

LEVITT CORP  
Form S-3  
May 07, 2007

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**As filed with the United States Securities and Exchange Commission on May 7, 2007**  
**Registration No. 333-**

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

**FORM S-3  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933**

**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.)*

**2200 West Cypress Creek Road  
Fort Lauderdale, Florida 33309  
(954) 958-1800**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Alan B. Levan  
Levitt Corporation  
2200 West Cypress Creek Road  
Fort Lauderdale, Florida 33309  
(954) 958-1800**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

*Copies to:*  
**Alison W. Miller**  
**Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A.**  
**150 West Flagler Street, Suite 2200**  
**Miami, Florida 33130**  
**(305) 789-3200**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

#### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount to Be Registered	Proposed Maximum Aggregate Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Rights to purchase Class A Common Stock (\$0.01 par value)				\$0(1)
			\$200,000,000(2)	\$6,140

Class A Common Stock (\$0.01 par value)

- (1) The rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable.
- (2) Represents the gross proceeds from the assumed exercise of all non-transferable rights issued.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**PROSPECTUS (SUBJECT TO COMPLETION)**

**DATED           , 2007**

**Levitt Corporation**

**Up to           Shares of Class A Common Stock  
Issuable Upon the Exercise of Subscription Rights**

We are distributing, at no cost, non-transferable subscription rights to purchase up to an aggregate of           shares of our Class A Common Stock in this rights offering to persons who owned shares of our Class A Common Stock and Class B Common Stock on           , 2007.

You will receive           of a subscription right for each share of our Class A Common Stock or Class B Common Stock that you owned on           , 2007. You will not receive any fractional rights, as the number of subscription rights you receive will be rounded up to the next largest whole number. Each whole subscription right entitles you to purchase one share of Class A Common Stock at the purchase price of \$     per share.

The subscription rights are exercisable beginning on the date of this prospectus and continuing until 5:00 p.m., Eastern Standard Time, on           , 2007. We may extend the period for exercising rights in our sole discretion. If you want to participate in the rights offering, we recommend that you submit your subscription documents to the subscription agent,           , before that deadline or to your broker or bank at least 10 days before that deadline. Please see page     for further instructions on submitting subscriptions. All subscriptions will be held in escrow by the subscription agent through the expiration date of the rights offering. We reserve the right to cancel the rights offering at any time.

There is no minimum number of shares that we must sell in order to complete the rights offering. If you exercise your rights in full, you may also exercise an over-subscription right to purchase additional shares of Class A Common Stock that remain unsubscribed for at the expiration of the rights offering, subject to availability and allocation of shares among persons exercising this over-subscription right. Shareholders who do not participate in the rights offering will continue to own the same number of shares, but will own a smaller percentage of the total shares outstanding to the extent that other shareholders participate in the rights offering. Rights that are not exercised by the expiration date will expire and have no value.

The subscription rights may not be sold or transferred, except that subscription rights will be transferable to affiliates of the recipient and by operation of law.

Shares of our Class A Common Stock are traded on the New York Stock Exchange under the symbol LEV. The last sale price of our Class A Common Stock on           , 2007 was \$     . The shares of Class A Common Stock issued in the rights offering will also be listed on the New York Stock Exchange.

**Investing in the securities offered by this prospectus involves risks. You should read this prospectus carefully before you invest. You should carefully consider the Risk Factors section beginning on page 6 before exercising your subscription rights.**

	<b>Subscription Exercise Price</b>	<b>Proceeds, Before Expenses, to Us</b>
Per Share	\$	\$
Total	\$	\$ (1)

(1) Assumes all subscriptions rights will be exercised in the rights offering.

The securities are not being offered in any jurisdiction where the offer is not permitted under applicable local laws.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2007.

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**PROSPECTUS SUMMARY**

This section answers in summary form some questions you may have about Levitt Corporation and this rights offering. The information in this section is a summary and therefore does not contain all of the information that you should consider before deciding whether to exercise your subscription rights. You should read the entire prospectus carefully, including the Risk Factors section and the documents listed under Where You Can Find More Information.

Except where otherwise indicated, when we refer to Levitt Corporation, the Company, we, or our in this prospectus we are referring to Levitt Corporation, a Florida corporation, and all of its consolidated subsidiaries. When we refer to Levitt and Sons in this prospectus, we are referring to our wholly-owned subsidiary Levitt and Sons, LLC and its subsidiaries. When we refer to Core Communities, we are referring to our wholly-owned subsidiary Core Communities, LLC and its subsidiaries. When we refer to Bluegreen, we are referring to Bluegreen Corporation and its subsidiaries.

***Questions and Answers about Us***

**What is Levitt Corporation?**

We are a New York Stock Exchange-listed company (NYSE: LEV) engaged in homebuilding and real estate development with activities throughout the Southeastern United States. We were organized in December 1982 under the laws of the State of Florida. Until December 31, 2003, we were a wholly owned subsidiary of BankAtlantic Bancorp, Inc. (NYSE: BBX).

Our principal real estate activities, the development of single-family homes and master-planned communities, are conducted through our Homebuilding and Land Divisions. Our Homebuilding Division operates through our homebuilding subsidiary, Levitt and Sons, and our Land Division operates through our master-planned community development subsidiary, Core Communities. In addition, we also own approximately 31% of the outstanding common stock of Bluegreen, a New York Stock Exchange listed corporation which acquires, develops, markets and sells ownership interests primarily in drive-to vacation destinations as well as residential home sites in some cases on properties featuring golf courses or other amenities.

Levitt and Sons is primarily a real estate developer of single and multi-family home and townhome communities specializing in both active adult and family communities in Florida, Georgia, South Carolina and Tennessee. Levitt and Sons and its predecessors have built more than 200,000 homes since 1929. Levitt and Sons has strong brand awareness as America's oldest homebuilder and is identified nationally with the Levittown communities in New York, New Jersey and Pennsylvania. We acquired Levitt and Sons in 1999.

Core Communities develops master-planned communities and is currently developing Tradition<sup>™</sup>, Florida, which is located in Port St. Lucie, Florida and Tradition, South Carolina, which is located in Hardeeville, South Carolina. Core Communities' original community is St. Lucie West. Substantially completed in 2006, it is a 4,600 acre community located in Port St. Lucie, Florida consisting of approximately 6,000 built and occupied homes, numerous businesses, a university campus and the New York Mets' spring training facility. Core Communities' second master-planned community, Tradition, Florida, also located in Port St. Lucie, Florida, encompasses more than 8,200 total acres, including approximately five miles of frontage on Interstate 95, and will have approximately 18,000 residential units and 8.5 million square feet of commercial space. Core Communities' Tradition, South Carolina development consists of approximately 5,400 acres and is currently entitled for up to 9,500 residential units, with 1.5 million square feet of commercial space, in addition to recreational areas, educational facilities and emergency services. Land sales



commenced in Tradition, South Carolina in the fourth quarter 2006. We acquired Core Communities in 1997.

The homebuilding industry in general has recently experienced and continues to experience significant weakness. Adverse economic and other business conditions have had, and are expected to continue to have, a negative impact on the homebuilding industry in general and the Company in particular. We experienced sequential declines in sale orders and sequential increases in cancellations of sale contracts in each quarter of 2006, and there is an increased level of inventory throughout the marketplace of new and used homes for sale.

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As a result of these factors, we have recently experienced, and expect to continue to experience, reduced margins and negative cash flow.

In an attempt to address many of the issues facing our Company, on January 30, 2007, we entered into a merger agreement with BFC, pursuant to which we would become a wholly-owned subsidiary of BFC. BFC and the Company expect to hold shareholders' meetings to vote on the merger agreement and the transactions contemplated thereby. In the event that our or BFC's shareholders do not approve the merger or the merger is not consummated for any reason, we expect to proceed with this rights offering in an effort to address our future cash needs.

Our Class A Common Stock trades on the New York Stock Exchange under the symbol LEV. Our principal executive offices are located at 2200 West Cypress Creek Road, Fort Lauderdale, Florida 33309. Our telephone number is (954) 958-1800.

## ***Questions and Answers about the Rights Offering***

### **What is a rights offering?**

A rights offering is an opportunity for you to purchase additional shares of Class A Common Stock at a fixed price and in an amount at least proportional to your existing interest, which enables you to maintain, and possibly increase, your current percentage ownership interest in us.

### **Why are we engaging in a rights offering, and how will we use the proceeds from the rights offering?**

We are making this rights offering with the intention of raising up to approximately \$200 million. We intend to use the net proceeds of the offering for general corporate purposes and for working capital. We want to give you the opportunity to participate in our equity fund-raising so that you will have the ability to maintain your proportional ownership interest in us.

### **What is the basic subscription right?**

Each whole basic subscription entitles you to purchase one share of our Class A Common Stock at a subscription price of \$ per share. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. We will not distribute any fractional subscription rights, but instead we will round up the aggregate number of rights you receive to the next whole number.

### **What is the over-subscription right?**

All of our shareholders may not exercise their basic subscription rights. The over-subscription right provides shareholders that exercise all of their basic subscription rights the opportunity to purchase the shares that are not purchased by other shareholders. If you fully exercise your basic subscription right, you will be entitled to subscribe for additional shares of our Class A Common Stock unclaimed by other holders of rights in this rights offering at the same subscription price per share. If insufficient shares are available to fully satisfy all over-subscription right requests, the available shares will be distributed proportionately among rights holders who exercise their over-subscription right based on the number of shares each rights holder subscribed for under the basic subscription right. The subscription agent will return any excess payments by mail without interest or deduction promptly after the expiration of the subscription period.

### **Who may participate in this offering?**

Holders of record of our Class A Common Stock and Class B Common Stock as of \_\_\_\_\_, 2007 are entitled to participate in this rights offering.

**Am I required to subscribe in this rights offering?**

No. However, any shareholder who chooses not to exercise its subscription rights will experience dilution to its equity interest in the Company to the extent that other shareholders exercise their subscription rights.

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### **How long will the rights offering last?**

You will be able to exercise your subscription rights only during a limited period. To exercise a subscription right, you must do so by 5:00 p.m., Eastern Standard Time, on \_\_\_\_\_, 2007, unless we extend the rights offering. Accordingly, if a rights holder desires to exercise its subscription rights, the subscription agent must actually receive all required documents and payments for that rights holder before the expiration date and time. We may extend the expiration time for any reason.

### **May the board of directors cancel the rights offering?**

Yes. The board of directors may decide to cancel the rights offering at any time for any reason. If this rights offering is not completed, the subscription agent will return promptly, without interest or deduction, all subscription payments.

### **If the rights offering is terminated, will my subscription payment be refunded to me?**

Yes. If we terminate the rights offering, all subscription payments will be returned as soon as practicable following the termination. We will not pay interest on, or deduct any amounts from, subscription payments if we terminate the rights offering. If we terminate the rights offering, we will not be obligated to issue shares to rights holders who have exercised their rights prior to termination.

### **May I transfer, sell or give away my subscription rights?**

No. Should you choose not to exercise your subscription rights, you may not sell, give away or otherwise transfer your rights. However, your subscription rights may be transferred to your affiliates or by operation of law, for example, upon death. See The Rights Offering Non-Transferability of Subscription Rights.

### **How many shares may I purchase?**

You will receive \_\_\_\_\_ of a subscription right for each share of Class A Common Stock or Class B Common Stock that you owned as a holder of record on \_\_\_\_\_, 2007. We will not distribute fractional subscription rights, but will round the number of subscription rights you are to receive up to the next largest whole number. Each whole subscription right entitles you to purchase one share of Class A Common Stock for \$ \_\_\_\_\_. If you fully exercise your basic subscription right, the over-subscription right will entitle you to subscribe for additional shares of our Class A Common Stock unclaimed by other holders of rights in this offering at the same subscription price per share. If insufficient shares are available to fully satisfy all over-subscription right requests, the available shares will be distributed proportionately among rights holders who exercise their over-subscription rights based on the number of shares each rights holder subscribed for under the basic subscription right pursuant to the allocation procedures described below in The Rights Offering The Subscription Rights Over-Subscription Rights.

### **How do I exercise my subscription rights?**

You may exercise your subscription rights by properly completing and signing your rights certificate and delivering it, with full payment of the subscription price for the shares for which you are subscribing, including shares subscribed for pursuant to any over-subscription right, to the subscription agent on or prior to the expiration date. If you send the rights certificate and other items by mail, we recommend that you send them by registered mail, properly insured, with return receipt requested. If you cannot deliver your rights certificate to the subscription agent on time, you may follow the guaranteed delivery procedures described under The Rights Offering - Guaranteed Delivery Procedures.

### **Are there risks associated with exercising my subscription rights?**

The exercise of your subscription rights involves risks. Exercising your subscription rights means buying additional shares of our Class A Common Stock and should be considered as carefully as you would consider

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any other equity investment. Among other things, you should carefully consider the risks described under the heading Risk Factors, beginning on page .

### **After I exercise my subscription rights, may I change my mind and cancel my purchase?**

No. Once you send in your subscription certificate and payment, you cannot revoke the exercise of your subscription rights, even if you later learn information about us that you consider to be unfavorable and even if the market price of our Class A Common Stock is below the \$ per share purchase price. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our Class A Common Stock at a price of \$ per share.

### **What happens if I choose not to exercise my subscription rights?**

You will retain your current number of shares of Class A Common Stock and Class B Common Stock even if you do not exercise your subscription rights. However, if other shareholders exercise their subscription rights and you do not, the percentage of Levitt Corporation that you own will diminish, and your voting and other rights will be diluted. Your rights will expire and have no value if they are not exercised by the expiration date.

### **Will I be charged any fees if I exercise my rights?**

We will not charge a fee to holders for exercising their rights. However, any holder exercising its rights through a broker, dealer or nominee will be responsible for any fees charged by its broker, dealer or nominee.

### **If I exercise my rights, when will I receive the shares for which I have subscribed?**

We will issue the shares of Class A Common Stock for which subscriptions have been properly received as soon as practicable after the expiration date of this rights offering, whether or not you exercise your subscription rights immediately prior to that date or on an earlier date.

### **Have any shareholders indicated they will exercise their rights?**

BFC Financial Corporation, which beneficially owns approximately % our Class A Common Stock and 100% of our Class B Common Stock, has indicated its intention to exercise all of its rights but has made no formal binding commitment to do so. If BFC exercises its subscription rights and no other shareholders do so, BFC will beneficially own % of our Class A Common Stock (before giving effect to any over-subscription rights which it may exercise).

### **What if my shares are not held in my name?**

If you hold your shares of our Class A Common Stock or Class B Common Stock in the name of a broker, dealer or other nominee, then your broker, dealer or other nominee is the record holder of the shares you own. The record holder must exercise the rights on your behalf for the shares of Class A Common Stock you wish to purchase. Therefore, you will need to have your record holder act for you.

If you wish to participate in this rights offering and purchase shares of Class A Common Stock, please promptly contact the record holder of your shares. We will ask your broker, dealer or other nominee to notify you of this rights offering. You should complete and return to your record holder the form entitled Beneficial Owner Election Form. You should receive this form from your record holder with the other rights offering materials.

**How many shares of Class A Common Stock are currently outstanding, and how many shares will be outstanding after the rights offering?**

As of \_\_\_\_\_, 2007, we had outstanding a total of \_\_\_\_\_ shares of Class A Common Stock. These numbers exclude shares issuable pursuant to stock options and shares that may be issued pursuant to our Amended and Restated 2003 Stock Incentive Plan. The number of shares of Class A Common Stock that will

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be outstanding after the rights offering will depend on the number of shares that are purchased in the rights offering. If we sell all of the shares being offered, then we will issue approximately \_\_\_\_\_ shares of Class A Common Stock. In that case, we will have approximately \_\_\_\_\_ shares of Class A Common Stock outstanding after the rights offering. This would represent an increase of approximately \_\_\_\_\_ % in the number of outstanding shares of Class A Common Stock. However, we do not expect that all of the subscription rights will be exercised.

**How did the Company arrive at the \$ \_\_\_\_\_ per share subscription price?**

Our board of directors determined that the subscription price should be designed to provide an incentive to our current shareholders to exercise their rights. Other factors considered in setting the subscription price included the amount of proceeds desired, our need for equity capital, the historic and current book value and market price of our Class A Common Stock, the historic volatility of the market price of our Class A Common Stock, our recent and anticipated operating results, general conditions in the securities and real estate markets, alternatives available to us for raising equity capital, the pricing of similar transactions and the liquidity of our Class A Common Stock. The subscription price does not necessarily bear any relationship to our past operations, cash flows, current financial condition, or any other established criteria for value. You should not consider the subscription price as an indication of the value of Levitt Corporation or our Class A Common Stock.

**How much money will the Company receive from the rights offering?**

If we sell all the shares being offered, we will receive gross proceeds of approximately \$200 million. We are offering shares in the rights offering with no minimum purchase requirement. As a result, there is no assurance we will be able to sell all or any of the shares being offered, and it is not likely that all of our shareholders will participate in the rights offering.

**What are the United States federal income tax consequences to me of exercising my subscription rights?**

The receipt and exercise of your subscription rights are intended to be nontaxable events. You should seek specific tax advice from your personal tax advisor. See Federal Income Tax Considerations Taxation of Shareholders.

**Has the board of directors made a recommendation as to whether I should exercise my rights?**

No. Neither we nor our board of directors has made any recommendation as to whether you should exercise your rights. You should decide whether to subscribe for shares of our Class A Common Stock, or simply take no action with respect to your rights, based upon your own assessment of your best interests.

**What if I have other questions?**

If you have other questions about the rights offering, please contact our information agent, \_\_\_\_\_, by telephone at (\_\_\_\_\_) \_\_\_\_\_.



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**RISK FACTORS**

*You should carefully consider the following risks before purchasing any of the securities offered hereby. Our business, operating results or financial condition could be materially and adversely affected by any of these risks. You should also refer to the other information included or incorporated by reference in this prospectus.*

***Risks Relating to Our Business and the Real Estate Business Generally***

**We engage in real estate activities which are speculative and involve a high degree of risk.**

The real estate industry is highly cyclical by nature, the current market is experiencing a significant decline and future market conditions are uncertain. Factors which adversely affect the real estate and homebuilding industries, many of which are beyond our control, include:

overbuilding or decreases in demand;

inventory over-supply;

buyers' contract cancellations;

the availability and cost of financing;

unfavorable interest rates and increases in inflation;

construction defects and warranty claims arising in the ordinary course of business or otherwise, including mold related property damage and bodily injury claims and homeowner and homeowners' association lawsuits;

changes in national, regional and local economic conditions;

cost overruns, inclement weather, and labor and material shortages;

the impact of present or future environmental legislation, zoning laws and other regulations;

availability, delays and costs associated with obtaining permits, approvals or licenses necessary to develop property; and

increase in real estate taxes, insurance and other local government fees.

**We have experienced a decline in our homebuilding operations over the past year which has adversely affected our sales volume and pricing.**

In 2006, the homebuilding industry in our markets experienced a significant decline in demand for new homes. The trends in the homebuilding industry continue to be unfavorable. Demand has slowed as evidenced by fewer new orders and lower conversion rates in the markets in which we operate. These conditions have been particularly difficult in Florida, which is the market in which we have the greatest presence. We are experiencing higher cancellation rates on pending contracts as new homeowners make a determination to forfeit a deposit rather than to close on the purchase of the home. The combination of the lower demand and higher inventories affects both the

number of homes we can sell and the prices at which we can sell them. We cannot predict how long demand and other factors in the homebuilding market will remain unfavorable, how active the market will be during the coming periods and if sales volume and pricing will return to past levels or levels that will enable us to operate more profitably.

**Our industry is highly competitive.**

The homebuilding industry is highly competitive. We compete in each of our markets with numerous national, regional and local homebuilders. This competition with other homebuilders can have the effect of reducing the number of homes we deliver or can cause us to accept reduced margins in order to maintain sales volume.

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We also compete with the resale of existing homes, including foreclosed home sales by lenders, sales by housing speculators and available rental housing. As demand for homes has slowed, the number of completed unsold homes has increased as well as the supply of existing homes. Competition with existing inventory, including homes purchased for speculation, has resulted in increased pressure on the prices at which we are able to sell homes, as well as upon the number of homes we can sell.

### **Continued decline in land values could result in further impairment write-offs.**

Some of the land we currently own was purchased at prices that reflected the historic high demand cycle in the homebuilding industry. The recent slowdown in the homebuilding industry in our markets resulted in \$36.8 million of homebuilding inventory impairments for the year ended December 31, 2006. If market conditions continue to deteriorate, the fair value of some of these assets or additional assets may decrease and be subject to future impairment write-offs and adversely affect our financial condition and operating results. Further, impairment write-offs could also result in the acceleration of debt which is secured by impaired assets. In an attempt to be competitive, we are aggressively offering sales incentives which will negatively impact our margins and may negatively impact sales contracts in our backlog, but there is no assurance that we will be successful.

### **Because real estate investments are illiquid, a decline in the real estate market or in the economy in general could adversely impact our business and our cash flow.**

Real estate investments are generally illiquid. Companies that invest in real estate have a limited ability to vary their portfolio of real estate investments in response to changes in economic and other conditions. In addition, the market value of any or all of our properties or investments may decrease in the future. Moreover, we may not be able to timely dispose of an investment when we find dispositions advantageous or necessary, or complete the disposition of properties under contract to be sold, and any such dispositions may not provide proceeds in excess of the amount of our investment in the property or even in excess of the amount of any indebtedness secured by the property. As part of our strategy for future growth, we significantly increased our land inventory during 2006, with our inventory of real estate increasing from \$611.3 million at December 31, 2005 to \$822.0 million at December 31, 2006. This substantial increase in our land holdings and concentration in Florida subjects us to a greater risk from declines in real estate values in our markets. Further, these newly acquired properties were purchased at a time when competition for land was very high, and accordingly these properties may be more susceptible to impairment write downs in the current real estate environment. Declines in real estate values or in the economy generally could have a material adverse impact on our financial condition and results of operations.

### **Our ability to sell lots and homes, and, accordingly, our operating results, will be affected by the availability of financing to potential purchasers.**

Most purchasers of real estate finance their acquisitions through third-party mortgage financing. Residential real estate demand is generally adversely affected by:

increases in interest rates;

decreases in the availability of mortgage financing;

increasing housing costs;

unemployment; and

changes in federally sponsored financing programs.

Increases in interest rates or decreases in the availability of mortgage financing could depress the market for new homes because of the increased monthly mortgage costs or the unavailability of financing to potential homebuyers. Even if potential customers do not need financing, increases in interest rates and decreased mortgage availability could make it harder for them to sell their homes. Recently, increases in rates on certain adjustable rate mortgage products and a trend of increasing defaults by borrowers generally, including under

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subprime, certain interest only and negative amortization mortgage loans could lead to decreased availability of mortgage financing. If demand for housing declines, land may remain in our inventory longer and our corresponding borrowing costs would increase. This would adversely affect our operating results and financial condition. Further, we may be required to make payments whether or not we have sales.

### **Shortages of supplies and labor could increase costs and delay deliveries, which may adversely affect our operating results.**

Our ability to develop our projects may be affected by circumstances beyond our control, including:

shortages or increases in prices of construction materials;

natural disasters in the areas in which we operate;

work stoppages, labor disputes and shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers;

lack of availability of adequate utility infrastructure and services; and

our need to rely on local subcontractors who may not be adequately capitalized or insured.

Any of these circumstances could give rise to delays in the start or completion of, or increase the cost of, developing one or more of our projects or individual homes. We compete with other real estate developers, both regionally and nationally, for labor as well as raw materials, and the competition for materials has recently become global. Increased costs or shortages of lumber, drywall, steel, concrete, roofing materials, pipe and asphalt could cause increases in construction costs and construction delays.

Historically, we have sought to manage our costs, in part, by entering into short-term, fixed-price materials contracts with selected subcontractors and material suppliers. We may be unable to achieve cost containment in the future by using fixed-price contracts. Without corresponding increases in the sales prices of our real estate inventories (both land and finished homes), increasing materials costs associated with land development and home building could negatively affect our margins. We may not be able to recover these increased costs by raising our home prices because, typically, the price for each home is set in a home sale contract with the customer months prior to delivery. If we are unable to increase our prices for new homes to offset these increased costs, our operating results could be adversely affected.

### **Natural disasters could have an adverse effect on our real estate operations.**

We currently develop and sell a significant portion of our properties in Florida. The Florida markets in which we operate are subject to the risks of natural disasters such as hurricanes and tropical storms. These natural disasters could have a material adverse effect on our business by causing the incurrence of uninsured losses, increased homebuyer insurance rates, delays in construction, and shortages and increased costs of labor and building materials. In 2005 three named storms made landfall in the State of Florida causing little damage to our communities. In addition, during the 2004 hurricane season, five named storms made landfall in the State causing property damage in several of our communities; however, our losses were primarily related to landscaping and claims based on water intrusion associated with the hurricanes, and we have attempted to address those issues. In May 2005, a purported class action was brought on behalf of owners of homes in a particular Central Florida Levitt and Sons subdivision alleging construction defects and damage suffered during certain of the hurricanes in 2004.

In addition to property damage, hurricanes may cause disruptions to our business operations. New homebuyers cannot obtain insurance until after named storms have passed, creating delays in new home deliveries. Approaching storms require that sales, development and construction operations be suspended in favor of storm preparation activities such as securing construction materials and equipment. After a storm has passed, construction-related resources such as sub-contracted labor and building materials are likely to be redeployed to hurricane recovery efforts around the state. Governmental permitting and inspection activities may similarly be focused primarily on returning displaced residents to homes damaged by the storms, rather

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than on new construction activity. Depending on the severity of the damage caused by the storms, disruptions such as these could last for several months.

**Our ability to successfully develop communities could affect our financial condition.**

It may take several years for a community development to achieve positive cash flow. Before a community development generates any revenues, material expenditures are required to acquire land, to obtain development approvals and to construct significant portions of project infrastructure, amenities, model homes and sales facilities. If we are unable to develop and market our communities successfully and to generate positive cash flows from these operations in a timely manner, it will have a material adverse effect on our ability to meet our working capital requirements.

**A portion of our revenues from land sales in our master planned communities are recognized for accounting purposes under the percentage of completion method, therefore if our actual results differ from our assumptions our profitability may be reduced.**

Under the percentage of completion method for recognizing revenue, we record revenue as work on the project progresses. This method relies on estimates of total expected project costs. Revenue and cost estimates are reviewed and revised periodically as the work progresses. Adjustments are reflected in contract revenue in the period when such estimates are revised. Variation of actual results and our estimates in these large master planned communities could be material.

**Product liability litigation and claims that arise in the ordinary course of business may be costly which could adversely affect our business.**

Our homebuilding and commercial development business is subject to construction defect and product liability claims arising in the ordinary course of business. These claims are common in the homebuilding and commercial real estate industries and can be costly. We have, and many of our subcontractors have, general liability, property, errors and omissions, workers compensation and other business insurance. However, these insurance policies only protect us against a portion of our risk of loss from claims. In addition, because of the uncertainties inherent in these matters, we cannot provide reasonable assurance that our insurance coverage or our subcontractor arrangements will be adequate to address all warranty, construction defect and liability claims in the future. In addition, the costs of insuring against construction defect and product liability claims, if applicable, are high and the amount of coverage offered by insurance companies is also currently limited. There can be no assurance that this coverage will not be further restricted and become more costly. If we are not able to obtain adequate insurance against these claims, we may experience losses that could negatively impact our operating results. We are currently a defendant in a purported class action lawsuit alleging construction defects and seeking damages. While we are vigorously defending this action, we will be required to incur legal fees and there is no assurance that we will be successful in litigation.

Further, as a community developer, we may be expected by community residents from time to time to resolve any real or perceived issues or disputes that may arise in connection with the operation or development of our communities. Any efforts made by us in resolving these issues or disputes may not satisfy the affected residents and any subsequent action by these residents could negatively impact sales and results of operations. In addition, we could be required to make material expenditures related to the settlement of such issues or disputes or to modify our community development plans.

**We are subject to governmental regulations that may limit our operations, increase our expenses or subject us to liability.**

We are subject to laws, ordinances and regulations of various federal, state and local governmental entities and agencies concerning, among other things:

environmental matters, including the presence of hazardous or toxic substances;

wetland preservation;



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health and safety;  
zoning, land use and other entitlements;  
building design; and  
density levels.

In developing a project and building homes or commercial properties, we may be required to obtain the approval of numerous governmental authorities regulating matters such as:

installation of utility services such as gas, electric, water and waste disposal;  
the dedication of acreage for open space, parks and schools;  
permitted land uses; and  
the construction design, methods and materials used.

These laws or regulations could, among other things:

establish building moratoriums;  
limit the number of homes, apartments or commercial properties that may be built;  
change building codes and construction requirements affecting property under construction;  
increase the cost of development and construction; and  
delay development and construction.

We may also at times not be in compliance with all regulatory requirements. If we are not in compliance with regulatory requirements, we may be subject to penalties or we may be forced to incur significant expenses to cure any noncompliance. In addition, some of our land and some of the land that we may acquire have not yet received planning approvals or entitlements necessary for planned or future development. Failure to obtain entitlements necessary for further development of this land on a timely basis or to the extent desired may adversely affect our future results and prospects.

Several governmental authorities have also imposed impact fees as a means of defraying the cost of providing governmental services to developing areas, and many of these fees have increased significantly during recent years.

**Building moratoriums and changes in governmental regulations may subject us to delays or increased costs of construction or prohibit development of our properties.**

We may be subject to delays or may be precluded from developing in certain communities because of building moratoriums or changes in statutes or rules that could be imposed in the future. The State of Florida and various counties have in the past and may in the future continue to declare moratoriums on the issuance of building permits and impose restrictions in areas where the infrastructure, such as roads, schools, parks, water and sewage treatment

facilities and other public facilities, does not reach minimum standards. Additionally, certain counties in Florida, including counties where we are developing projects, have enacted more stringent building codes which have resulted in increased costs of construction. As a consequence, we may incur significant expenses in connection with complying with new regulatory requirements that we may not be able to pass on to buyers.

**We are subject to environmental laws and the cost of compliance could adversely affect our business.**

As a current or previous owner or operator of real property, we may be liable under federal, state, and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the property. These laws often impose liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial. The presence of any such

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substance, or the failure promptly to remediate any such substance, may adversely affect our ability to sell or lease the property, to use the property for our intended purpose, or to borrow using the property as collateral.