KB HOME
Form 10-Q
July 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended May 31, 2014.
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from [ ] to [ ].
Commission File No. 001-09195
KB HOME
(Exact name of registrant as specified in its charter)

| Delaware | 95-3666267 |
| --- | --- |
| (State of incorporation) | (IRS employer identification number) |

10990 Wilshire Boulevard
Los Angeles, California 90024
(310) 231-4000
(Address and telephone number of principal executive offices)
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 ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| Large accelerated filer ý | Accelerated filer o |
| --- | --- |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of May 31, 2014.
There were 91,791,488 shares of the registrant’s common stock, par value $1.00 per share, outstanding on May 31, 2014. The registrant’s grantor stock ownership trust held an additional 10,501,844 shares of the registrant’s common stock on that date.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
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CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts – Unaudited)

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Total revenues | $1,015,694 | $929,625 | $565,007 | $524,406 |
| Homebuilding: | | | | |
| Revenues | $1,010,663 | $924,604 | $562,396 | $521,788 |
| Construction and land costs | (825,834) | (786,263) | (456,560) | (442,998) |
| Selling, general and administrative expenses | (132,818) | (129,196) | (71,544) | (70,099) |
| Operating income | 52,011 | 9,145 | 34,292 | 8,691 |
| Interest income | 283 | 436 | 115 | 232 |
| Interest expense | (19,834) | (29,747) | (8,558) | (14,507) |
| Equity in income (loss) of unconsolidated joint ventures | 1,912 | (1,002) | (678) | (567) |
| Homebuilding pretax income (loss) | 34,372 | (21,168) | 25,171 | (6,151) |
| Financial services: | | | | |
| Revenues | 5,031 | 5,021 | 2,611 | 2,618 |
| Expenses | (1,704) | (1,471) | (852) | (636) |
| Equity in income (loss) of unconsolidated joint ventures | (12) | 1,087 | (6) | (4) |
| Financial services pretax income | 3,315 | 4,637 | 1,753 | 1,978 |
| Total pretax income (loss) | 37,687 | (16,531) | 26,924 | (4,173) |
| Income tax benefit (expense) | (500) | 1,100 | (300) | 1,200 |
| Net income (loss) | $37,187 | $(15,431) | $26,624 | $(2,973) |
| Earnings (loss) per share: | | | | |
| Basic | $.43 | $(.19) | $.30 | $(.04) |
| Diluted | $.40 | $(.19) | $.27 | $(.04) |
| Weighted average shares outstanding: | | | | |
| Basic | 86,668 | 81,526 | 89,529 | 83,605 |
| Diluted | 96,759 | 81,526 | 99,508 | 83,605 |
| Cash dividends declared per common share | $.0500 | $.0500 | $.0250 | $.0250 |

See accompanying notes.

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CONSOLIDATED BALANCE SHEETS
(In Thousands – Unaudited)

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Assets | | |
| Homebuilding: | | |
| Cash and cash equivalents | $484,472 | $530,095 |
| Restricted cash | 44,237 | 41,906 |
| Receivables | 99,779 | 75,749 |
| Inventories | 3,006,118 | 2,298,577 |
| Investments in unconsolidated joint ventures | 67,594 | 130,192 |
| Other assets | 116,558 | 107,076 |
| | 3,818,758 | 3,183,595 |
| Financial services | 9,268 | 10,040 |
| Total assets | $3,828,026 | $3,193,635 |
| | | |
| Liabilities and stockholders' equity | | |
| Homebuilding: | | |
| Accounts payable | $154,170 | $148,282 |
| Accrued expenses and other liabilities | 388,349 | 356,176 |
| Mortgages and notes payable | 2,573,980 | 2,150,498 |
| | 3,116,499 | 2,654,956 |
| Financial services | 1,854 | 2,593 |
| Common stock | 115,360 | 115,296 |
| Paid-in capital | 657,028 | 788,893 |
| Retained earnings | 514,688 | 481,889 |
| Accumulated other comprehensive loss | (17,516) | (17,516) |
| Grantor stock ownership trust, at cost | (113,911) | (113,911) |
| Treasury stock, at cost | (445,976) | (718,565) |
| Total stockholders' equity | 709,673 | 536,086 |
| Total liabilities and stockholders' equity | $3,828,026 | $3,193,635 |

See accompanying notes.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands – Unaudited)

| | Six Months Ended May 31, | |
|---|---|---|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net income (loss) | $37,187 | $(15,431) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Equity in income of unconsolidated joint ventures | (1,900) | (85) |
| Distributions of earnings from unconsolidated joint ventures | — | 1,638 |
| Amortization of discounts and issuance costs | 3,360 | 2,387 |
| Depreciation and amortization | 1,026 | 940 |
| Stock-based compensation | 3,725 | 2,044 |
| Land option contract abandonments | 790 | 284 |
| Changes in assets and liabilities: | | |
| Receivables | (22,710) | (405) |
| Inventories | (579,173) | (290,661) |
| Accounts payable, accrued expenses and other liabilities | 8,083 | 32,210 |
| Other, net | (4,917) | (521) |
| Net cash used in operating activities | (554,529) | (267,600) |
| Cash flows from investing activities: | | |
| Contributions to unconsolidated joint ventures | (16,242) | (5,651) |
| Proceeds from sale of investment in unconsolidated joint venture | 10,110 | — |
| Purchases of property and equipment, net | (3,012) | (752) |
| Net cash used in investing activities | (9,144) | (6,403) |
| Cash flows from financing activities: | | |
| Change in restricted cash | (2,331) | 40 |
| Proceeds from issuance of debt | 400,000 | 230,000 |
| Payment of debt issuance costs | (5,448) | (10,086) |
| Payments on mortgages and land contracts due to land sellers and other loans | (6,476) | (37,830) |
| Proceeds from issuance of common stock, net | 137,045 | 109,503 |
| Issuance of common stock under employee stock plans | 64 | 2,106 |
| Payments of cash dividends | (4,388) | (4,179) |
| Stock repurchases | (46) | (33) |
| Net cash provided by financing activities | 518,420 | 289,521 |
| Net increase (decrease) in cash and cash equivalents | (45,253) | 15,518 |
| Cash and cash equivalents at beginning of period | 532,523 | 525,688 |
| Cash and cash equivalents at end of period | $487,270 | $541,206 |

See accompanying notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation. The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted.

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly our consolidated financial position as of May 31, 2014, the results of our consolidated operations for the three months and six months ended May 31, 2014 and 2013, and our consolidated cash flows for the six months ended May 31, 2014 and 2013. The results of our consolidated operations for the three months and six months ended May 31, 2014 are not necessarily indicative of the results to be expected for the full year due to seasonal variations in operating results and other factors. The consolidated balance sheet at November 30, 2013 has been taken from the audited consolidated financial statements as of that date. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2013, which are contained in our Annual Report on Form 10-K for that period.

Unless the context indicates otherwise, the terms "we," "our," and "us" used in this report refer to KB Home, a Delaware corporation, and its subsidiaries.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make informed estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Cash and Cash Equivalents and Restricted Cash. We consider all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents. Our cash equivalents totaled $357.2 million at May 31, 2014 and $436.2 million at November 30, 2013. The majority of our cash and cash equivalents were invested in money market funds and interest-bearing bank deposit accounts.

Restricted cash of $44.2 million at May 31, 2014 and $41.9 million at November 30, 2013 consisted of cash deposited with various financial institutions that was required as collateral for our cash-collateralized letter of credit facilities (the "LOC Facilities").

Comprehensive Income (Loss). Our comprehensive income was $26.6 million for the three months ended May 31, 2014 and $37.2 million for the six months ended May 31, 2014. Our comprehensive loss was $3.0 million for the three months ended May 31, 2013 and $15.4 million for the six months ended May 31, 2013. Our comprehensive income (loss) for each of the three-month and six-month periods ended May 31, 2014 and 2013 was equal to our net income (loss) for the same periods. The accumulated other comprehensive loss in our consolidated balance sheets as of May 31, 2014 and November 30, 2013 was comprised solely of adjustments recorded directly to accumulated other comprehensive loss in accordance with Accounting Standards Codification Topic No. 715, "Compensation – Retirement Benefits" ("ASC 715"). Such adjustments are made annually as of November 30, when our benefit plan obligations are remeasured. ASC 715 requires an employer to recognize the funded status of defined postretirement benefit plans as an asset or liability on the balance sheet and requires any unrecognized prior service costs and actuarial gains/losses to be recognized in accumulated other comprehensive income (loss).

Recent Accounting Pronouncements. In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2013-11"), which states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net

operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. ASU 2013-11 applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies (continued)

loss, or a tax credit carryforward exists at the reporting date. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. We believe the adoption of this guidance will not have a material impact on our consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” (“ASU 2014-08”), which raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the new definition of a discontinued operation. It also allows an entity to present a discontinued operation even when it has continuing cash flows and significant continuing involvement with the disposed component. The amendments in ASU 2014-08 are effective prospectively for disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. We believe the adoption of this guidance will not have a material effect on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification Topic No. 605, “Revenue Recognition,” most industry-specific guidance throughout the industry topics of the accounting standards codification, and some cost guidance related to construction-type and production-type contracts. ASU 2014-09 is effective for public entities for annual periods and interim periods within those annual periods beginning after December 15, 2016. Early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period” (“ASU 2014-12”). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification Topic No. 718, “Compensation — Stock Compensation” (“ASC 718”), as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We believe the adoption of this guidance will not have a material effect on our consolidated financial statements.

Reclassifications. Certain amounts in the consolidated financial statements of prior years have been reclassified to conform to the 2014 presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

2. Segment Information

As of May 31, 2014, we had identified five operating reporting segments, comprised of four homebuilding reporting segments and one financial services reporting segment, within our consolidated operations in accordance with Accounting Standards Codification Topic No. 280, “Segment Reporting.” As of May 31, 2014, our homebuilding reporting segments conducted ongoing operations in the following states:

West Coast: California
Southwest: Arizona and Nevada
Central: Colorado, New Mexico and Texas
Southeast: Florida, Maryland, North Carolina and Virginia

Our homebuilding reporting segments are engaged in the acquisition and development of land primarily for residential purposes and offer a wide variety of homes that are designed to appeal to first-time, move-up and active adult homebuyers.

Our homebuilding reporting segments were identified based primarily on similarities in economic and geographic characteristics, product types, regulatory environments, methods used to sell and construct homes and land acquisition characteristics. We evaluate segment performance primarily based on segment pretax results.

Our financial services reporting segment offers property and casualty insurance and, in certain instances, earthquake, flood and personal property insurance to our homebuyers in the same markets as our homebuilding reporting segments, and provides title services in the majority of our markets within our Central and Southeast homebuilding reporting segments. This segment also earns revenues pursuant to the terms of a marketing services agreement with Nationstar Mortgage LLC (“Nationstar”), our preferred mortgage lender that offers mortgage banking services, including residential consumer mortgage loan (“mortgage loan”) originations, to our homebuyers who elect to use the lender. Our homebuyers are under no obligation to use our preferred mortgage lender and may select any lender of their choice to obtain mortgage financing for the purchase of a home. Except as discussed below, we have had no affiliation, ownership, joint venture or other interests in or with our preferred mortgage lender or its affiliates, or with respect to the revenues or income that may have been generated from their provision of mortgage banking services to, or origination of mortgage loans for, our homebuyers.

On January 21, 2013, we entered into an agreement with Nationstar to form Home Community Mortgage, LLC (“Home Community Mortgage”), a mortgage banking company that will offer an array of mortgage banking services to our homebuyers. We have a 49.9% ownership interest and Nationstar has a 50.1% ownership interest in Home Community Mortgage, with Nationstar providing management oversight of Home Community Mortgage’s operations. Nationstar will continue as our preferred mortgage lender until Home Community Mortgage begins offering mortgage banking services. Home Community Mortgage is accounted for as an unconsolidated joint venture within our financial services reporting segment.

Corporate and other is a non-operating segment that develops and implements company-wide strategic initiatives and provides support to our homebuilding reporting segments by centralizing certain administrative functions, such as promotional marketing, legal, purchasing administration, architecture, accounting, treasury, insurance and risk management, information technology and human resources, to benefit from economies of scale. Corporate and other includes general and administrative expenses related to operating our corporate headquarters. A portion of the expenses incurred by Corporate and other is allocated to the homebuilding reporting segments.

Our segments follow the same accounting policies used for our consolidated financial statements. The results of each segment are not necessarily indicative of the results that would have occurred had the segment been an independent, stand-alone entity during the periods presented, nor are they indicative of the results to be expected in future periods.

The following tables present financial information relating to our segments (in thousands):

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

2. Segment Information (continued)

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | |
| West Coast | $442,041 | $479,594 | $260,320 | $273,490 |
| Southwest | 94,496 | 79,078 | 48,381 | 47,247 |
| Central | 297,546 | 226,797 | 172,384 | 120,305 |
| Southeast | 176,580 | 139,135 | 81,311 | 80,746 |
| Total homebuilding revenues | 1,010,663 | 924,604 | 562,396 | 521,788 |
| Financial services | 5,031 | 5,021 | 2,611 | 2,618 |
| Total | $1,015,694 | $929,625 | $565,007 | $524,406 |
| | | | | |
| Pretax income (loss): | | | | |
| West Coast | $54,329 | $37,862 | $35,964 | $28,020 |
| Southwest | 5,056 | 841 | 3,771 | 1,590 |
| Central | 13,292 | 2,484 | 10,516 | 2,348 |
| Southeast | (1,916) | (25,092) | (5,757) | (16,768) |
| Corporate and other | (36,389) | (37,263) | (19,323) | (21,341) |
| Total homebuilding pretax income (loss) | 34,372 | (21,168) | 25,171 | (6,151) |
| Financial services | 3,315 | 4,637 | 1,753 | 1,978 |
| Total | $37,687 | $(16,531) | $26,924 | $(4,173) |
| Equity in income (loss) of unconsolidated joint ventures: | | | | |
| West Coast | $(58) | $(73) | $(20) | $(40) |
| Southwest | (1,321) | (1,164) | (658) | (639) |
| Central | — | — | — | — |
| Southeast | 3,291 | 235 | — | 112 |
| Total | $1,912 | $(1,002) | $(678) | $(567) |
| Land option contract abandonments: | | | | |
| West Coast | $103 | $284 | $103 | $284 |
| Southwest | — | — | — | — |
| Central | 433 | — | — | — |
| Southeast | 254 | — | 254 | — |
| Total | $790 | $284 | $357 | $284 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

2. Segment Information (continued)

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Inventories: | | |
| Homes under construction | | |
| West Coast | $465,052 | $275,516 |
| Southwest | 46,175 | 39,661 |
| Central | 189,191 | 157,572 |
| Southeast | 123,855 | 113,690 |
| Subtotal | 824,273 | 586,439 |
| Land under development | | |
| West Coast | 729,946 | 560,032 |
| Southwest | 298,501 | 106,654 |
| Central | 323,277 | 238,311 |
| Southeast | 212,301 | 161,919 |
| Subtotal | 1,564,025 | 1,066,916 |
| Land held for future development | | |
| West Coast | 307,179 | 308,636 |
| Southwest | 137,605 | 157,924 |
| Central | 24,274 | 15,193 |
| Southeast | 148,762 | 163,469 |
| Subtotal | 617,820 | 645,222 |
| Total | $3,006,118 | $2,298,577 |
| Investments in unconsolidated joint ventures: | | |
| West Coast | $48,756 | $40,246 |
| Southwest | 16,337 | 80,877 |
| Central | — | — |
| Southeast | 2,501 | 9,069 |
| Total | $67,594 | $130,192 |
| Assets: | | |
| West Coast | $1,615,126 | $1,230,761 |
| Southwest | 521,977 | 402,443 |
| Central | 610,280 | 465,547 |
| Southeast | 506,494 | 456,965 |
| Corporate and other | 564,881 | 627,879 |
| Total homebuilding assets | 3,818,758 | 3,183,595 |
| Financial services | 9,268 | 10,040 |
| Total | $3,828,026 | $3,193,635 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
3. Financial Services

The following tables present financial information relating to our financial services reporting segment (in thousands):

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | |
| Insurance commissions | $2,532 | $2,790 | $1,270 | $1,487 |
| Title services | 1,599 | 1,329 | 891 | 680 |
| Marketing services fees | 900 | 900 | 450 | 450 |
| Interest income | — | 2 | — | 1 |
| Total | 5,031 | 5,021 | 2,611 | 2,618 |
| Expenses | | | | |
| General and administrative | (1,704) | (1,471) | (852) | (636) |
| Operating income | 3,327 | 3,550 | 1,759 | 1,982 |
| Equity in income (loss) of unconsolidated joint ventures (a) | (12) | 1,087 | (6) | (4) |
| Pretax income | $3,315 | $4,637 | $1,753 | $1,978 |

(a) Equity in income of unconsolidated joint ventures for the six months ended May 31, 2013 related to the wind down of KBA Mortgage, LLC (“KBA Mortgage”), our unconsolidated mortgage banking joint venture with a subsidiary of Bank of America, N.A., which ceased offering mortgage banking services in 2011.

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $2,798 | $2,428 |
| Receivables | 764 | 2,084 |
| Investments in unconsolidated joint ventures | 5,477 | 5,490 |
| Other assets | 229 | 38 |
| Total assets | $9,268 | $10,040 |
| Liabilities | | |
| Accounts payable and accrued expenses | $1,854 | $2,593 |
| Total liabilities | $1,854 | $2,593 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share were calculated as follows (in thousands, except per share amounts):

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Numerator: | | | | |
| Net income (loss) | $37,187 | $(15,431) | $26,624 | $(2,973) |
| Less: Distributed earnings allocated to nonvested restricted stock | (12) | — | (6) | — |
| Less: Undistributed earnings allocated to nonvested restricted stock | (88) | — | (66) | — |
| Numerator for basic earnings (loss) per share | 37,087 | (15,431) | 26,552 | (2,973) |
| Effect of dilutive securities: | | | | |
| Interest expense and amortization of debt issuance costs associated with convertible senior notes, net of taxes | 1,333 | — | 667 | — |
| Add: Undistributed earnings allocated to nonvested restricted stock | 88 | — | 66 | — |
| Less: Undistributed earnings reallocated to nonvested restricted stock | (80) | — | (59) | — |
| Numerator for diluted earnings (loss) per share | $38,428 | $(15,431) | $27,226 | $(2,973) |
| Denominator: | | | | |
| Weighted average shares outstanding — basic | 86,668 | 81,526 | 89,529 | 83,605 |
| Effect of dilutive securities: | | | | |
| Share-based payments | 1,689 | — | 1,577 | — |
| Convertible senior notes | 8,402 | — | 8,402 | — |
| Weighted average shares outstanding — diluted | 96,759 | 81,526 | 99,508 | 83,605 |
| Basic earnings (loss) per share | $.43 | $(.19) | $.30 | $(.04) |
| Diluted earnings (loss) per share | $.40 | $(.19) | $.27 | $(.04) |

We compute earnings (loss) per share using the two-class method in accordance with Accounting Standards Codification Topic No. 260, "Earnings Per Share." The two-class method is an allocation of earnings between the holders of common stock and a company's participating security holders. Our outstanding nonvested shares of restricted stock contain non-forfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. We had no other participating securities at May 31, 2014 or 2013.

In the first quarter of 2013, we issued $230.0 million in aggregate principal amount of 1.375% convertible senior notes due 2019 (the "1.375% Convertible Senior Notes due 2019"), which are initially convertible into shares of our common stock at a conversion rate of 36.5297 shares for each $1,000 principal amount of the notes. The impact of the 1.375% Convertible Senior Notes due 2019 was excluded from the diluted loss per share calculation for the three months and six months ended May 31, 2013 because the effect would have been antidilutive.

Outstanding stock options to purchase 5.2 million shares of common stock were excluded from the diluted earnings per share calculation for the three months and six months ended May 31, 2014, and all outstanding stock options were excluded from the diluted loss per share calculation for the three months and six months ended May 31, 2013 because the effect of their inclusion would be antidilutive. Contingently issuable shares associated with outstanding performance-based restricted stock units (each a "PSU") were not included in the earnings (loss) per share calculations

for the three-month and six-month periods ended May 31, 2014 and 2013 as the vesting conditions had not been satisfied.

5. Inventories

Inventories consisted of the following (in thousands):

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Homes under construction | $824,273 | $586,439 |
| Land under development | 1,564,025 | 1,066,916 |
| Land held for future development | 617,820 | 645,222 |
| Total | $3,006,118 | $2,298,577 |

Homes under construction is comprised of costs associated with homes in various stages of construction and includes direct construction and related land acquisition and land development costs. Land under development primarily consists of land acquisition and land development costs, which include capitalized interest and real estate taxes, associated with land undergoing improvement activity. Land held for future development principally reflects land acquisition and land development costs related to land where development activity has been suspended or has not yet begun, but is expected to occur in the future. These assets held for future development are located in various submarkets where conditions do not presently support further investment or development, or are subject to a building permit moratorium or other regulatory restrictions, or are portions of larger land parcels that we plan to build out over several years and/or that have not yet been entitled. We may also suspend development activity if we believe it will result in greater returns and/or maximize the economic performance of a community by delaying improvements for a period of time to allow earlier phases of a long-term, multi-phase community or a neighboring community to generate sales momentum or for market conditions to improve. We resume development activity when we believe our investment in this inventory will be optimized or, in some instances, to accelerate sales pace and/or our return on investment, and we have activated assets previously held for future development in certain markets as part of our strategic growth initiatives. Interest and real estate taxes are not capitalized on land held for future development.

Our interest costs are as follows (in thousands):

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Capitalized interest at beginning of period | $216,681 | $217,684 | $227,200 | $217,161 |
| Interest incurred | 82,438 | 67,911 | 43,158 | 34,489 |
| Interest expensed | (19,834) | (29,747) | (8,558) | (14,507) |
| Interest amortized to construction and land costs | (37,702) | (40,271) | (20,217) | (21,566) |
| Capitalized interest at end of period (a) | $241,583 | $215,577 | $241,583 | $215,577 |

(a) Capitalized interest amounts presented in the table reflect the gross amount of capitalized interest, as inventory impairment charges recognized, if any, are not generally allocated to specific components of inventory.

6. Inventory Impairments and Land Option Contract Abandonments

Each community or land parcel in our owned inventory is assessed on a quarterly basis to determine if indicators of potential impairment exist. Impairment indicators are assessed separately for each community or land parcel and include, but are not limited to, the following: significant decreases in net orders, average selling prices, volume of homes delivered, gross profit margins on homes delivered or projected gross profit margins on homes in backlog or future housing sales; significant increases in budgeted land development and home construction costs or cancellation rates; or projected losses on expected future land sales. If indicators of potential impairment exist for a community or land parcel, the identified asset is evaluated for recoverability in accordance with Accounting Standards Codification Topic No. 360, "Property, Plant, and Equipment" ("ASC 360"). We evaluated 11 and 18 communities or land parcels for recoverability during the three months ended May 31, 2014 and 2013, respectively. We evaluated 22 and 38 communities or land parcels for recoverability during the six months ended May 31, 2014 and 2013, respectively.

Some of the communities or land parcels evaluated during the six months ended May 31, 2014 and 2013 were evaluated in more than one quarterly period.

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6. Inventory Impairments and Land Option Contract Abandonments (continued)

When an indicator of potential impairment is identified for a community or land parcel, we test the asset for recoverability by comparing the carrying value of the asset to the undiscounted future net cash flows expected to be generated by the asset. The undiscounted future net cash flows are impacted by then-current conditions and trends in the market in which the asset is located, as well as factors known to us at the time the cash flows are calculated. With the undiscounted future net cash flows, we also consider recent trends in our orders, backlog, cancellation rates and volume of homes delivered, as well as our expectations related to the following: product offerings; market supply and demand, including estimated average selling prices and related price appreciation; and land development, home construction and overhead costs to be incurred and related cost inflation. With respect to the six months ended May 31, 2014 and 2013, these expectations reflected our experience that notwithstanding fluctuations in our company-wide net orders, backlog levels, homes delivered and housing gross profit margin, on a year-over-year basis, market conditions for each of our assets in inventory where impairment indicators were identified have been generally stable or improved, with no significant deterioration identified as to revenue and cost drivers that would prevent or otherwise impact recoverability. Based on this experience, and taking into account the generally favorable conditions in many of our served markets for new home sales, our inventory assessments as of May 31, 2014 considered an expected steady overall sales pace and home selling price performance for the remainder of 2014 relative to the positive trends in pace and performance in recent quarters.
Given the inherent challenges and uncertainties in forecasting future results, our inventory assessments at the time they are made take into consideration whether a community or land parcel is active, meaning whether it is open for sales and/or undergoing development, or whether it is being held for future development. Due to the short-term nature of active communities and land parcels as compared to land held for future development, our inventory assessments generally assume the continuation of then-current market conditions, subject to identifying information suggesting significant sustained changes in such conditions. These assessments, at the time made, generally anticipate net orders, average selling prices, volume of homes delivered and costs for land development and home construction to continue at or near then-current levels through the particular asset's estimated remaining life. Inventory assessments for land held for future development consider then-current market conditions as well as subjective forecasts regarding the timing and costs of land development and home construction and related cost inflation; the product(s) to be offered; and the net orders, volume of homes delivered, and selling prices and related price appreciation of the offered product(s) when an associated community is expected to open for sales. We evaluate various factors to develop these forecasts, including the availability of and demand for homes and finished lots within the relevant marketplace; historical, current and expected future sales trends for the marketplace; and third-party data, if available. The various estimates, trends, expectations and assumptions used in each of our inventory assessments are specific to each community or land parcel based on what we believe are reasonable forecasts for performance and may vary among communities or land parcels and may vary over time.
We record an inventory impairment charge when the carrying value of a real estate asset is greater than the undiscounted future net cash flows the asset is expected to generate. These real estate assets are written down to fair value, which is primarily based on the estimated future net cash flows discounted for inherent risk associated with each such asset. Inputs used in our calculation of estimated discounted future net cash flows are specific to each affected community or land parcel and are based on our expectations for each such asset as of the applicable measurement date, including, among others, expectations related to average selling prices and home delivery rates. The discount rates we used were impacted by the following at the time each calculation was made: the risk-free rate of return; expected risk premium based on estimated land development, home construction and delivery timelines; market risk from potential future price erosion; cost uncertainty due to land development or home construction cost increases; and other risks specific to the affected asset or relevant market location. Based on the results of our

evaluations, we recognized no inventory impairment charges for the three months and six months ended May 31, 2014 and the three months and six months ended May 31, 2013.

As of May 31, 2014, the aggregate carrying value of our inventory that had been impacted by inventory impairment charges was $285.0 million, representing 35 communities and various other land parcels. As of November 30, 2013, the aggregate carrying value of our inventory that had been impacted by inventory impairment charges was $293.1 million, representing 42 communities and various other land parcels.

Our inventory controlled under land option contracts and other similar contracts is assessed on a quarterly basis to determine whether it continues to meet our internal investment and marketing standards. Assessments are made separately for each optioned land parcel and are affected by the following factors relative to the market in which the asset is located, among others: current and/or anticipated net orders, average selling prices and volume of homes delivered; estimated land development and

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6. Inventory Impairments and Land Option Contract Abandonments (continued)

home construction costs; and projected profitability on expected future housing or land sales. When a decision is made not to exercise certain land option contracts and other similar contracts due to market conditions and/or changes in our marketing strategy, we write off the related inventory costs, including non-refundable deposits and unrecoverable pre-acquisition costs. Based on the results of our assessments, we recognized $.4 million of land option contract abandonment charges corresponding to 32 lots for the three months ended May 31, 2014, and $.8 million of such charges corresponding to 682 lots for the six months ended May 31, 2014. During the three months and six months ended May 31, 2013, we recognized $.3 million of land option contract abandonment charges corresponding to 82 lots. We sometimes abandon land option contracts and other similar contracts when we have incurred costs of less than $100,000; such costs and the corresponding lots, which totaled 5,367 lots for the six months ended May 31, 2014, are not included in the amounts above. Land option contract abandonment charges are included in construction and land costs in our consolidated statements of operations.

The estimated remaining life of each community or land parcel in our inventory depends on various factors, such as the total number of lots remaining; the expected timeline to acquire and entitle land and develop lots to build homes; the anticipated future net order and cancellation rates; and the expected timeline to build and deliver homes sold. While it is difficult to determine a precise timeframe for any particular inventory asset, we estimate our inventory assets' remaining operating lives under current and expected future market conditions to range generally from one year to in excess of 10 years. Based on current market conditions and anticipated home delivery timelines, we expect to realize, on an overall basis, the majority of our current inventory balance within five years.

Due to the judgment and assumptions applied in the estimation process with respect to inventory impairments, land option contract abandonments, the remaining operating lives of our inventory assets and the realization of our inventory balances, it is possible that actual results could differ substantially from those estimated.

7. Variable Interest Entities

We participate in joint ventures from time to time that conduct land acquisition, land development and/or other homebuilding activities in various markets where our homebuilding operations are located. Our investments in these joint ventures may create a variable interest in a variable interest entity ("VIE"), depending on the contractual terms of the arrangement. We analyze our joint ventures in accordance with Accounting Standards Codification Topic No. 810, "Consolidation" ("ASC 810"), to determine whether they are VIEs and, if so, whether we are the primary beneficiary. None of our joint ventures at May 31, 2014 and November 30, 2013 were determined under the provisions of ASC 810 to be VIEs. All of our joint ventures were unconsolidated and accounted for under the equity method because we did not have a controlling financial interest.

In the ordinary course of our business, we enter into land option contracts and other similar contracts to acquire rights to land for the construction of homes. The use of such land option contracts and other similar contracts to control land generally allows us to reduce the market risks associated with direct land ownership and development, and to reduce our capital and financial commitments, including interest and other carrying costs. Under such contracts, we typically pay a specified option or earnest money deposit in consideration for the right to purchase land in the future, usually at a predetermined price.

We analyze each of our land option contracts and other similar contracts under the provisions of ASC 810 to determine whether the land seller is a VIE and, if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, ASC 810 requires us to consolidate a VIE if we are the primary beneficiary. In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. As a result of our analyses, we determined that as

of May 31, 2014 and November 30, 2013 we were not the primary beneficiary of any VIEs from which we have acquired rights to land under land option contracts and other similar contracts. In accordance with ASC 810, we perform ongoing reassessments of whether we are the primary beneficiary of a VIE.

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7. Variable Interest Entities (continued)

The following table presents a summary of our interests in land option contracts and other similar contracts (in thousands):

| | May 31, 2014 | | November 30, 2013 | |
|---|---|---|---|---|
| | Cash Deposits | Aggregate Purchase Price | Cash Deposits | Aggregate Purchase Price |
| Unconsolidated VIEs | $10,223 | $461,236 | $11,063 | $616,000 |
| Other land option contracts and other similar contracts | 20,002 | 467,371 | 30,502 | 535,496 |
| Total | $30,225 | $928,607 | $41,565 | $1,151,496 |

In addition to the cash deposits presented in the table above, our exposure to loss related to our land option contracts and other similar contracts with third parties and unconsolidated entities consisted of pre-acquisition costs of $37.0 million at May 31, 2014 and $31.0 million at November 30, 2013. These pre-acquisition costs and cash deposits were included in inventories in our consolidated balance sheets. We also had outstanding letters of credit of $.1 million at both May 31, 2014 and November 30, 2013 in lieu of cash deposits under certain land option contracts and other similar contracts.

We also evaluate our land option contracts and other similar contracts for financing arrangements in accordance with Accounting Standards Codification Topic No. 470, "Debt" ("ASC 470"), and, as a result of our evaluations, increased inventories, with a corresponding increase to accrued expenses and other liabilities, in our consolidated balance sheets by $4.9 million at May 31, 2014 and $8.9 million at November 30, 2013.

8. Investments in Unconsolidated Joint Ventures

We have investments in unconsolidated joint ventures that conduct land acquisition, land development and/or other homebuilding activities in various markets where our homebuilding operations are located. Our partners in these unconsolidated joint ventures are unrelated homebuilders and/or land developers and other real estate entities, or commercial enterprises. These investments are designed primarily to reduce market and development risks and to increase the number of lots we own or control. In some instances, participating in unconsolidated joint ventures has enabled us to acquire and develop land that we might not otherwise have had access to due to a project's size, financing needs, duration of development or other circumstances. While we consider our participation in unconsolidated joint ventures as potentially beneficial to our homebuilding activities, we do not view such participation as essential.

We typically have obtained rights to acquire portions of the land held by the unconsolidated joint ventures in which we currently participate. When an unconsolidated joint venture sells land to our homebuilding operations, we defer recognition of our share of such unconsolidated joint venture's earnings until a home sale is closed and title passes to a homebuyer, at which time we account for those earnings as a reduction of the cost of purchasing the land from the unconsolidated joint venture.

We and our unconsolidated joint venture partners make initial and/or ongoing capital contributions to these unconsolidated joint ventures, typically on a pro rata basis, equal to our respective equity interests. The obligations to make capital contributions are governed by each such unconsolidated joint venture's respective operating agreement and related governing documents.

Each unconsolidated joint venture is obligated to maintain financial statements in accordance with GAAP. We share in the profits and losses of these unconsolidated joint ventures generally in accordance with our respective equity interests. In some instances, we recognize profits and losses related to our investment in an unconsolidated joint venture that differ from our equity interest in the unconsolidated joint venture. This may arise from impairments that we recognize related to our investment that differ from the impairments the unconsolidated joint venture recognizes

with respect to the unconsolidated joint venture's assets; differences between our basis in assets we have transferred to the unconsolidated joint venture and the unconsolidated joint venture's basis in those assets; our deferral of the unconsolidated joint venture earnings from land sales made to our homebuilding operations; or other items. With respect to our investments in unconsolidated joint ventures, our equity in income (loss) of unconsolidated joint ventures included no impairment charges for the three-month and six-month periods ended May 31, 2014 and 2013.

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8. Investments in Unconsolidated Joint Ventures (continued)

The following table presents combined condensed information from the statements of operations of our unconsolidated joint ventures (in thousands):

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | $6,118 | $6,356 | $— | $6,356 |
| Construction and land costs | (3,523) | (3,928) | — | (3,928) |
| Other expenses, net | (2,038) | (1,891) | (908) | (1,036) |
| Income (loss) | $557 | $537 | $(908) | $1,392 |

The revenues and construction and land costs for the six months ended May 31, 2014 and the three months and six months ended May 31, 2013 were solely related to the sale of land by one of our unconsolidated joint ventures.
The following table presents combined condensed balance sheet information for our unconsolidated joint ventures (in thousands):

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Assets | | |
| Cash | $21,241 | $18,752 |
| Receivables | 5,183 | 4,902 |
| Inventories | 156,085 | 381,195 |
| Other assets | 149 | 1,183 |
| Total assets | $182,658 | $406,032 |
| Liabilities and equity | | |
| Accounts payable and other liabilities | $19,278 | $85,386 |
| Equity | 163,380 | 320,646 |
| Total liabilities and equity | $182,658 | $406,032 |

The following table presents information relating to our investments in unconsolidated joint ventures (dollars in thousands):

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Number of investments in unconsolidated joint ventures | 7 | 9 |
| Investments in unconsolidated joint ventures | $67,594 | $130,192 |
| Number of unconsolidated joint venture lots controlled under land option contracts and other similar contracts | 673 | 5,367 |

As of May 31, 2014, the combined assets of our unconsolidated joint ventures and the number of unconsolidated joint venture lots controlled under land option contracts and other similar contracts each decreased from November 30, 2013, partly due to a distribution of $70.6 million of land we received from Inspirada Builders, LLC (“Inspirada”), our unconsolidated joint venture in Las Vegas, during the first quarter of 2014. In addition, we sold our interest in an unconsolidated joint venture in Maryland for $10.1 million, which resulted in a gain of $3.2 million in the first quarter of 2014 that is included in equity in income of unconsolidated joint ventures in our consolidated statement of operations for the six months ended May 31, 2014. The decrease in the combined assets of our unconsolidated joint ventures also reflected the transfer of a $33.2 million inventory-related obligation to us in connection with the distribution of land we received from Inspirada, as discussed in Note 10.

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8. Investments in Unconsolidated Joint Ventures (continued)

Accrued Expenses and Other Liabilities. This transfer also contributed to the decrease in the combined accounts payable and other liabilities of our unconsolidated joint ventures during the six months ended May 31, 2014.
The decrease in our investments in unconsolidated joint ventures at May 31, 2014, compared to November 30, 2013, reflected the above-mentioned transactions, partly offset by capital contributions made to various unconsolidated joint ventures.
None of our unconsolidated joint ventures had outstanding debt at May 31, 2014 or November 30, 2013.

9. Other Assets

Other assets consisted of the following (in thousands):

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Cash surrender value of insurance contracts | $70,076 | $68,534 |
| Debt issuance costs (a) | 30,135 | 27,366 |
| Property and equipment, net | 10,450 | 8,460 |
| Prepaid expenses | 5,897 | 2,716 |
| Total | $116,558 | $107,076 |

(a) The increase in debt issuance costs as of May 31, 2014 compared to November 30, 2013, primarily reflected the costs associated with our underwritten public issuance of 4.75% senior notes due 2019 (the "4.75% Senior Notes due 2019") during the second quarter of 2014, as discussed in Note 12. Mortgages and Notes Payable.

10. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Employee compensation and related benefits | $96,781 | $99,332 |
| Self-insurance and other litigation liabilities | 96,424 | 99,612 |
| Accrued interest payable | 67,457 | 45,562 |
| Inventory-related obligations (a) | 55,186 | 29,517 |
| Warranty liability | 40,937 | 48,704 |
| Real estate and business taxes | 7,983 | 8,131 |
| Other | 23,581 | 25,318 |
| Total | $388,349 | $356,176 |

(a) The increase in inventory-related obligations at May 31, 2014 compared to November 30, 2013, reflected a $33.2 million liability we recorded for fixed or determinable amounts associated with tax increment financing entities ("TIFE") in connection with the distribution of land we received from Inspirada during the first quarter of 2014. As homes are delivered, the obligation to pay the remaining TIFE assessments associated with each underlying lot is transferred to the homebuyer. As such, these assessment obligations will be paid by us only to the extent we do not deliver homes to homebuyers on the applicable lots before the related TIFE obligations mature.

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## 11. Income Taxes

Income Tax Benefit (Expense). We recognized income tax expense of $.3 million for the three months ended May 31, 2014 and an income tax benefit of $1.2 million for the three months ended May 31, 2013. For the six months ended May 31, 2014, we recognized income tax expense of $.5 million, compared to an income tax benefit of $1.1 million for the six months ended May 31, 2013. The income tax benefit we recognized for the three-month and six-month periods ended May 31, 2013 primarily reflected the resolution of a state tax audit in the second quarter of 2013, which resulted in a refund receivable of $1.4 million. Due to the effects of the deferred tax asset valuation allowance, our effective tax rates for the three-month and six-month periods ended May 31, 2014 and 2013 are not meaningful items as our income tax amounts are not directly correlated to the amount of our pretax income (losses) for those periods.

Deferred Tax Asset Valuation Allowance. In accordance with Accounting Standards Codification Topic No. 740, “Income Taxes” (“ASC 740”), we evaluate our deferred tax assets quarterly to determine if adjustments to the valuation allowance are required. ASC 740 requires that companies assess whether a valuation allowance should be established based on the consideration of all available positive and negative evidence using a “more likely than not” standard with respect to whether deferred tax assets will be realized. The ultimate realization of deferred tax assets depends primarily on the generation of future taxable income. The value of our deferred tax assets will depend on applicable income tax rates. During the three months and six months ended May 31, 2014, we reduced our deferred tax asset valuation allowance by $11.0 million and $15.4 million, respectively, to account for adjustments to our deferred tax assets associated with the pretax income generated during those periods. We increased our deferred tax asset valuation allowance by $.3 million during the three months ended May 31, 2013 and reduced our deferred tax asset valuation allowance by $.4 million during the six months ended May 31, 2013 to account for adjustments to our deferred tax assets associated with the vesting of equity-based awards in those periods. One of the primary pieces of negative evidence that we consider in evaluating the need for a valuation allowance is our three-year cumulative loss position, which is largely the result of our pretax losses in 2012 and 2011, as we generated pretax income for the year ended November 30, 2013. In the second quarter of 2014, we reported our fourth consecutive quarter of pretax income and experienced year-over-year increases in our revenues, housing gross profit margin, net orders and backlog. If these trends in our business continue, together with favorable conditions in housing markets and for the homebuilding industry, and we are profitable on a sustained basis, we believe that there could be sufficient positive evidence to support reducing a large portion of our valuation allowance during the fourth quarter of 2014.

We had no net deferred tax assets at May 31, 2014 or November 30, 2013 as we maintained a full valuation allowance against our deferred tax assets. The deferred tax asset valuation allowance decreased to $844.0 million at May 31, 2014 from $859.4 million at November 30, 2013, reflecting the $15.4 million valuation allowance adjustment recorded during the six months ended May 31, 2014.

Unrecognized Tax Benefits. At both May 31, 2014 and November 30, 2013, our gross unrecognized tax benefits (including interest and penalties) totaled $.3 million, all of which, if recognized, would affect our effective tax rate. We anticipate that these gross unrecognized tax benefits will decrease by an amount ranging from $.1 million to $.3 million during the 12 months from this reporting date due to various state tax filings associated with the resolution of a federal tax audit. Our fiscal years ending 2010 and later are open to federal examinations. Due to differing statutes of limitation and the status of current audits, certain of our fiscal years ending 2005 and later are open to state examinations.

The benefits of our net operating losses (“NOL”), built-in losses and tax credits would be reduced or potentially eliminated if we experienced an “ownership change” under Internal Revenue Code Section 382 (“Section 382”). Based on our analysis performed as of May 31, 2014, we do not believe we have experienced an ownership change as defined by Section 382, and, therefore, the NOL, built-in losses and tax credits we have generated should not be subject to a Section 382 limitation as of this reporting date.

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12. Mortgages and Notes Payable

Mortgages and notes payable consisted of the following (in thousands):

| | May 31, 2014 | November 30, 2013 |
|---|---|---|
| Mortgages and land contracts due to land sellers and other loans | $36,416 | $13,615 |
| 6 1/4% Senior notes due June 15, 2015 | 199,877 | 199,864 |
| 9.10% Senior notes due September 15, 2017 | 262,381 | 262,048 |
| 7 1/4% Senior notes due June 15, 2018 | 299,330 | 299,261 |
| 4.75% Senior notes due May 15, 2019 | 400,000 | — |
| 8.00% Senior notes due March 15, 2020 | 345,976 | 345,710 |
| 7.00% Senior notes due December 15, 2021 | 450,000 | 450,000 |
| 7.50% Senior notes due September 15, 2022 | 350,000 | 350,000 |
| 1.375% Convertible senior notes due February 1, 2019 | 230,000 | 230,000 |
| Total | $2,573,980 | $2,150,498 |

Unsecured Revolving Credit Facility. We have a $200.0 million unsecured revolving credit facility with a syndicate of financial institutions (as amended, the "Credit Facility") that will mature on March 12, 2016. The Credit Facility contains an uncommitted accordion feature under which its aggregate principal amount can be increased to up to $300.0 million under certain conditions and the availability of additional bank commitments, as well as a sublimit of $100.0 million for the issuance of letters of credit, which may be utilized in combination with or to replace the LOC Facilities. Interest on amounts borrowed under the Credit Facility is payable quarterly in arrears at a rate based on either the London Interbank Offered Rate or a base rate, plus a spread that depends on our debt rating and consolidated leverage ratio ("Leverage Ratio"), as defined under the Credit Facility. The Credit Facility also requires the payment of a commitment fee ranging from .50% to .75% of the unused commitment, based on our debt rating and Leverage Ratio. Under the terms of the Credit Facility, we are required, among other things, to maintain compliance with various covenants, including financial covenants relating to our consolidated tangible net worth, Leverage Ratio, and either an interest coverage ratio or a minimum level of liquidity, each as defined therein. The amount of the Credit Facility available for cash borrowings or the issuance of letters of credit depends on the total cash borrowings and letters of credit outstanding under the Credit Facility and the maximum available amount under the terms of the Credit Facility. As of May 31, 2014, we had no cash borrowings or letters of credit outstanding under the Credit Facility and we had $200.0 million available for cash borrowings, with up to $100.0 million of that amount available for the issuance of letters of credit.

LOC Facilities. We maintain the LOC Facilities with various financial institutions to obtain letters of credit in the ordinary course of operating our business. As of May 31, 2014 and November 30, 2013, we had $43.8 million and $41.5 million, respectively, of letters of credit outstanding under the LOC Facilities. The LOC Facilities require us to deposit and maintain cash with the issuing financial institutions as collateral for our letters of credit outstanding. We may maintain, revise or, if necessary or desirable, enter into additional or expanded letter of credit facilities, or other similar facility arrangements, with the same or other financial institutions.

Mortgages and Land Contracts Due to Land Sellers and Other Loans. As of May 31, 2014, inventories having a carrying value of $106.1 million were pledged to collateralize mortgages and land contracts due to land sellers and other loans totaling $36.4 million.

Shelf Registration. We have an automatically effective universal shelf registration statement on file with the SEC, which was filed on September 20, 2011 (the "2011 Shelf Registration"). The 2011 Shelf Registration registers the offering of debt and equity securities that we may issue from time to time in amounts to be determined.

Senior Notes. On March 25, 2014, pursuant to the 2011 Shelf Registration, we completed the underwritten public issuance of the 4.75% Senior Notes due 2019 at 100% of the $400.0 million in aggregate principal amount of these notes. We plan to use the $394.6 million in net proceeds from the issuance of the 4.75% Senior Notes due 2019 together with the net proceeds

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12. Mortgages and Notes Payable (continued)

from a concurrent underwritten public offering of our common stock, which is discussed in Note 16. Stockholders' Equity, for general corporate purposes, including without limitation land acquisition and land development.

All of our senior notes outstanding at May 31, 2014 and November 30, 2013 represent senior unsecured obligations and rank equally in right of payment with all of our existing and future indebtedness. Interest on each of these senior notes is payable semi-annually. At our option, these notes may be redeemed, in whole at any time or from time to time in part, at a redemption price equal to the greater of (a) 100% of the principal amount of the notes being redeemed and (b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed discounted to the redemption date at a defined rate, plus, in each case, accrued and unpaid interest on the notes being redeemed to the applicable redemption date.

Convertible Senior Notes. On January 29, 2013 and February 4, 2013, pursuant to the 2011 Shelf Registration, we issued in an underwritten public offering the 1.375% Convertible Senior Notes due 2019 at 100% of the $230.0 million in aggregate principal amount of these notes. The issuance on February 4, 2013 was made pursuant to the exercise of an option granted to the underwriters to purchase such notes to cover over-allotments. Interest on the 1.375% Convertible Senior Notes due 2019, which represent senior unsecured obligations of ours and rank equally in right of payment with all of our other senior unsecured indebtedness, is payable semi-annually in arrears on February 1 and August 1. We will also pay interest on November 1, 2018. The 1.375% Convertible Senior Notes due 2019 will mature on February 1, 2019, unless converted earlier by the holders, at their option, or redeemed by us, or purchased by us at the option of the holders following the occurrence of a fundamental change, as defined in the instruments governing the 1.375% Convertible Senior Notes due 2019.

At any time prior to the close of business on the business day immediately preceding the maturity date, holders may convert all or any portion of their 1.375% Convertible Senior Notes due 2019. The 1.375% Convertible Senior Notes due 2019 are initially convertible into shares of our common stock at a conversion rate of 36.5297 shares for each $1,000 principal amount of the notes, which represents an initial conversion price of approximately $27.37 per share. This initial conversion rate equates to 8,401,831 shares of our common stock. The conversion rate is subject to adjustment upon the occurrence of certain events, including: subdivisions and combinations of our common stock; the issuance of stock dividends, or certain rights, options or warrants, capital stock, indebtedness, assets or cash dividends to all or substantially all holders of our common stock; and certain tender or exchange offers by us. The conversion rate will not, however, be adjusted for other events, such as a third party tender or exchange offer or an issuance of common stock for cash or an acquisition, that may adversely affect the trading price of the notes or our common stock. On conversion, holders of the 1.375% Convertible Senior Notes due 2019 will not be entitled to receive cash in lieu of shares of our common stock, except for cash in lieu of fractional shares.

We may not redeem the 1.375% Convertible Senior Notes due 2019 prior to November 6, 2018. On or after November 6, 2018, and prior to the stated maturity date, we may at our option redeem all or part of the 1.375% Convertible Senior Notes due 2019 for a cash price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date. If a fundamental change, as defined in the instruments governing the 1.375% Convertible Senior Notes due 2019, occurs prior to the stated maturity date, the holders may require us to purchase for cash all or any portion of their 1.375% Convertible Senior Notes due 2019 at 100% of the principal amount of the notes, plus accrued and unpaid interest to, but not including, the fundamental change purchase date.

We used the $222.7 million in net proceeds from the issuance of the 1.375% Convertible Senior Notes due 2019 together with the net proceeds from a concurrent underwritten public offering of our common stock, which is described in Note 16. Stockholders' Equity, for general corporate purposes, including without limitation land

acquisition and land development.
The indenture governing the senior notes and the 1.375% Convertible Senior Notes due 2019 does not contain any financial covenants. Subject to specified exceptions, the indenture contains certain restrictive covenants that, among other things, limit our ability to incur secured indebtedness, or engage in sale-leaseback transactions involving property or assets above a certain specified value. In addition, the 1.375% Convertible Senior Notes due 2019 and all of the senior notes (with the exception of the 6 1/4% senior notes due 2015 and the 7 1/4% senior notes due 2018) contain certain limitations related to mergers, consolidations, and sales of assets.
As of May 31, 2014, we were in compliance with the applicable terms of all our covenants under the Credit Facility, the senior notes, the 1.375% Convertible Senior Notes due 2019, the indenture, and the mortgages and land contracts due to land sellers

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12. Mortgages and Notes Payable (continued)

and other loans. Our ability to access the Credit Facility for cash borrowings and letters of credit and our ability to secure future debt financing depend, in part, on our ability to remain in such compliance.

Principal payments on the senior notes, the 1.375% Convertible Senior Notes due 2019, the mortgages and land contracts due to land sellers and other loans are due as follows: 2014 – $18.3 million; 2015 – $217.0 million; 2016 – $1.0 million; 2017 – $262.4 million; 2018 – $299.3 million; and thereafter – $1.78 billion.

13. Fair Value Disclosures

Accounting Standards Codification Topic No. 820, “Fair Value Measurement,” provides a framework for measuring the fair value of assets and liabilities under GAAP, and establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy can be summarized as follows:

| | |
|---|---|
| Level 1 | Fair value determined based on quoted prices in active markets for identical assets or liabilities. |
| Level 2 | Fair value determined using significant observable inputs, such as quoted prices for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data, by correlation or other means. |
| Level 3 | Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques. |

Fair value measurements are used for inventories on a nonrecurring basis when events and circumstances indicate the carrying value is not recoverable. The following table presents the fair value hierarchy and our assets measured at fair value on a nonrecurring basis for the six months ended May 31, 2014 and the year ended November 30, 2013 (in thousands):

| Description | Fair Value Hierarchy | May 31, 2014 | November 30, 2013 |
|---|---|---|---|
| Long-lived assets held and used (a) | Level 3 | $— | $1,143 |

(a) Amounts represent the aggregate fair value for communities or land parcels where we recognized inventory impairment charges during the period, as of the date that the fair value measurements were made. The carrying value for these communities or land parcels may have subsequently increased or decreased from the fair value reflected due to activity that has occurred since the measurement date.

We had no inventory impairment charges in the six months ended May 31, 2014. During the year ended November 30, 2013, long-lived assets held and used with a carrying value of $1.5 million were written down to their fair value of $1.1 million, resulting in inventory impairment charges of $.4 million.

The fair values for long-lived assets held and used that were determined using Level 3 inputs were primarily based on the estimated future net cash flows discounted for inherent risk associated with each asset as described in Note 6. Inventory Impairments and Land Option Contract Abandonments. The discount rates we used were impacted by the following at the time the calculations were made: the risk-free rate of return; expected risk premium based on estimated land development, home construction and delivery timelines; market risk from potential future price erosion; cost uncertainty due to land development or home construction cost increases; and other risks specific to the affected asset or relevant market location. These factors were specific to each affected community or land parcel and may have varied over time.

Our financial instruments consist of cash and cash equivalents, restricted cash, senior notes, the 1.375% Convertible Senior Notes due 2019, and mortgages and land contracts due to land sellers and other loans. Fair value measurements of financial instruments are determined by various market data and other valuation techniques as appropriate. When available, we use quoted market prices in active markets to determine fair value.

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13. Fair Value Disclosures (continued)

The following table presents the fair value hierarchy, carrying values and estimated fair values of our financial instruments, except those for which the carrying values approximate fair values (in thousands):

| | | May 31, 2014 | | November 30, 2013 | |
|---|---|---|---|---|---|
| | Fair Value Hierarchy | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Financial Liabilities: | | | | | |
| Senior notes | Level 2 | $2,307,564 | $2,524,564 | $1,906,883 | $2,069,325 |
| Convertible senior notes | Level 2 | 230,000 | 225,400 | 230,000 | 224,825 |

The fair values of our senior notes and the 1.375% Convertible Senior Notes due 2019 are generally estimated based on quoted market prices for these instruments. The carrying values reported for cash and cash equivalents, restricted cash, and mortgages and land contracts due to land sellers and other loans approximate fair values.

14. Commitments and Contingencies

Commitments and contingencies include typical obligations of homebuilders for the completion of contracts and those incurred in the ordinary course of business.

Warranty. We provide a limited warranty on all of our homes. The specific terms and conditions of our limited warranty program vary depending upon the markets in which we do business. We generally provide a structural warranty of 10 years, a warranty on electrical, heating, cooling, plumbing and certain other building systems each varying from two to five years based on geographic market and state law, and a warranty of one year for other components of the home. Our limited warranty program is ordinarily how we respond to and account for homeowners' requests to local division offices seeking repairs, including claims where we could have liability under applicable state statutes or tort law for a defective condition in or damages to a home.

We estimate the costs that may be incurred under each limited warranty and record a liability in the amount of such costs at the time the revenue associated with the sale of each home is recognized. Our primary assumption in estimating the amounts we accrue for warranty costs is that historical claims experience is a strong indicator of future claims experience. Factors that affect our warranty liability include the number of homes delivered, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of our accrued warranty liability, which is included in accrued expenses and other liabilities in our consolidated balance sheets, and adjust the amount as necessary based on our assessment. Our assessment includes the review of our actual warranty costs incurred to identify trends and changes in our warranty claims experience, and considers our home construction quality, customer service initiatives and outside events. While we believe the warranty liability reflected in our consolidated balance sheets to be adequate, unanticipated changes or developments in the legal environment, local weather, land or environmental conditions, quality of materials or methods used in the construction of homes or customer service practices could have a significant impact on our actual warranty costs in future periods and such amounts could differ from our current estimates.

The changes in our warranty liability are as follows (in thousands):

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Balance at beginning of period | $48,704 | $47,822 | $43,419 | $43,333 |
| Warranties issued | 7,786 | 6,319 | 4,360 | 3,553 |
| Payments | (20,162) | (18,213) | (11,451) | (9,284) |
| Adjustments (a) | 4,609 | 17,547 | 4,609 | 15,873 |
| Balance at end of period | $40,937 | $53,475 | $40,937 | $53,475 |

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14. Commitments and Contingencies (continued)

(a) As discussed below, adjustments for the three months and six months ended May 31, 2014 were comprised of a reclassification of estimated minimum probable recoveries to receivables and a reclassification to establish a separate accrual for a water intrusion-related inquiry. These items had no impact on our consolidated statements of operations. Adjustments for the three months and six months ended May 31, 2013 reflected net warranty charges associated with water intrusion-related issues in central and southwest Florida.

Central and Southwest Florida Claims. Our overall warranty liability at May 31, 2014 included $19.8 million for estimated remaining repair costs associated with 465 homes in central and southwest Florida that have been identified as having water intrusion-related issues and estimated repair costs associated with similarly affected homes in central and southwest Florida that we believe are likely to be identified in the future. Our overall warranty liability at November 30, 2013 included $28.9 million for estimated remaining repair costs associated with 710 identified affected homes and estimated repair costs associated with similarly affected homes then-believed likely to be identified in the future. The decrease in the liability for such estimated repair costs during the six months ended May 31, 2014 reflected payments made during the period to repair affected homes, and a lower number of identified affected homes with unresolved repairs at May 31, 2014, compared to November 30, 2013. The $19.8 million included in our overall warranty liability as of May 31, 2014 encompasses what we believe is the probable overall cost of the repair effort remaining before insurance and other recoveries. However, our actual costs to fully resolve repairs on affected homes could differ from the overall costs we have estimated.

During the six months ended May 31, 2014, repairs were resolved on 371 identified affected homes and we identified 126 additional affected homes, with 113 of those additional affected homes identified during the three months ended May 31, 2014, most of which were in one attached-home community. For these purposes, we consider repairs for identified affected homes to be resolved when all repairs are completed and all repair costs are fully paid.

During the three months ended May 31, 2014 and 2013, we paid $8.1 million and $6.0 million, respectively, to repair identified affected homes. During the six months ended May 31, 2014 and 2013, we paid $14.1 million and $11.4 million, respectively. Since first identifying affected homes in late 2012, we have identified a total of 1,590 affected homes requiring more than minor repairs and resolved repairs on 1,125 of those homes through May 31, 2014. As of May 31, 2014, we had paid $50.8 million of the total costs of $70.6 million that we have estimated for the overall repair effort. Approximately 64% of the total estimated repair costs as of May 31, 2014 related to three attached-home communities. We anticipate resolving repairs on homes affected by the water intrusion-related issues by mid-2015.

As of May 31, 2014, based on our assessment of the water intrusion-related issues, we believe it is probable that we will recover a portion of our repair costs associated with affected homes from various sources, including our insurers, and subcontractors involved with the original construction of the homes and their insurers. As of May 31, 2014, estimated minimum probable recoveries totaled $25.4 million, of which $19.8 million were included in our overall warranty liability. As of November 30, 2013, estimated minimum probable recoveries, all of which were included in our warranty liability, totaled $19.4 million. Our assessment of the water intrusion-related issues, including the process of determining potentially responsible parties and our efforts to obtain recoveries, is ongoing, and as a result, our estimate of minimum probable recoveries may change as additional information is obtained.

Overall Warranty Liability Assessment. In assessing our overall warranty liability at a reporting date, we evaluate the costs for warranty-related items on a combined basis for all of our previously delivered homes that are under our limited warranty, which would include homes in central and southwest Florida that have been or may in the future be identified as having water intrusion-related issues. Based on our assessment of our overall warranty liability as of May 31, 2014, we recorded an adjustment to increase our estimated remaining repair costs mainly to reflect additional affected homes identified at one attached-home community during the 2014 second quarter. We also recorded an adjustment to increase our estimated minimum probable recoveries during the three months ended May 31, 2014

based on our updated estimate of repair costs on identified affected homes. These items had no net impact on our consolidated statements of operations for the three months or six months ended May 31, 2014. In addition, due to payments we have made for repair costs on identified affected homes and an increase to the estimated minimum probable recoveries recorded during the second quarter of 2014, the estimated minimum probable recoveries as of May 31, 2014 exceeded the estimated remaining repair costs in our warranty liability associated with these water intrusion-related issues. Therefore, we reclassified $5.6 million of estimated minimum probable recoveries that were in excess of the $19.8 million estimated remaining repair costs associated with water intrusion-related issues to a receivable as of May 31, 2014.

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14. Commitments and Contingencies (continued)

During the three months ended May 31, 2013, based on our assessment of our overall warranty liability, we recorded an adjustment to increase our overall warranty liability by $15.9 million with a corresponding charge to construction and land costs in our consolidated statement of operations. This adjustment reflected our then-current estimate of remaining repair costs associated with homes in central and southwest Florida that had been identified as having water intrusion-related issues and our estimate of repair costs associated with similarly affected homes in central and southwest Florida then-believed likely to be identified in the future, net of an increase in estimated minimum probable recoveries of such repair costs. Prior to the three months ended May 31, 2013, we were unable to estimate the repair costs associated with affected homes in central and southwest Florida that were likely to be identified in the future. For the six months ended May 31, 2013, we recorded adjustments to increase our warranty liability by $17.5 million with a corresponding charge to construction and land costs in our consolidated statement of operations. These adjustments were comprised of increases in our estimated warranty costs, net of estimated minimum probable recoveries of repair costs and other adjustments.

Depending on the number of additional homes in central and southwest Florida that are identified as having water intrusion-related issues, and the actual costs we incur in future periods to repair identified homes and/or homes affected by other issues, including costs to provide certain affected homeowners with temporary housing, we may revise the amount of our estimated liability, which could result in an increase or decrease in our overall warranty liability. Based on our assessment of the water intrusion-related issues in central and southwest Florida, we believe that our warranty liability is adequate to cover the estimated probable total repair costs on these affected homes and on homes affected by other issues, though we believe it is reasonably possible that our loss in this matter could exceed the amount accrued as of May 31, 2014 by up to $6 million.

In 2013, we were notified by the Office of the Attorney General of the State of Florida (the “Attorney General’s Office”) that it was making a preliminary inquiry into the status of our communities in Florida affected by water intrusion-related issues. We are cooperating with the Attorney General’s Office inquiry and are in discussions to resolve its concerns. While the ultimate outcome of the inquiry is uncertain, based on the status of our discussions at May 31, 2014, we established an accrual for the estimated minimum probable loss with respect to this inquiry during the second quarter of 2014. At this stage of our discussions, we are unable to estimate the reasonably possible loss or range of loss, but do not believe the ultimate outcome will be material to our consolidated financial statements.

Guarantees. In the normal course of our business, we issue certain representations, warranties and guarantees related to our home sales and land sales that may be affected by Accounting Standards Codification Topic No. 460, “Guarantees.” Based on historical evidence, we do not believe any potential liability with respect to these representations, warranties or guarantees would be material to our consolidated financial statements.

Self-Insurance. We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers’ compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our homebuilding activities, subject to certain self-insured retentions, deductibles and other coverage limits. We self-insure a portion of our overall risk through the use of a captive insurance subsidiary. We also maintain certain other insurance policies. In Arizona, California, Colorado and Nevada, our subcontractors’ general liability insurance primarily takes the form of a wrap-up policy, where eligible subcontractors are enrolled as insureds on each project. Enrolled subcontractors contribute toward the cost of the insurance and agree to pay a contractual amount in the future in the event of a claim related to their work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the applicable projects as part of our overall general liability insurance and our self-insurance through our captive insurance subsidiary. We record expenses and liabilities based on the estimated costs required to cover our self-insured retention and deductible amounts under our insurance policies, and the estimated costs of

potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported.

We engage a third-party actuary that uses our historical claim and expense data, as well as industry data, to estimate our liabilities related to unpaid claims, claim adjustment expenses, third-party recoveries and incurred but not yet reported claims associated with the risks that we are assuming under our self-insurance. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a homebuyer and when a structural warranty or construction defect claim is made, and the ultimate resolution of the construction defect claim. Though state regulations vary, construction defect claims are reported and resolved over a prolonged period of time, which can extend

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14. Commitments and Contingencies (continued)

for 10 years or longer. As a result, the majority of the estimated liability relates to incurred but not yet reported claims. Because the majority of our estimated liabilities relate to incurred but not yet reported claims, adjustments related to individual existing claims generally do not significantly impact the overall estimated liability. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.
The changes in our self-insurance liability are as follows (in thousands):

| | Six Months Ended May 31, | | Three Months Ended May 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Balance at beginning of period | $92,214 | $93,349 | $90,416 | $91,723 |
| Self-insurance expense (a) | 5,653 | 3,407 | 3,037 | 1,598 |
| Payments, net of recoveries (b) | (7,409) | (6,126) | (2,995) | (2,691) |
| Balance at end of period | $90,458 | $90,630 | $90,458 | $90,630 |

(a) These expenses are included in selling, general and administrative expenses and are largely offset by contributions from subcontractors participating in the wrap-up policy.
(b) Recoveries are reflected at the time we receive funds from subcontractors and/or their insurers.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severities and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

Performance Bonds and Letters of Credit. We are often required to provide to various municipalities and other government agencies performance bonds and/or letters of credit to secure the completion of our projects and/or in support of obligations to build community improvements such as roads, sewers, water systems and other utilities, and to support similar development activities by certain of our unconsolidated joint ventures. At May 31, 2014, we had $487.0 million of performance bonds and $43.8 million of letters of credit outstanding. At November 30, 2013, we had $410.8 million of performance bonds and $41.5 million of letters of credit outstanding. If any such performance bonds or letters of credit are called, we would be obligated to reimburse the issuer of the performance bond or letter of credit. We do not believe that a material amount of any currently outstanding performance bonds or letters of credit will be called. Performance bonds do not have stated expiration dates. Rather, we are released from the performance bonds as the underlying performance obligations are completed. The expiration dates of some letters of credit issued in connection with community improvements coincide with the expected completion dates of the related projects or obligations. Most letters of credit, however, are issued with an initial term of one year and are typically extended on a year-to-year basis until the related performance obligations are completed.

Land Option Contracts. In the ordinary course of business, we enter into land option contracts and other similar contracts to acquire rights to land for the construction of homes. At May 31, 2014, we had total deposits of $30.3 million, comprised of $30.2 million of cash deposits and $.1 million of letters of credit, to purchase land having an aggregate purchase price of $928.6 million. Our land option contracts and other similar contracts generally do not contain provisions requiring our specific performance.

15. Legal Matters

Nevada Development Contract Litigation. KB HOME Nevada Inc., a wholly owned subsidiary of ours ("KB Nevada"), is a defendant in a case in the Eighth Judicial District Court in Clark County, Nevada entitled Las Vegas Development Associates, LLC, Essex Real Estate Partners, LLC, et al. v. KB HOME Nevada Inc. In 2007, Las Vegas Development Associates, LLC ("LVDA") agreed to purchase from KB Nevada approximately 83 acres of land located near Las Vegas, Nevada. LVDA

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15. Legal Matters (continued)

subsequently assigned its rights to Essex Real Estate Partners, LLC ("Essex"). KB Nevada and Essex entered into a development agreement relating to certain major infrastructure improvements. LVDA's and Essex's complaint, initially filed in 2008, alleged that KB Nevada breached the development agreement, and also alleged that KB Nevada fraudulently induced them to enter into the purchase and development agreements. LVDA's and Essex's lenders subsequently filed related actions that were consolidated into the LVDA/Essex matter. The consolidated plaintiffs sought rescission of the agreements or, in the alternative, compensatory damages of $55 million plus unspecified punitive damages and other damages, and interest charges in excess of $41 million (the "Claimed Damages"). KB Nevada has denied the allegations, and believes it has meritorious defenses to the consolidated plaintiffs' claims. At a November 19, 2012 hearing, the court denied all of the consolidated plaintiffs' motions for summary judgment on their claims. In addition, the court granted several of KB Nevada's motions for summary judgment, eliminating, among other of the consolidated plaintiffs' claims, all claims for fraud, negligent misrepresentation, and punitive damages. With the court's decisions, the only remaining claims against KB Nevada are for contract damages and rescission. In August 2013, the court granted motions that further narrowed the scope of the Claimed Damages. While the ultimate outcome is uncertain — we believe it is reasonably possible that the loss in this matter could range from zero to approximately $55 million plus prejudgment interest, which could be material to our consolidated financial statements — KB Nevada believes it will be successful in defending against the consolidated plaintiffs' remaining claims and that the consolidated plaintiffs will not be awarded rescission or damages. The non-jury trial, originally set for September 2012, has been continued to October 21, 2014.
Other Matters. In addition to the specific proceedings described above, we are involved in other litigation and regulatory proceedings incidental to our business that are in various procedural stages. We believe that the accruals we have recorded for probable and reasonably estimable losses with respect to these proceedings are adequate and that, as of May 31, 2014, it was not reasonably possible that an additional material loss had been incurred in an amount in excess of the estimated amounts already recognized in our consolidated financial statements. We evaluate our accruals for litigation and regulatory proceedings at least quarterly and, as appropriate, adjust them to reflect (a) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments; (b) the advice and analyses of counsel; and (c) the assumptions and judgment of management. Similar factors and considerations are used in establishing new accruals for proceedings as to which losses have become probable and reasonably estimable at the time an evaluation is made. Based on our experience, we believe that the amounts that may be claimed or alleged against us in these proceedings are not a meaningful indicator of our potential liability. The outcome of any of these proceedings, including the defense and other litigation-related costs and expenses we may incur, however, is inherently uncertain and could differ significantly from the estimate reflected in a related accrual, if made. Therefore, it is possible that the ultimate outcome of any proceeding, if in excess of a related accrual or if no accrual had been made, could be material to our consolidated financial statements.

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16. Stockholders' Equity

A summary of changes in stockholders' equity is presented below (in thousands):

| | Six Months Ended May 31, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Grantor Stock Ownership Trust | Treasury Stock | Total Stockholders' Equity |
| Balance at November 30, 2013 | $115,296 | $788,893 | $481,889 | $ (17,516 ) | $(113,911 ) | $(718,565 ) | $ 536,086 |
| Net income | — | — | 37,187 | — | — | — | 37,187 |
| Dividends on common stock | — | — | (4,388 ) | — | — | — | (4,388 ) |
| Employee stock options/other | 10 | 54 | — | — | — | — | 64 |
| Restricted stock awards | 54 | (54 ) | — | — | — | — | — |
| Stock-based compensation | — | 3,725 | — | — | — | — | 3,725 |
| Issuance of common stock | — | (135,590 ) | — | — | — | 272,635 | 137,045 |
| Stock repurchases | — | — | — | — | — | (46 ) | (46 ) |
| Balance at May 31, 2014 | $115,360 | $657,028 | $514,688 | $ (17,516 ) | $(113,911 ) | $(445,976 ) | $ 709,673 |

| | Six Months Ended May 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Grantor Stock Ownership Trust | Treasury Stock | Total Stockholders' Equity |
| Balance at November 30, 2012 | $115,178 | $888,579 | $450,292 | $ (27,958 ) | $(115,149 ) | $(934,136 ) | $ 376,806 |
| Net loss | — | — | (15,431 ) | — | — | — | (15,431 ) |
| Dividends on common stock | — | — | (4,179 ) | — | — | — | (4,179 ) |
| Employee stock options/other | 113 | 1,404 | — | — | — | — | 1,517 |
| Restricted stock awards | — | (325 ) | — | — | 325 | — | — |
| Stock-based compensation | — | 2,044 | — | — | — | — | 2,044 |
| Issuance of common stock | — | (106,622 ) | — | — | — | 216,125 | 109,503 |
| | — | 305 | — | — | 284 | — | 589 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Grantor stock ownership trust | | | | | | | |
| Stock repurchases | — | — | — | — | — | (33 ) | (33 ) |
| Balance at May 31, 2013 | $115,291 | $785,385 | $430,682 | $ (27,958 ) | $(114,540 ) | $(718,044 ) | $ 470,816 |

On March 25, 2014 and April 8, 2014, pursuant to the 2011 Shelf Registration, we issued 6,944,445 shares and 1,041,666 shares, respectively, of our common stock, par value $1.00 per share, in an underwritten public offering at a price of $18.00 per share (the “2014 Common Stock Offering”). The issuance on April 8, 2014 was made pursuant to the exercise of an option granted to the underwriters to purchase such shares. We used 7,986,111 shares of treasury stock for the issuances and received net proceeds of $137.0 million after underwriting discounts, commissions and transaction expenses.

On January 29, 2013, pursuant to the 2011 Shelf Registration, we issued 6,325,000 shares of our common stock, par value $1.00 per share, in an underwritten public offering at a price of $18.25 per share (the “2013 Common Stock Offering”). We used 6,325,000 shares of treasury stock for the issuance and received net proceeds of $109.5 million after underwriting discounts, commissions and transaction expenses.

In connection with the issuance of the 1.375% Convertible Senior Notes due 2019, which is discussed in Note 12. Mortgages and Notes Payable, we established a common stock reserve account with our transfer agent to reserve the maximum number of shares of our common stock potentially deliverable upon conversion to holders of the 1.375% Convertible Senior Notes

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16. Stockholders' Equity (continued)

due 2019 based on the terms of the instruments governing these notes. Accordingly, the common stock reserve account had a balance of 12,602,735 shares at May 31, 2014. The maximum number of shares would potentially be deliverable to holders only in certain limited circumstances as set forth in the instruments governing the 1.375% Convertible Senior Notes due 2019.

As of May 31, 2014, we were authorized to repurchase 4,000,000 shares of our common stock under a board-approved share repurchase program. We did not repurchase any shares of our common stock under this program in the six months ended May 31, 2014. We have not repurchased any shares pursuant to this common stock repurchase plan for the past several years and any resumption of such stock repurchases under this program or any other program will be at the discretion of our board of directors.

During the three months ended May 31, 2014, our board of directors declared a cash dividend of $.0250 per share of common stock, which was paid on May 15, 2014 to stockholders of record on May 1, 2014. During the three months ended February 28, 2014, our board of directors declared a cash dividend of $.0250 per share of common stock, which was paid on February 20, 2014 to stockholders of record on February 6, 2014. Cash dividends of $.0250 per share of common stock were also declared and paid during each of the quarters ended February 28, 2013 and May 31, 2013.

17. Stock-Based Compensation

We measure and recognize compensation expense associated with our grant of equity-based awards in accordance with ASC 718, which requires that companies measure and recognize compensation expense at an amount equal to the fair value of share-based payments granted under compensation arrangements over the vesting period. Compensation expense related to equity-based awards is included in selling, general and administrative expenses in our consolidated statements of operations.

Stock Options. In accordance with ASC 718, we estimate the grant-date fair value of stock options using the Black-Scholes option-pricing model, which takes into account assumptions regarding an expected dividend yield, a risk-free interest rate, an expected volatility factor for the market price of our common stock and an expected term of the stock options. The following table summarizes stock option transactions for the six months ended May 31, 2014:

| | Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Options outstanding at beginning of period | 10,531,938 | | $21.11 |
| Granted | — | | — |
| Exercised | (10,000 | ) | 6.32 |
| Cancelled | (5,747 | ) | 35.39 |
| Options outstanding at end of period | 10,516,191 | | $21.12 |
| Options exercisable at end of period | 9,409,188 | | $22.25 |

As of May 31, 2014, the weighted average remaining contractual life of stock options outstanding and stock options exercisable was 5.1 years and 4.7 years, respectively. There was $2.1 million of total unrecognized compensation expense related to unvested stock option awards as of May 31, 2014. For the three months ended May 31, 2014 and 2013, stock-based compensation expense associated with stock options totaled $.6 million and $.4 million, respectively. For the six months ended May 31, 2014 and 2013, stock-based compensation expense associated with stock options totaled $1.2 million and $.8 million, respectively. The aggregate intrinsic value of stock options outstanding was $26.7 million at May 31, 2014. The aggregate intrinsic value of stock options exercisable was $21.1 million at May 31, 2014. (The intrinsic value of a stock option is the amount by which the market value of a share of the underlying common stock exceeds the exercise price of the stock option.)

Other Stock-Based Awards. From time to time, we grant restricted stock and PSUs to various employees. We recognized total compensation expense of $1.3 million for the three months ended May 31, 2014 and $.7 million for the three months ended May 31, 2013 related to restricted stock and PSUs. We recognized total compensation expense of $2.5 million for the six months ended May 31, 2014 and $1.3 million for the six months ended May 31, 2013 related to restricted stock and PSUs.

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17. Stock-Based Compensation (continued)

Approval of the KB Home 2014 Equity Incentive Plan. At our Annual Meeting of Stockholders held on April 3, 2014, our stockholders approved the KB Home 2014 Equity Incentive Plan (the "2014 Plan"), authorizing, among other things, the issuance for grants of stock-based awards to our employees, non-employee directors and consultants of up to 4,800,000 shares of our common stock, plus any shares that were available for grant as of April 3, 2014 under our 2010 Equity Incentive Plan (the "2010 Plan"), and any shares subject to then-outstanding awards under the 2010 Plan that subsequently expire or are canceled, forfeited, tendered or withheld to satisfy tax withholding obligations with respect to full value awards, or settled for cash, subject to the terms of the 2014 Plan. No new awards may be made under the 2010 Plan. As a result, as of April 3, 2014, the 2014 Plan became our only active equity compensation plan. As of May 31, 2014, no grants of stock-based awards had been made under the 2014 Plan.

18. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following are supplemental disclosures to the consolidated statements of cash flows (in thousands):

| | Six Months Ended May 31, | |
|---|---|---|
| | 2014 | 2013 |
| Summary of cash and cash equivalents at end of period: | | |
| Homebuilding | $484,472 | $538,571 |
| Financial services | 2,798 | 2,635 |
| Total | $487,270 | $541,206 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Interest paid, net of amounts capitalized | $(2,061) | $30,246 |
| Income taxes paid | 1,419 | 542 |
| Income taxes refunded | 44 | 61 |
| | | |
| Supplemental disclosures of noncash activities: | | |
| Increase (decrease) in consolidated inventories not owned | $(3,958) | $4,842 |
| Increase in inventories due to distribution of land from an unconsolidated joint venture | 70,642 | — |
| Inventories and inventory-related obligations associated with TIFE tied to distribution of land from an unconsolidated joint venture | 33,197 | — |
| Inventories acquired through seller financing | 29,277 | 27,600 |

19. Supplemental Guarantor Information

Our obligations to pay principal, premium, if any, and interest under our senior notes and the 1.375% Convertible Senior Notes due 2019 and borrowings, if any, under the Credit Facility are guaranteed on a joint and several basis by certain of our subsidiaries (the "Guarantor Subsidiaries"). The guarantees are full and unconditional and the Guarantor Subsidiaries are 100% owned by us. Pursuant to the terms of the indenture governing our senior notes and the 1.375% Convertible Senior Notes due 2019, and the terms of the Credit Facility, if any of the Guarantor Subsidiaries ceases to be a "significant subsidiary" as defined by Rule 1-02 of Regulation S-X (as in effect on June 1, 1996) using a 5% rather than a 10% threshold (provided that the assets of our non-guarantor subsidiaries do not in the aggregate exceed 10% of an adjusted measure of our consolidated total assets), it will be automatically and unconditionally released and discharged from its guaranty of our senior notes, the 1.375% Convertible Senior Notes due 2019 and the Credit Facility so long as all guarantees by such Guarantor Subsidiary of any other of our or our subsidiaries' indebtedness are terminated at or prior to the time of such release. We have determined that separate, full financial statements of the Guarantor Subsidiaries would not be material to investors and, accordingly, supplemental financial information for the

Guarantor Subsidiaries is presented.

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19. Supplemental Guarantor Information (continued)

The supplemental financial information for all periods presented below reflects the relevant subsidiaries that were Guarantor Subsidiaries as of May 31, 2014. The format of the condensed consolidating financial statements has been revised for the periods previously reported in our quarterly reports to retrospectively reflect (a) the transfer of certain of our subsidiaries from non-guarantor subsidiaries to guarantor subsidiaries as a result of such subsidiaries becoming guarantor subsidiaries and (b) the following elective reclassifications which relate solely to transactions between KB Home corporate and its subsidiaries: (i) the reclassification of KB Home corporate, guarantor and non-guarantor intercompany interest, which had previously been included in interest expense, to a separate line item with corresponding offsets in the consolidating adjustments column; (ii) the reclassification of the net intercompany funding activity of KB Home corporate, which was previously included in cash flows provided by (used in) financing activities, to cash flows provided by (used in) investing activities with corresponding offsets in the consolidating adjustments column; and (iii) the reclassification of dividends received by KB Home corporate from its subsidiaries to cash provided by (used in) operating activities. Such dividends were previously included in cash provided by (used in) financing activities. This revised presentation of the condensed consolidating financial statements had no impact or effect on our consolidated financial statements for any periods presented, including our consolidated statements of operations, consolidated balance sheets and consolidated statements of cash flows.

Condensed Consolidating Statement of Operations
Six Months Ended May 31, 2014 (in thousands)

| | KB Home Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | $— | $988,256 | $27,438 | $— | $1,015,694 |
| Homebuilding: | | | | | |
| Revenues | $— | $988,256 | $22,407 | $— | $1,010,663 |
| Construction and land costs | — | (804,822) | (21,012) | — | (825,834) |
| Selling, general and administrative expenses | (31,495) | (93,775) | (7,548) | — | (132,818) |
| Operating income (loss) | (31,495) | 89,659 | (6,153) | — | 52,011 |
| Interest income | 276 | 6 | 1 | — | 283 |
| Interest expense | (79,679) | (2,760) | — | 62,605 | (19,834) |
| Intercompany interest | 130,431 | (67,533) | (293) | (62,605) | — |
| Equity in income of unconsolidated joint ventures | — | 1,912 | — | — | 1,912 |
| Homebuilding pretax income (loss) | 19,533 | 21,284 | (6,445) | — | 34,372 |
| Financial services pretax income | — | — | 3,315 | — | 3,315 |
| Total pretax income (loss) | 19,533 | 21,284 | (3,130) | — | 37,687 |
| Income tax expense | (200) | (300) | — | — | (500) |
| Equity in net income of subsidiaries | 17,854 | — | — | (17,854) | — |
| Net income (loss) | $37,187 | $20,984 | $(3,130) | $(17,854) | $37,187 |

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KB HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

19. Supplemental Guarantor Information (continued)

Condensed Consolidating Statement of Operations
Six Months Ended May 31, 2013 (in thousands)

| | KB Home Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | $— | $901,243 | $28,382 | $— | $929,625 |
| Homebuilding: | | | | | |
| Revenues | $— | $901,243 | $23,361 | $— | $924,604 |
| Construction and land costs | — | (765,166) | (21,097) | — | (786,263) |
| Selling, general and administrative expenses | (34,152) | (87,997) | (7,047) | — | (129,196) |
| Operating income (loss) | (34,152) | 48,080 | (4,783) | — | 9,145 |
| Interest income | 429 | 3 | 4 | — | 436 |
| Interest expense | (64,951) | (2,961) | — | 38,165 | (29,747) |
| Intercompany interest | 94,558 | (57,424) | 1,031 | (38,165) | — |
| Equity in loss of unconsolidated joint ventures | — | (1,002) | — | — | (1,002) |
| Homebuilding pretax loss | (4,116) | (13,304) | (3,748) | — | (21,168) |
| Financial services pretax income | — | — | 4,637 | — | 4,637 |
| Total pretax income (loss) | (4,116) | (13,304) | 889 | — | (16,531) |
| Income tax benefit | 300 | 800 | — | — | 1,100 |
| Equity in net loss of subsidiaries | (11,615) | — | — | 11,615 | — |
| Net income (loss) | $(15,431) | $(12,504) | $889 | $11,615 | $(15,431) |

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(Unaudited)

19. Supplemental Guarantor Information (continued)

Condensed Consolidating Statement of Operations
Three Months Ended May 31, 2014 (in thousands)

| | KB Home Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | $— | $552,407 | $12,600 | $— | $565,007 |
| Homebuilding: | | | | | |
| Revenues | $— | $552,407 | $9,989 | $— | $562,396 |
| Construction and land costs | — | (446,730) | (9,830) | — | (456,560) |
| Selling, general and administrative expenses | (15,751) | (51,803) | (3,990) | — | (71,544) |
| Operating income (loss) | (15,751) | 53,874 | (3,831) | — | 34,292 |
| Interest income | 109 | 5 | 1 | — | 115 |
| Interest expense | (41,671) | (1,488) | — | 34,601 | (8,558) |
| Intercompany interest | 70,709 | (35,437) | (671) | (34,601) | — |
| Equity in loss of unconsolidated joint ventures | — | (678) | — | — | (678) |
| Homebuilding pretax income (loss) | 13,396 | 16,276 | (4,501) | — | 25,171 |
| Financial services pretax income | — | — | 1,753 | — | 1,753 |
| Total pretax income (loss) | 13,396 | 16,276 | (2,748) | — | 26,924 |
| Income tax expense | (100) | (200) | — | — | (300) |
| Equity in net income of subsidiaries | 13,328 | — | — | (13,328) | — |
| Net income (loss) | $26,624 | $16,076 | $(2,748) | $(13,328) | $26,624 |

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KB HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

19. Supplemental Guarantor Information (continued)

Condensed Consolidating Statement of Operations
Three Months Ended May 31, 2013 (in thousands)

| | KB Home Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Revenues | $— | $508,015 | $16,391 | $— | $524,406 |
| Homebuilding: | | | | | |
| Revenues | $— | $508,015 | $13,773 | $— | $521,788 |
| Construction and land costs | — | (430,669) | (12,329) | — | (442,998) |
| Selling, general and administrative expenses | (19,329) | (47,188) | (3,582) | — | (70,099) |
| Operating income (loss) | (19,329) | 30,158 | (2,138) | — | 8,691 |
| Interest income | 228 | 2 | 2 | — | 232 |
| Interest expense | (33,103) | (1,387) | — | 19,983 | (14,507) |
| Intercompany interest | 49,201 | (29,292) | 74 | (19,983) | — |
| Equity in loss of unconsolidated joint ventures | — | (567) | — | — | (567) |
| Homebuilding pretax loss | (3,003) | (1,086) | (2,062) | — | (6,151) |
| Financial services pretax income | — | — | 1,978 | — | 1,978 |
| Total pretax loss | (3,003) | (1,086) | (84) | — | (4,173) |
| Income tax benefit | 1,000 | 200 | — | — | 1,200 |
| Equity in net loss of subsidiaries | (970) | — | — | 970 | — |
| Net loss | $(2,973) | $(886) | $(84) | $970 | $(2,973) |

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(Unaudited)

19. Supplemental Guarantor Information (continued)

Condensed Consolidating Balance Sheet
May 31, 2014 (in thousands)

| | KB Home Corporate | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total |
|---|---|---|---|---|---|
| Assets | | | | | |
| Homebuilding: | | | | | |
| Cash and cash equivalents | $412,811 | $67,208 | $4,453 | $— | $484,472 |
| Restricted cash | 44,237 | — | — | — | 44,237 |
| Receivables | 1,464 | 97,956 | 359 | — | 99,779 |
| Inventories | — | 2,963,356 | 42,762 | — | 3,006,118 |
| Investments in unconsolidated joint ventures | — | 67,594 | — | — | 67,594 |
| Other assets | 102,898 | 12,334 | 1,326 | — | 116,558 |
| | 561,410 | 3,208,448 | 48,900 | — | 3,818,758 |
| Financial services | — | — | 9,268 | — | 9,268 |
| Intercompany receivables | 2,779,476 | — | 115,848 | (2,895,324) | — |
| Investments in subsidiaries | 39,620 | — | — | (39,620) | — |
| Total assets | $3,380,506 | | | | |