core Communities may, at its option, extend the line of credit for one additional year to April 2008. No amounts were outstanding on this line of credit as of June 30, 2005.

7. Commitments and Contingencies

In the ordinary course of business, we enter into contracts to purchase homesites and land held for development. At June 30, 2005, the Company had approximately \$275.9 million of commitments to purchase properties for development. Approximately \$59.8 million of these commitments are subject to due diligence and satisfaction of certain requirements and conditions, including financing contingencies. At June 30, 2005, we had refundable and nonrefundable deposits aggregating \$6.2 million, included in other assets in the accompanying consolidated statement of financial condition. Our liability for nonperformance under such contracts is generally limited to forfeiture of the related deposits.

At June 30, 2005, our Land Division was party to two contracts to purchase approximately 5,200 acres of land in the City of Hardeeville, South Carolina for a combined purchase price of approximately \$42.4 million. The land is for a proposed master-planned community in the City of Hardeeville. The due diligence periods under the contracts have expired, and non-refundable deposits have been delivered to the sellers of the land. The Company is negotiating financing for the transactions, and there is no assurance that the transactions will be consummated. The following table summarizes certain information relating to outstanding purchase and option contracts, including those contracts subject to the satisfactory completion of due diligence.

	Purchase Price	Units/ Acres	Expected Closing
Homebuilding Division	\$230.0 million	6,538 Units	2005-2007
Land Division	\$42.4 million	5,200 Acres	2005
Other Operations	\$3.5 million	90 Units	2006

At June 30, 2005, the Company had outstanding surety bonds and letters of credit of approximately \$83.9 million related primarily to its obligations to various governmental entities to construct improvements in the Company's communities. The Company estimates that approximately \$67.3 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.

8. 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.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Numerator:				
Basic earnings per common share:				
Net income basic	\$ 6,052	13,687	35,870	26,742
Diluted earnings per common share:				
Net income basic	\$ 6,052	13,687	35,870	26,742
Pro rata share of the net effect of Bluegreen dilutive securities	(74)	(249)	(116)	(375)
Net income diluted	\$ 5,978	13,438	35,754	26,367
Denominator:				
Basic average shares outstanding	19,816	19,596	19,816	17,206
Net effect of stock options assumed to be exercised	133	42	141	39
Diluted average shares outstanding	19,949	19,638	19,957	17,245
Earnings per common share:				
Basic	\$ 0.31	0.70	1.81	1.55
Diluted	\$ 0.30	0.68	1.79	1.53

9. Dividends

On April 25, 2005, 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 May 16, 2005 to all shareholders of record on May 9, 2005.

On July 25, 2005, 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 is payable on August 18, 2005 to all shareholders of record on August 11, 2005.

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.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Other expenses				
Title and mortgage operations expenses	\$ 626	778	1,265	1,394
Interest expense, net				58
Penalty on debt prepayment			677	
Minority interest		(1)		24
Total other expenses	\$ 626	777	1,942	1,476
Interest and other income				
Interest income	\$ 689	312	1,207	477
Other income	764	537	1,568	850
Total interest and other income	\$ 1,453	849	2,775	1,327

11. Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is regularly reviewed by executive management in deciding how to allocate resources and in assessing performance. The Company has three reportable business segments: Homebuilding, Land and Other Operations. 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 in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. 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, earnings from investments in Bluegreen and other real estate investments and joint ventures.

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The following tables present unaudited segment information as of and for the three and six months ended June 30, 2005 and 2004 (in thousands).

Three Months Ended June 30, 2005	Homebuilding	Land	Other Operations	Eliminations	Total
Revenues					
Sales of real estate	\$ 107,095	149		(150)	107,094
Title and mortgage operations	947				947
Total revenues	108,042	149		(150)	108,041
Costs and expenses					
Cost of sales of real estate	84,273	182	624	(532)	84,547
Selling, general and administrative expenses	13,732	1,949	3,778		19,459
Other expenses	626				626
Total costs and expenses	98,631	2,131	4,402	(532)	104,632
Earnings from Bluegreen Corporation					
Earnings from real estate joint ventures			4,729		4,729
Interest and other income	199	425	42		1,453
Income (loss) before income taxes	9,610	(1,557)	1,198	382	9,633
Provision (benefit) for income taxes	3,653	(624)	392	160	3,581
Net income (loss)	\$ 5,957	(933)	806	222	6,052
Inventory of real estate	\$ 349,880	114,038	6,473	(17,209)	453,182
Total assets	\$ 382,890	188,792	161,732	(17,209)	716,205
Total debt	\$ 171,893	25,668	71,098		268,659

Three Months Ended June 30, 2004	Homebuilding	Land	Other Operations	Eliminations	Total
Revenues					
Sales of real estate	\$ 125,005	37,577	3,591	(23,643)	142,530
Title and mortgage operations	1,339				1,339
Total revenues	126,344	37,577	3,591	(23,643)	143,869

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Costs and expenses					
Cost of sales of real estate	98,856	15,702	3,480	(10,362)	107,676
Selling, general and administrative expenses	13,845	2,690	2,353		18,888
Other expenses	777				777
Total costs and expenses	113,478	18,392	5,833	(10,362)	127,341
Earnings from Bluegreen Corporation			2,775		2,775
Earnings from real estate joint ventures	1,823		307		2,130
Interest and other income	72	612	165		849
Income before income taxes	14,761	19,797	1,005	(13,281)	22,282
Provision for income taxes	5,691	7,640	388	(5,124)	8,595
Net income	\$ 9,070	12,157	617	(8,157)	13,687
Inventory of real estate	\$279,776	113,128	8,314	(20,909)	380,309
Total assets	\$333,237	180,202	122,004	(20,909)	614,534
Total debt	\$135,576	48,717	44,285		228,578

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Six Months Ended June 30, 2005	Homebuilding	Land	Other Operations	Eliminations	Total
Revenues					
Sales of real estate	\$225,082	66,700	14,709	(531)	305,960
Title and mortgage operations	1,895				1,895
Total revenues	226,977	66,700	14,709	(531)	307,855
Costs and expenses					
Cost of sales of real estate	177,852	27,272	11,950	(1,938)	215,136
Selling, general and administrative expenses	28,340	6,395	7,870		42,605
Other expenses	1,265	677			1,942
Total costs and expenses	207,457	34,344	19,820	(1,938)	259,683
Earnings from Bluegreen Corporation			6,867		6,867
Earnings from real estate joint ventures	104		28		132
Interest and other income	413	846	1,516		2,775
Income before income taxes	20,037	33,202	3,300	1,407	57,946
Provision for income taxes	7,554	12,812	1,155	555	22,076
Net income	\$ 12,483	20,390	2,145	852	35,870
Inventory of real estate	\$349,880	114,038	6,473	(17,209)	453,182
Total assets	\$382,890	188,792	161,732	(17,209)	716,205
Total debt	\$171,893	25,668	71,098		268,659

Six Months Ended June 30, 2004	Homebuilding	Land	Other Operations	Eliminations	Total
Revenues					
Sales of real estate	\$203,669	56,898	4,129	(23,643)	241,053
Title and mortgage operations	2,309				2,309
Total revenues	205,978	56,898	4,129	(23,643)	243,362

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Costs and expenses					
Cost of sales of real estate	160,331	23,670	4,207	(10,867)	177,341
Selling, general and administrative expenses	23,137	5,278	4,520		32,935
Other expenses	1,394	58	24		1,476
Total costs and expenses	184,862	29,006	8,751	(10,867)	211,752
Earnings from Bluegreen Corporation			4,861		4,861
Earnings from joint ventures	3,332		2,405		5,737
Interest and other income	115	1,017	195		1,327
Income before income taxes	24,563	28,909	2,839	(12,776)	43,535
Provision for income taxes	9,472	11,155	1,095	(4,929)	16,793
Net income	\$ 15,091	17,754	1,744	(7,847)	26,742
Inventory of real estate	\$279,776	113,128	8,314	(20,909)	380,309
Total assets	\$333,237	180,202	122,004	(20,909)	614,534
Total debt	\$135,576	48,717	44,285		228,578

Table of Contents**12. Parent Company Financial Statements**

The parent company unaudited condensed statements of financial condition at June 30, 2005 and December 31, 2004, and unaudited condensed statements of income for the three and six months ended June 30, 2005 and 2004 are shown below (in thousands):

Condensed Statements of Financial Condition

	June 30, 2005	December 31, 2004
Total assets	\$405,260	370,781
Total liabilities	\$ 75,259	75,992
Total shareholders' equity	330,001	294,789
Total liabilities and shareholders' equity	\$405,260	370,781

Condensed Statements of Income

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Earnings from Bluegreen Corporation	\$4,729	2,775	6,867	4,861
Earnings from real estate joint ventures	27	286	13	2,385
Other revenues	292	77	437	61
Costs and expenses	3,909	2,408	7,266	4,538
Income before income taxes	1,139	730	51	2,769
Provision (benefit) for income taxes	370	282	(98)	1,068
Net income before undistributed earnings from consolidated subsidiaries	769	448	149	1,701
Earnings from consolidated subsidiaries, net of income taxes	5,283	13,239	35,721	25,041
Net income	\$6,052	13,687	35,870	26,742

Cash dividends received from subsidiaries for the six months ended June 30, 2005 and 2004 were \$8.8 million and \$2.2 million, respectively. Some of the subsidiaries' borrowings contain covenants that, among other things, may have the effect of limiting dividends that can be paid by the subsidiaries to Levitt Corporation.

Table of Contents**13. New Accounting Pronouncements**

In December 2004, the FASB issued SFAS No. 152, *Accounting for Real Estate Time-Sharing Transactions*. This Statement amends SFAS No. 66, *Accounting for Sales of Real Estate*, and SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, in association with the issuance of the AICPA's SOP 04-2, *Accounting for Real Estate Time-Sharing Transactions*. SOP 04-2 was issued to address the diversity in practice caused by a lack of guidance specific to real estate time-sharing transactions. The provisions of SFAS No. 152 and SOP 04-2 become effective for Bluegreen on January 1, 2006. Bluegreen has indicated in its periodic reports filed with the SEC that it has not completed its evaluation of the impact of these standards on its consolidated financial statements. Accordingly, management of the Company has not yet determined the impact of these standards on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revision), *Share-Based Payments*. This Statement is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. This Statement eliminates the accounting for share-based transactions under APB Opinion No. 25 and its related interpretations and requires that all share based payments be accounted for using a fair value method. This Statement will be effective in the first fiscal year that begins after June 15, 2005. Management is currently reviewing the effect of SFAS No. 123 (R) on the Company's consolidated finance statements and will adopt this standard effective January 1, 2006.

In March 2005, the SEC released Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payment*. This Statement provides the SEC staff position regarding application of SFAS No. 123 (R) and contains interpretive guidance related to the interaction between SFAS No. 123 (R) and certain SEC rules and regulations, as well as provides the staff's views regarding the valuation of share-based payment arrangements for public companies. SAB No. 107 also highlights the importance of disclosures made related to the accounting for share-based payment transactions. Management is currently reviewing the effect of SAB No. 107 on the Company's consolidated financial statements.

14. Litigation

On May 26, 2005 a suit was filed in the 9th Judicial Circuit in and for Orange County, Florida against the Company in *Frank Albert, Dorothy Albert, et al. v. Levitt and Sons, LLC, a Florida limited liability company, Levitt Homes, LLC, a Florida limited liability company, Levitt Corporation, a Florida corporation, Levitt Construction Corp. East, a Florida corporation and Levitt and Sons, Inc., a Florida corporation*. The suit purports to be a class action on behalf of 95 named plaintiffs residing in approximately 65 homes located in one of the Company's communities in Central Florida. The complaint alleges: breach of contract, breach of implied covenant of good faith and fair dealing; failure to disclose latent defects; breach of express warranty; breach of implied warranty; violation of building code; deceptive and unfair trade practices; negligent construction; and negligent design. Plaintiffs seek certification as a class, or in the alternative to divide into sub-classes, unspecified damages alleged to range from \$50,000 to \$400,000 per house, costs and attorneys' fees. Plaintiffs seek a trial by jury.

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The objective of the following discussion is to provide an understanding of the financial condition and results of operations of Levitt Corporation and its wholly owned subsidiaries (Levitt , or the Company) as of and for the three and six months ended June 30, 2005 and 2004. The Company may also be referred to as we, us, or our. We engage in homebuilding, land development and other real estate activities through Levitt and Sons, LLC (Levitt and Sons), Bowden Building Corporation (Bowden), Core Communities, LLC (Core Communities) and other operations, which include Levitt Commercial, LLC (Levitt Commercial), an investment in Bluegreen Corporation (Bluegreen) and investments in real estate projects through subsidiaries and joint ventures. Acquired in December 1999, Levitt and Sons is a developer of single-family home and townhome communities and condominiums. Acquired in April 2004, Bowden is a builder of single family homes based in Memphis, Tennessee. Core Communities is currently developing Tradition, its second master-planned community, which is located in St. Lucie County, Florida. Tradition is planned to ultimately include more than 8,000 total acres, including approximately five miles of frontage on Interstate 95. Levitt Commercial specializes in the development of industrial and residential properties. Bluegreen is a New York Stock Exchange-listed company engaged in the acquisition, development, marketing and sale of ownership interests in primarily drive-to vacation resorts, and the development and sale of golf communities and residential land.

Except for historical information contained herein, the matters discussed in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. Some of the forward-looking statements can be identified by the use of words such as anticipate, believe, estimate, may, intend, expect, will, should, seeks or other similar expressions. Forward-looking based largely on management's expectations and involve inherent risks and uncertainties including certain risks described in this report. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this report. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. In addition to the risks identified below, you should refer to our periodic and current reports filed with the United States Securities and Exchange Commission (the SEC) for specific risks which could cause actual results to be significantly different from those expressed or implied by those forward-looking statements. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. A number of important factors which could cause actual results to differ materially from those in the forward-looking statements include the impact of economic, competitive and other factors affecting the Company and its operations, including: the impact of hurricanes and tropical storms in the areas in which we operate; the market for real estate generally and in the areas where the Company has developments, including the impact of market conditions on the Company's margins; delays in opening planned new communities; the availability and price of land suitable for development in our current markets and in markets where we intend to expand and our ability to successfully acquire land necessary to meet our growth objectives; the Company's ability to consummate the proposed land transactions in South Carolina; the ability to obtain financing for planned acquisitions; the Company's ability to successfully expand into new markets; shortages and increased costs of construction materials and labor; the effects of increases in interest rates; the impact of environmental factors, the impact of governmental regulations and requirements; the Company's ability to timely deliver homes from backlog and successfully manage growth; the Company's ability to negotiate and consummate acquisition financing upon favorable terms; and the Company's success

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at managing the risks involved in the foregoing. Many of these factors are beyond our control. The Company cautions that the foregoing factors are not exhaustive.

Executive Overview

Management evaluates the performance and prospects of the Company and its subsidiaries using a variety of financial and non-financial measures. The key financial measures utilized to evaluate historical operating performance include revenues from sales of real estate, cost of sales of real estate, margin (which we measure as revenues from sales of real estate minus cost of sales of real estate), margin percentage (which we measure as margin divided by revenues from sales of real estate), income before taxes and net income. Non-financial measures used to evaluate historical performance include the number and value of new orders executed, the number of housing starts, the average selling price of our homes and the number of homes delivered. In evaluating the Company's future prospects, management considers non-financial information such as the number of homes and acres in backlog (which we measure as homes or land subject to executed sales contracts) and the aggregate value of those contracts. Additionally, we monitor the number of properties remaining in inventory and under contract to be purchased relative to our sales and construction trends. The Company's ratio of debt to shareholders' equity and cash requirements are also considered when evaluating the Company's future prospects, as are general economic factors and interest rate trends. Some of the above measures are discussed in the following sections as they relate to our operating results, financial position and liquidity. The list of measures above is not an exhaustive list, and management may from time to time utilize additional financial and non-financial information or may not use the measures listed above.

Non-Financial Measures of Historical Performance and Future Prospects

Due in large part to stronger than expected sales of new homes in prior periods, we have experienced production challenges in some of our homebuilding communities that have led to extended delivery cycles beyond our 12-month target. As a direct response to these challenges, we began intentionally slowing sales throughout our Florida communities beginning in the third quarter of 2004. Outside consultants have been engaged to review our production and operational practices and we anticipate the implementation and execution of these revised practices will be reflected in the Company's results of operations starting in 2006. The Company's current results of operations predictably reflect the Company's decision to slow its previous high rate of growth. Inventories of homes available for sale, depleted by rapid sales in 2004, are being replenished with the opening of new communities. The value of our backlog has grown in the past two quarters because of higher average selling prices, but has declined from the same period a year ago due to the aforementioned changes in our sales strategy. The backlog is expected to grow in the future with the increase in sales associated with more homes available for sale. The average selling prices of our homes continue to show healthy increases and our overall margin percentages have resisted compression due primarily to the currently favorable conditions in the Florida markets where the majority of our operations are currently located.

Impact of Increasing Costs, Interest Rates and Local Government Regulation

Our business operations are impacted by competition for labor, direct and subcontracted raw materials, supply and delivery issues. Ongoing strength in homebuilding and other construction activities has resulted in higher prices of most building materials, including lumber, drywall, steel, concrete and asphalt. We compete with other real estate developers regionally, nationally and globally for raw materials and labor. In addition, local materials suppliers periodically limit the allocation of their product which slows our production process and forces us to obtain those materials

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from other suppliers, typically at higher prices. We occasionally are faced with spot shortages of certain materials, but those shortages have been less frequent during the first half of 2005. Although these allocations have not materially disrupted our operations to date, continued allocations could adversely impact our future operations or restrict our ability to expand in certain markets. Without corresponding increases in the sales prices of our real estate inventories (both land and finished homes), increasing materials and labor costs associated with land development and home building will negatively affect our future operating results.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are important to the understanding of our financial statements and also involve estimates and judgments about inherently uncertain matters. In preparing our financial statements, management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates require the exercise of judgment, as future events cannot be determined with certainty. Accordingly, actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in subsequent periods relate to the valuation of (i) real estate, including the estimation of costs required to complete development of a property, (ii) investments in real estate joint ventures and unconsolidated subsidiaries (including Bluegreen), and (iii) the fair market value of assets and liabilities in the application of the purchase method of accounting. The accounting policies that we have identified as critical to the portrayal of our financial condition and results of operations are: (a) real estate inventories; (b) investments in real estate joint ventures and other equity investments; (c) revenue recognition; (d) capitalized interest; and (e) income taxes. For a more detailed discussion of these critical accounting policies see *Critical Accounting Policies* appearing in our Annual Report on Form 10-K for the year ended December 31, 2004.

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended			Six Months Ended		
	2005	June 30, 2004 (Unaudited)	Change	2005	June 30, 2004 (Unaudited)	Change
(In thousands)						
Revenues						
Sales of real estate	\$107,094	142,530	(35,436)	305,960	241,053	64,907
Title and mortgage operations	947	1,339	(392)	1,895	2,309	(414)
Total revenues	108,041	143,869	(35,828)	307,855	243,362	64,493
Costs and expenses						
Cost of sales of real estate	84,547	107,676	(23,129)	215,136	177,341	37,795
Selling, general and administrative expenses	19,459	18,888	571	42,605	32,935	9,670
Other expenses	626	777	(151)	1,942	1,476	466
Total costs and expenses	104,632	127,341	(22,709)	259,683	211,752	47,931
Earnings from Bluegreen Corporation	4,729	2,775	1,954	6,867	4,861	2,006
Earnings from real estate joint ventures	42	2,130	(2,088)	132	5,737	(5,605)

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Interest and other income	1,453	849	604	2,775	1,327	1,448
Income before income taxes	9,633	22,282	(12,649)	57,946	43,535	14,411
Provision for income taxes	3,581	8,595	(5,014)	22,076	16,793	5,283
Net income	\$ 6,052	13,687	(7,635)	35,870	26,742	9,128

Table of Contents***Three Months Ended June 30, 2005 Compared to the Same 2004 Period:***

Consolidated net income decreased 56% to \$6.1 million during the three months ended June 30, 2005, from \$13.7 million during the same 2004 period. The decrease in net income primarily resulted from a decrease in sales of real estate by our Homebuilding and Land Divisions. Also contributing to the decrease in net income were a modest increase in selling, general and administrative expenses and a decrease in earnings from joint ventures. These decreases in net income were partially offset by an increase in earnings from Bluegreen.

Revenues from sales of real estate decreased 25% to \$107.1 million during the three months ended June 30, 2005, from \$142.5 million during the same 2004 period. The decrease was attributable primarily to a decrease in home deliveries by our Homebuilding Division and the absence of land sales by our Land Division. During the three months ended June 30, 2005, 448 homes were delivered, compared to 576 homes delivered in the same 2004 period. During the three months ended June 30, 2005, we had no sales of land to third parties, compared to 44 acres sold to third parties during the same 2004 period.

Profits recognized by the Land Division from sales to the Homebuilding Division are deferred until the Homebuilding Division delivers homes on those properties to third parties, at which time the deferred profit is applied against consolidated cost of sales. During the three months ended June 30, 2004, the Land Division sold 448 acres to the Homebuilding Division for \$23.4 million, of which the entire \$14.4 million profit was deferred and remains deferred at June 30, 2005. Previously deferred profits of \$382,000 related to other land sales by our Land Division to our Homebuilding Division were recognized as income during the three months ended June 30, 2005, compared to \$1.1 million during the same 2004 period. At June 30, 2005, \$164,000 remains as deferred profit related to these other land sales.

Selling, general and administrative expenses increased 3% to \$19.5 million during the three months ended June 30, 2005, from \$18.9 million during the same 2004 period. The increase was attributable primarily to an increase in professional fees associated with our Company's review of its production and operational practices and procedures. Additionally, we recorded increased employee compensation and benefits costs associated with new hires in our new development projects in Central and South Florida, the expansion of homebuilding activities into North Florida and Georgia, and the inclusion of Bowden's personnel (which were only included during a portion of the 2004 period commencing May 2004). The number of our full time employees increased to 576 at June 30, 2005, from 445 at June 30, 2004. The number of our part time employees decreased to 25 at June 30, 2005, from 38 at June 30, 2004. As a percentage of total revenues, selling, general and administrative expenses increased to 18% during the three months ended June 30, 2005, from 13% during the same 2004 period primarily attributable to the decline in total revenues.

Interest incurred and capitalized on notes and mortgage notes payable totaled \$4.1 million during the three months ended June 30, 2005, compared to \$2.4 million during the same 2004 period. Interest incurred increased as a result of an increase in the average interest rate on our variable-rate borrowings. Most of our variable-rate borrowings are indexed to the Prime Rate, which increased to 6.25% at June 30, 2005, from 4.0% at June 30, 2004. At the time of home closings and land sales, the capitalized interest allocated to such inventory is charged to cost of sales. Cost of sales of real estate during the three months ended June 30, 2005 and 2004 included previously capitalized interest of \$2.2 million and \$2.8 million, respectively.

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Bluegreen's reported net income during the three months ended June 30, 2005 was \$14.3 million, compared to \$9.1 million during the same 2004 period. Our interest in Bluegreen's earnings, net of purchase accounting adjustments, was \$4.7 million and \$2.8 million during each of those respective periods. Purchase accounting adjustments increased our interest in Bluegreen's earnings by \$236,000 during the three months ended June 30, 2005, whereas purchase accounting and other adjustments decreased our interest in Bluegreen's earnings by \$562,000 during the same 2004 period. At June 30, 2005 and 2004, the 9.5 million shares of Bluegreen that we own represented approximately 31% and 36%, respectively, of the outstanding shares of Bluegreen. Our ownership percentage was diluted in 2005 as a result of Bluegreen's issuance of common stock in 2004 in connection with the conversion by holders of \$34.1 million of its 8.25% Convertible Subordinated Debentures and the exercise of employee stock options.

Interest and other income increased to \$1.5 million during the three months ended June 30, 2005, from \$849,000 during the same 2004 period. The increase is primarily attributable to an increase in rental income and higher balances of interest-earning deposits at various financial institutions, including our affiliate, BankAtlantic.

Earnings from real estate joint ventures decreased to \$42,000 during the three months ended June 30, 2005, from \$2.1 million during the same 2004 period. The decrease was due to the decrease in deliveries of homes and condominium units developed by the joint ventures. During the three months ended June 30, 2005 there were no unit deliveries by the Company's joint ventures as they were winding down operations.

Six Months Ended June 30, 2005 Compared to the Same 2004 Period:

Consolidated net income increased 34% to \$35.9 million during the six months ended June 30, 2005, from \$26.7 million during the same 2004 period. The increase in net income primarily resulted from an increase in sales of real estate by our Land Division in the first quarter, from an increase of sales in our Other Operations, and from higher earnings from Bluegreen. These increases in net income were partially offset by an increase in selling, general and administrative expenses and a decrease in earnings from real estate joint ventures.

Revenues from sales of real estate increased 27% to \$306.0 million during the six months ended June 30, 2005, from \$241.1 million during the same 2004 period. The increase is attributable primarily to the first quarter 2005 bulk sale of five non-contiguous parcels of land adjacent to Tradition consisting of a total of 1,294 acres for \$64.7 million. Also contributing to the increase was an increase in home deliveries to 949 homes delivered during the six months ended June 30, 2005, from 917 homes delivered during the same 2004 period.

Previously deferred profits of \$1.4 million related to land sales by our Land Division to our Homebuilding Division were recognized as income during the six months ended June 30, 2005, compared to \$1.7 million during the same 2004 period.

Selling, general and administrative expenses increased 29% to \$42.6 million during the six months ended June 30, 2005, from \$32.9 million during the same 2004 period. The increase was attributable to higher employee compensation and benefits, including sales commissions and performance bonuses, and an increase in professional fees. Bonus compensation at certain of the Company's operations is tied to profitability and bonus accruals were incurred primarily at the Land Division during the six months ended June 30, 2005 as a result of its performance. The increase in compensation expense is also associated with the expansion of homebuilding activities into North Florida and Georgia and increased headcount as referenced earlier. In addition, expenses incurred

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during the six months ended June 30, 2005 reflect the full inclusion of Bowden's operations, which operations were included commencing in May 2004. As a percentage of total revenues, our selling, general and administrative expenses were relatively stable during the 2005 and 2004 periods at 14%.

Interest incurred on notes and mortgage notes payable totaled \$7.6 million during the six months ended June 30, 2005, compared to \$4.4 million during the same 2004 period. Interest incurred increased due to an increase in the average interest rate on our variable-rate borrowings as discussed earlier. Interest capitalized was \$7.6 million during the six months ended June 30, 2005 and \$4.3 million during the same 2004 period. Cost of sales of real estate during the six months ended June 30, 2005 and 2004 included previously capitalized interest of \$5.3 million and \$4.6 million, respectively.

Bluegreen's reported net income during the six months ended June 30, 2005 was \$20.8 million, compared to \$13.8 million during the same 2004 period. Our interest in Bluegreen's earnings, net of purchase accounting adjustments, was \$6.9 million and \$4.9 during each of those respective periods. Purchase accounting adjustments increased our interest in Bluegreen's earnings by \$346,000 during the six months ended June 30, 2005, whereas purchase accounting and other adjustments decreased our interest in Bluegreen's earnings by \$500,000 during the same 2004 period.

Interest and other income increased to \$2.8 million during the six months ended June 30, 2005, from \$1.3 million during the same 2004 period primarily due to an increase in rental income and higher balances of interest-earning deposits at various financial institutions.

Earnings from real estate joint ventures decreased to \$132,000 during the six months ended June 30, 2005, from \$5.7 million during the same 2004 period. The decrease was due to the decrease in deliveries of homes and condominium units developed by joint ventures. During the six months ended June 30, 2004, earnings from real estate joint ventures included the sale of an apartment complex and deliveries of homes and condominium units. During the six months ended June 30, 2005, there were no unit deliveries by the Company's joint ventures as they were winding down operations.

Table of Contents**HOMEBUILDING DIVISION RESULTS OF OPERATIONS**

	Three Months Ended			Six Months Ended		
	2005	June 30, 2004	Change	2005	June 30, 2004	Change
(In thousands, except unit information)		(Unaudited)			(Unaudited)	
Revenues						
Sales of real estate	\$ 107,095	125,005	(17,910)	225,082	203,669	21,413
Title and mortgage operations	947	1,339	(392)	1,895	2,309	(414)
Total revenues	108,042	126,344	(18,302)	226,977	205,978	20,999
Costs and expenses						
Cost of sales of real estate	84,273	98,856	(14,583)	177,852	160,331	17,521
Selling, general and administrative expenses	13,732	13,845	(113)	28,340	23,137	5,203
Other expenses	626	777	(151)	1,265	1,394	(129)
Total costs and expenses	98,631	113,478	(14,847)	207,457	184,862	22,595
Earnings from real estate joint ventures		1,823	(1,823)	104	3,332	(3,228)
Interest and other income	199	72	127	413	115	298
Income before income taxes	9,610	14,761	(5,151)	20,037	24,563	(4,526)
Provision for income taxes	3,653	5,691	(2,038)	7,554	9,472	(1,918)
Net income	\$ 5,957	9,070	(3,113)	12,483	15,091	(2,608)
Homes delivered (units)	448	576	(128)	949	917	32
Construction starts (units)	478	783	(305)	825	1,484	(659)
Average selling price of homes delivered	\$ 239	217	22	237	222	15
Margin percentage on homes delivered	21.3%	20.9%	0.4%	21.0%	21.3%	(0.3%)

New sales contracts (units)	429	534	(105)	1,034	1,008	26
New sales contracts (value)	\$ 133,874	134,036	(162)	299,155	264,160	34,995
Backlog of homes (units)	1,899	2,352	(453)	1,899	2,352	(453)
Backlog of homes (value)	\$ 522,785	553,518	(30,733)	522,785	553,518	(30,733)

Three Months Ended June 30, 2005 Compared to the Same 2004 Period:

The value of new orders during the three months ended June 30, 2005 and the same 2004 period was stable at \$133.8 million and \$134.0 million, respectively. The average sales price of new home orders increased 24% during the three months ended June 30, 2005 to \$312,000, from \$251,000 during the same 2004 period. During the three months ended June 30, 2005, new unit orders decreased to 429 units, from 534 units during the same 2004 period. The decrease in new unit orders was the result of our decision to slow the pace of sales in an effort to better manage the sales-to-delivery process as well as the existing life cycle of our existing and future communities. We will continue to manage the release of new inventory in an attempt to mitigate vulnerability to rising costs and improve build cycles. Construction starts declined primarily due to the timing of sales and scheduled construction cycles. We believe that our inventory of homes available for sale, new orders and construction starts should improve over time as we implement our inventory management and production strategies. The average sales price of the homes in backlog at June 30, 2005 increased 17% to 275,000, from \$235,000 at June 30, 2004.

Revenues from home sales decreased 14% to \$107.1 million during the three months ended June 30, 2005, from \$125.0 million during the same 2004 period. The decrease is a result of a decline in home deliveries to 448 units delivered at an average sales price of \$239,000 during the three months

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ended June 30, 2005, from 576 units delivered at an average sales price of \$217,000 during the same 2004 period. The decrease in home deliveries during the three months ended June 30, 2005 was attributable to a decrease in home deliveries by our Florida operations to 347 units delivered, from 493 units delivered during the 2004 period. During the three months ended June 30, 2005 home deliveries by Bowden in Tennessee increased to 101 units delivered, from 83 units delivered during the same 2004 period. Our sales in Tennessee commenced in May 2004 with the acquisition of Bowden and accordingly, our results for the three months ended June 30, 2004 only include two months of operations.

Cost of sales decreased \$14.6 million to \$84.3 million during the three months ended June 30, 2005, from \$98.9 million during the same 2004 period, due primarily to the decrease in home deliveries, but improved moderately as a percentage of revenue. Cost of sales was also affected by increased construction costs, as the costs of labor and building materials continue to rise. While we may be able to increase our selling prices in future sales to absorb these increased costs, the sales prices of homes in our backlog cannot be increased and the margins on the delivery of homes in backlog may be adversely affected by this trend.

Margin percentage increased during the three months ended June 30, 2005 to 21.3%, from 20.9% during the same 2004 period. The increase was primarily attributable to a change in mix of community types and markets served by our Homebuilding Division. We anticipate a greater proportion of deliveries in our primary and Tennessee communities in 2005 which, in combination with upward cost pressures, will likely maintain pressure on our margins in 2005.

Selling, general and administrative expenses decreased 1% to \$13.7 million during the three months ended June 30, 2005, from \$13.8 million during the same 2004 period. The decrease in selling, general and administrative expenses was primarily due to lower selling expenses associated with the decrease in home deliveries during the three months ended June 30, 2005, partially offset by higher employee expenses as described earlier. As we continue to expand our Homebuilding Division operations in the Jacksonville, Florida, Atlanta, Georgia and Nashville, Tennessee markets, we expect to continue to incur administrative start-up costs. We will not recover these costs until we generate revenues, and accordingly, the incurrence of these costs in advance of revenues may adversely affect our operating results. We are also in the process of realigning our Homebuilding Division into a single operating division by integrating Bowden's operations into Levitt and Sons. We believe the consolidation of our Homebuilding Division, combined with additional investments in technology and human resources, will enable us to realize further operational synergies and strengthen our infrastructure for future growth. As a percentage of total revenues, our selling, general and administrative expense was approximately 13% during the three months ended June 30, 2005, compared to 11% during the same 2004 period.

Interest incurred and capitalized on notes and mortgages payable totaled \$2.4 million during the three months ended June 30, 2005, compared to \$1.2 million during the same 2004 period. Interest incurred increased as a result of an increase in the average interest rate on our variable-rate borrowings as described earlier. Cost of sales of real estate during the three months ended June 30, 2005 and 2004 included previously capitalized interest of \$1.7 million and \$2.0 million, respectively.

There were no earnings from real estate joint ventures during the three months ended June 30, 2005, compared to \$1.8 million during the same 2004 period. The decrease was due to the decrease in deliveries of condominium units developed by a joint venture in Boca Raton, Florida, which delivered all of its remaining units during 2004.

Table of Contents***Six Months Ended June 30, 2005 Compared to the Same 2004 Period:***

The value of new orders increased to \$299.2 million during the six months ended June 30, 2005, from \$264.2 million during the same 2004 period. The average sales price of new home orders increased 10% during the six months ended June 30, 2005 to \$289,000, from \$262,000 during the same 2004 period. During the six months ended June 30, 2005, new unit orders increased to 1,034 units, from 1,008 units during the same 2004 period.

Revenues from home sales increased 11% to \$225.1 million during the six months ended June 30, 2005, from \$203.7 million during the same 2004 period. The increase is a result of an increase in home deliveries to 949 units delivered at an average sales price of \$237,000 during the six months ended June 30, 2005, from 917 units delivered at an average sales price of \$222,000 during the same 2004 period. The increase in home deliveries during the six months ended June 30, 2005 was attributable to an increase in home deliveries in Tennessee to 215 units delivered, from 83 units delivered during the 2004 period. Our operations in Tennessee commenced in May 2004 with the acquisition of Bowden and accordingly, our results for six months ended June 30, 2004 only include two months of operating results. During the six months ended June 30, 2005 home deliveries in Florida decreased to 734 units delivered, from 834 units delivered during the same 2004 period.

Cost of sales increased \$17.5 million to \$177.9 million during the six months ended June 30, 2005, from \$160.3 million during the same 2004 period. The increase in cost of sales was primarily due to the increase in home deliveries, but was also impacted by increased construction costs as discussed earlier. Margin percentage declined slightly during the six months ended June 30, 2005 to 21.0%, from 21.3% during the same 2004 period. The decline was primarily attributable to the change in mix of community types and markets served by our Homebuilding Division as discussed above.

Selling, general and administrative expenses increased 22% to \$28.3 million during the six months ended June 30, 2005, from \$23.1 million during the same 2004 period. The growth in selling, general and administrative expenses primarily resulted from the addition of Bowden in May 2004 and higher employee compensation associated with bonus accruals, new hires and benefits as earlier. As a percentage of total revenues, our selling, general and administrative expense was approximately 13% during the six months ended June 30, 2005, compared to 11% during the same 2004 period.

Interest incurred and capitalized on notes and mortgages payable totaled \$4.5 million during the six months ended June 30, 2005, compared to \$2.4 million during the same 2004 period. Interest incurred increased as a result of an increase in the average interest rate on our variable-rate borrowings. Cost of sales of real estate during the six months ended June 30, 2005 and 2004 included previously capitalized interest of \$3.4 million in each period.

Earnings from real estate joint ventures decreased to \$104,000 during the six months ended June 30, 2005, from \$3.3 million during the same 2004 period. The decrease was due to the decrease in deliveries of condominium units developed by a joint venture in Boca Raton, Florida which delivered all of its remaining units during 2004.

Table of Contents**LAND DIVISION RESULTS OF OPERATIONS**

	2005	Three Months	Change	2005	Six Months	Change
		Ended June 30,			Ended June 30,	
(In thousands, except acres information)		2004			2004	
		(Unaudited)			(Unaudited)	
Revenues						
Sales of real estate	\$ 149	37,577	(37,428)	66,700	56,898	9,802
Total revenues	149	37,577	(37,428)	66,700	56,898	9,802
Costs and expenses						
Cost of sales of real estate	182	15,702	(15,520)	27,272	23,670	3,602
Selling, general and administrative expenses	1,949	2,690	(741)	6,395	5,278	1,117
Other expenses				677	58	619
Total costs and expenses	2,131	18,392	(16,261)	34,344	29,006	5,338
Interest and other income	425	612	(187)	846	1,017	(171)
(Loss) Income before income taxes	(1,557)	19,797	(21,354)	33,202	28,909	4,293
(Benefit) provision for income taxes	(624)	7,640	(8,264)	12,812	11,155	1,657
Net (loss) income	\$ (933)	12,157	(13,090)	20,390	17,754	2,636
Acres sold		492	(492)	1,304	786	518
Margin percentage	(22.1%)	58.2%	(80.3)%	59.1%	58.4%	0.7%
Unsold acres	7,045	8,765	(1,720)	7,045	8,765	(1,720)
Acres subject to sales contracts	545	801	(256)	545	801	(256)
Acres subject to sales contracts (value)	59,884	71,089	(11,205)	59,884	71,089	(11,205)

Land Division revenues have historically been generated primarily from two master-planned communities located in St. Lucie County, Florida—St. Lucie West and Tradition. Development activity in St. Lucie West is substantially complete, with 29 acres of inventory remaining at June 30, 2005, of which 25 acres were subject to firm sales contracts as of that date. The Tradition master-planned community now encompasses more than 8,000 total acres, including approximately 5,900 net saleable acres. Approximately 1,750 acres had been sold or were subject to firm sales contracts with various homebuilders as of June 30, 2005. Notwithstanding the current sustained interest and

activity at Tradition, a significant reduction of future demand in the residential real estate market could negatively impact our land development operations.

We have historically realized between 40% and 60% margin percentage on Land Division sales. Margins fluctuate based upon changing sales prices and costs attributable to the land sold. The sales price of land sold varies depending upon: the location; the parcel size; whether the parcel is sold as raw land, partially developed land or individually developed lots; the degree to which the land is entitled; and whether the ultimate use of land is residential or commercial. The cost of sales of real estate is dependent upon the original cost of the land acquired, the timing of the acquisition of the land, and the amount of development and carrying costs capitalized to the particular land parcel. Future margins will continue to vary in response to these and other market factors.

Three Months Ended June 30, 2005 Compared to the Same 2004 Period:

Revenues decreased significantly to \$149,000 during the three months ended June 30, 2005, from \$37.6 million during the same 2004 period. During the three months ended June 30, 2005, there were no acres sold, compared to 492 acres sold during the same 2004 period at an average margin of

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58.2%. During the three months ended June 30, 2004, the Land Division sold approximately 448 acres in Tradition to the Homebuilding Division which generated revenue of \$23.4 million and margin of \$14.4 million. This transaction, which is included in the above table for the three months ended June 30, 2004, was eliminated in consolidation.

Selling, general and administrative expenses decreased 28% to \$1.9 million during the three months ended June 30, 2005, from \$2.7 million during the same 2004 period. The decrease in selling, general and administrative expenses reflects lower bonus accruals associated with the absence of land sales during the three months ended June 30, 2005.

Interest incurred and capitalized during the three months ended June 30, 2005 and 2004 was \$500,000 and \$481,000, respectively. Cost of sales of real estate does not include any previously capitalized interest during the three months ended June 30, 2005, compared to \$26,000 during the same 2004 period.

As of June 30, 2005, we were party to two contracts for the purchase of approximately 5,200 acres of land in the City of Hardeeville, South Carolina for a combined purchase price of approximately \$42.4 million. As of June 30, 2005, we had delivered non-refundable deposits totaling \$770,000 to the sellers. The land in Hardeeville is the proposed site for a new master-planned community. The Company is negotiating financing for the transaction. There is no assurance that the transactions will be completed.

Six Months Ended June 30, 2005 Compared to the Same 2004 Period:

Revenues increased 17% to \$66.7 million during the six months ended June 30, 2005, from \$56.9 during the same 2004 period. During the six months ended June 30, 2005, we sold 1,304 acres at an average margin of 59.1%. The most notable sale during the six months ended June 30, 2005 was the bulk sale of five non-contiguous parcels of land adjacent to Tradition consisting of a total of 1,294 acres for \$64.7 million. During the six months ended 2004, we sold 786 acres with an average margin of 58.4%. The most notable sale during the six months ended June 30, 2004 was the sale of 448 acres in Tradition to the Homebuilding Division which generated revenue of \$23.4 million and margin of \$14.4 million. This transaction, which is included in the above table for the six months ended June 30, 2004, was eliminated in consolidation.

Selling, general and administrative expenses increased 21% to \$6.4 million during the six months ended June 30, 2005, from \$5.3 million during the same 2004 period reflecting the timing of bonus accruals tied to a performance bonus plan. As a percentage of total revenues, our selling, general and administrative expenses increased to 10% during the six months ended June 30, 2005, from 9% during the same 2004 period.

Interest incurred during the six months ended June 30, 2005 and 2004 was \$956,000 and \$645,000, respectively. Interest capitalized during the six months ended June 30, 2005 and 2004 totaled \$956,000 and \$586,000, respectively. Cost of sales of real estate during the six months ended June 30, 2005 included previously capitalized interest of \$536,000, compared to \$42,000 during the same 2004 period.

Table of Contents**OTHER OPERATIONS RESULTS OF OPERATIONS**

(In thousands)	2005	Three Months Ended June 30, 2004 (Unaudited)	Change	2005	Six Months Ended June 30, 2004 (Unaudited)	Change
Revenues						
Sales of real estate	\$	3,591	(3,591)	14,709	4,129	10,580
Total revenues		3,591	(3,591)	14,709	4,129	10,580
Costs and expenses			&nbs			