LEVITT CORP
Form 10-K
March 17, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Year Ended December 31, 2007
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number
001-31931
Levitt Corporation
(Exact name of registrant as specified in its charter)

Florida	**11-3675068**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 West Cypress Creek Road Ft. Lauderdale, Florida	**33309**
(Address of principal executive offices)	(Zip Code)

(954) 958-1800
(Registrant s telephone number, including area code)
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Class A Common Stock, Par Value $0.01 Per Share	**New York Stock Exchange**
(Title of each class)	(Name of each exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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. (Check one):

Large accelerated filer o	Accelerated filer x	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 x

As of June 30, 2007, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $155.4 million based on the $9.43 closing sale price as reported on the New York Stock Exchange.

The number of shares outstanding for each of the registrant s classes of common stock, as of February 27, 2008 is as follows:

Class of Common Stock	Shares Outstanding
Class A common stock, $0.01 par value	95,040,731
Class B common stock, $0.01 par value	1,219,031

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of the registrant relating to the Annual Meeting of Shareholders are incorporated as Part III of this report. The financial statements of Bluegreen Corporation are incorporated in Part II of this report and are filed as an exhibit to this report.

Levitt Corporation
Annual Report on Form 10-K for the year ended December 31, 2007
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PART I

Some of the statements contained or incorporated by reference herein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. Some of the forward-looking statements can be identified by the use of words such as anticipate, believe, estimate, may, intend, expect, will, should, seek or other similar expressions. Forward-looking statements are based lar management s expectations and involve inherent risks and uncertainties described in this report. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements in this
Form 10-K, including those identified under Item 1A. Risk Factors. These risks are subject to change based on factors which are, in many instances, beyond the Company s control. Some factors which may affect the accuracy of the forward-looking statements apply generally to the real estate industry, while other factors apply directly to us. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including: the impact of economic, competitive and other factors affecting the Company and its operations; the market for real estate in the areas where the Company has developments, including the impact of market conditions on the Company s margins and the fair value of our real estate inventory; the risk that the value of the property held by Core Communities may decline, including as a result of a sustained downturn in the residential real estate and homebuilding industries; the impact of market conditions for commercial property and whether the factors negatively impacting the homebuilding and residential real estate industries will impact the market for commercial property; the risk that the development of parcels and master-planned communities will not be completed as anticipated; continued declines in the estimated fair value of our real estate inventory and the potential for write-downs or impairment charges; the effects of increases in interest rates and availability of credit to buyers of our inventory; accelerated principal payments on our debt obligations due to re-margining or curtailment payment requirements; the ability to obtain financing and to renew existing credit facilities on acceptable terms, if at all; the Company s ability to access additional capital on acceptable terms, if at all; the risks and uncertainties inherent in bankruptcy proceedings and the inability to predict the effect of Levitt and Sons reorganization and/or liquidation process on Levitt Corporation and its results of operation and financial condition; the risk that creditors of Levitt and Sons may be successful in asserting claims against Levitt Corporation and the risk that any of Levitt Corporation s assets may become subject to or included in Levitt and Sons bankruptcy case; and the Company s success at managing the risks involved in the foregoing. Many of these factors are beyond our control. The Company cautions that the foregoing factors are not exclusive.

ITEM 1. BUSINESS

General Description of Business

Levitt Corporation (Levitt Corporation , we or the Company), directly and through its wholly owned subsidiaries, historically has been a real estate development company with activities in the Southeastern United States. We were organized in December 1982 under the laws of the State of Florida.

In 2007, Levitt Corporation engaged in real estate activities through Core Communities, LLC (Core Communities or Core), and other operations, which included Levitt Commercial, LLC (Levitt Commercial), an investment in Bluegreen Corporation (Bluegreen NYSE: BXG), a development of a homebuilding community in South Carolina, Carolina Oak Homes, LLC (Carolina Oak) and other investments in real estate projects through subsidiaries and joint ventures. During 2007, Levitt Corporation also conducted homebuilding operations through Levitt and Sons, LLC (Levitt and Sons).

Core Communities

Core Communities was founded in May 1996 to develop a master-planned community in Port St. Lucie, Florida now known as St. Lucie West. It is currently developing master-planned communities in Port St. Lucie, Florida called Tradition, Florida and in a community outside of Hardeeville, South Carolina called Tradition Hilton Head (formerly known as Tradition, South Carolina). Tradition, Florida has been in

active development for several years, while Tradition Hilton Head is in the early stage of development. As a master-planned community developer, Core Communities engages in four primary activities: (i) the acquisition of large tracts of raw land; (ii) planning, entitlement and infrastructure development; (iii) the sale of entitled land and/or developed lots to homebuilders and commercial, industrial and institutional end-users; and (iv) the development and leasing of commercial space to commercial, industrial and institutional end-users.

St. Lucie West is a 4,600 acre master-planned community located in St. Lucie County, Florida. It is bordered by Interstate 95 to the west and Florida s Turnpike to the east. The community blends residential, commercial and industrial developments where residents have access to commerce, recreation, entertainment, religious and educational facilities all within the community. St. Lucie West is completely sold out and substantially built out and consists of a residential community, two college campuses and numerous recreational amenities and facilities. PGA of America owns and operates a golf course and a country club on an adjacent parcel. The community s baseball stadium, Tradition Field, serves as the spring training headquarters for the New York Mets professional baseball team and a minor league affiliate. There are more than 6,000 homes in St. Lucie West housing nearly 15,000 residents.

Tradition, Florida encompasses more than 8,200 total acres, including approximately 3,900 remaining net saleable acres. Approximately 1,800 acres have been sold to date and 259 acres were subject to firm sales contracts with various purchasers as of December 31, 2007. Community Development District special assessment bonds are being utilized to provide financing for certain infrastructure developments. Tradition, Florida is planned to include a 4.5-mile long employment corridor along I-95, educational and health care facilities, commercial properties, residential developments and other uses in a series of mixed-use parcels. As part of the employment corridor, a 120-acre research park is being marketed as the Florida Center for Innovation at Tradition (FCI), within which the Torrey Pines Institute for Molecular Studies (TPIMS) is building its new headquarters. FCI is planned to consist of just under two million square feet of research and development space, a 300 bed Martin Memorial Health Systems hospital, a 27-acre lake with a 1-mile fitness trail and recreational amenities, state-of-the-art fiber optic cabling, underground electrical power and proximity to high-quality housing, restaurants, hotels and shopping. Mann Research Center also recently purchased a 22.4 acre parcel within the FCI on which it intends to build a 400,000-square-foot life sciences complex. Oregon Health & Science University s Vaccine and Gene Therapy Institute also recently announced plans to locate a 120,000-square-foot facility within FCI.

Tradition Hilton Head, encompasses almost 5,400 total acres, including approximately 2,800 remaining net saleable acres and 150 acres owned and being developed by Carolina Oak, a subsidiary of the Company currently included under Other Operations below. The community is currently entitled for up to 9,500 residential units and 1.5 million square feet of commercial space, in addition to recreational areas, educational facilities and emergency services. There were no firm sales contracts as of December 31, 2007.

Our Land Division recorded $16.6 million in sales in 2007 compared to $69.8 million in 2006 as demand for residential inventory by homebuilders in Florida substantially decreased. In response, the Land Division has concentrated on seeking buyers for commercial property. In addition to sales of parcels to developers, the Land Division plans to continue to internally develop certain projects for leasing to third parties based on market demand. It is expected that a higher percentage of revenue in the near term will come from sales and development of commercial property in Florida, provided that the market for commercial property remains stable. In addition, the Land Division expects to realize increased revenues in the future arising from residential and commercial land sales in South Carolina as development on Tradition Hilton Head progresses. However, revenues from land sales in South Carolina would be negatively affected if the real estate market in South Carolina sustains a downturn similar to that experienced in Florida. Core generated higher revenues from services in 2007 compared to 2006 due to increased rental income associated with leasing of certain commercial properties and increased revenues relating to irrigation services provided to homebuilders, commercial users, and the residents of Tradition, Florida. Retailers at Tradition, Florida include nationally branded retail stores such as Target, Babies R Us, Bed, Bath and Beyond, Office Max, The Sports Authority, TJ Maxx, Petsmart, LA Fitness and Old Navy.

In June 2007, Core Communities began soliciting bids from several potential buyers to purchase assets associated with two of Core s commercial leasing projects. Management determined it is probable that Core will sell these projects in 2008 and, while Core may retain an equity interest in the properties and provide ongoing management services to a potential buyer, the anticipated level of continuing involvement is not expected to be significant. The assets are available for immediate sale in their present condition. There is no assurance that these sales will be completed in the timeframe expected by management or at all. Due to this decision, the projects and assets that are for sale have been classified as a discontinued operation for all periods presented in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), and its revenue and expenses are not included in the results of continuing operations for any periods presented in this Annual Report on Form 10-K. The assets have been reclassified to assets held for sale and the related liabilities associated with these assets held for sale were also reclassified in the audited consolidated statements of financial condition. Prior period amounts have been reclassified to conform to the current year presentation. As of December 31, 2007, the carrying value of the subject net assets for sale was $16.1 million. This amount is comprised of total assets of $96.2 million less total liabilities of $80.1 million. While the commercial real estate market has generally been stronger than the residential real estate market, interest in commercial property is weakening and financing is not as readily available in the current market, which may adversely impact the profitability of our commercial property. Management has reviewed the net asset value and estimated the fair market value of the assets based on the bids received related to these assets and determined that the assets were appropriately recorded at the lower of cost or fair value less the costs to sell at December 31, 2007.

O*ther Operations*

During 2007, we were also engaged in commercial real estate activities through our wholly owned subsidiary, Levitt Commercial, LLC (Levitt Commercial), and we also have investments in other real estate projects through subsidiaries and various joint ventures. We own approximately 31% of the outstanding common stock of Bluegreen, which acquires, develops, markets and sells vacation ownership interests in drive-to vacation resorts, as well as residential home sites around golf courses or other amenities.

In addition, we are engaged in limited homebuilding activities in Tradition Hilton Head through our wholly owned subsidiary, Carolina Oak, which is a direct subsidiary of Levitt Corporation which was acquired from Levitt and Sons during October 2007. *See Recent Developments Acquisition of Carolina Oak.* Levitt Corporation had a previous financial commitment associated with this community, which is located in Tradition Hilton Head, and management determined that it was in the best interest of the Company to continue to develop the community. The results of operations and financial condition of Carolina Oak as of and for the three year period ended December 31, 2007 are included in the Primary Homebuilding segment in this Annual Report on Form 10-K because it is engaged in homebuilding activities and because the financial metrics from this company are similar in nature to the other homebuilding projects within this segment that existed during these periods.

Levitt and Sons

Acquired in December 1999, Levitt and Sons was a developer of single family homes and townhome communities for active adults and families in Florida, Georgia, Tennessee and South Carolina. Levitt and Sons operated in two reportable segments, Primary Homebuilding and Tennessee Homebuilding. On November 9, 2007 (the Petition Date), Levitt and Sons and substantially all of its subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the Chapter 11 Cases) in the United States Bankruptcy Court for the Southern District of Florida (the Bankruptcy Court). See *Recent Developments Bankruptcy of Levitt and Sons* for the current status of the Chapter 11 Cases.

The homebuilding environment continued to deteriorate throughout 2007 as increased inventory levels combined with weakened consumer demand for housing and tightened credit requirements negatively affected sales, deliveries and margins throughout the industry. In both Homebuilding segments, Levitt and Sons experienced decreased orders, decreased margins and increased cancellation rates on

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homes in backlog. Excess supply, particularly in previously strong markets like Florida, in combination with a reduction in demand resulting from tightened credit requirements and reductions in credit availability, as well as buyers fears about the direction of the market exerted a continuous cycle of downward pricing pressure for residential homes.

Levitt and Sons engaged in discussions with its five principal lenders in an effort to obtain agreements to restructure its outstanding indebtedness. No substantive agreements were received that addressed either the short term or longer term cash flow requirements of Levitt and Sons or debt repayment. Due to the uncertainty regarding Levitt and Sons indebtedness and the continued deterioration of the homebuilding industry and Levitt and Sons operations in particular, Levitt Corporation, which had previously loaned Levitt and Sons approximately $84.3 million, stopped funding the cash flow needs of this subsidiary in the third quarter of 2007. Levitt Corporation was unwilling to commit additional material loans and advances to Levitt and Sons unless Levitt and Sons debt was restructured in a way which increased the likelihood that Levitt and Sons could generate sufficient cash to meet its future obligations and be positioned to address the long term issues it faced. Levitt and Sons ceased development at its projects at September 30, 2007 due to a lack of funding.

On November 9, 2007, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Under Section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against the Debtors, including most actions to collect pre-petition indebtedness or to exercise control of the property of the Debtors.

Based on the loss of control over Levitt and Sons as a result of the Chapter 11 Cases and the uncertainties surrounding the nature, timing and specifics of the bankruptcy proceedings, Levitt Corporation deconsolidated Levitt and Sons as of November 9, 2007, eliminating all future operations from its financial results. We are prospectively accounting for any remaining investment in Levitt and Sons, net of any outstanding advances due from Levitt and Sons, as a cost method investment. Under cost method accounting, income would only be recognized to the extent of cash received in the future or when Levitt Corporation is discharged from the bankruptcy, at which time, the balance of the loss in excess of investment in subsidiary can be recognized into income. As of November 9, 2007, Levitt Corporation had a negative investment in Levitt and Sons of $123.0 million and there were outstanding advances due from Levitt and Sons of $67.8 million at Levitt Corporation resulting in a net negative investment of $55.2 million. Included in the negative investment was approximately $15.8 million associated with deferred revenue related to intra-segment sales between Levitt and Sons and Core Communities. Since the Chapter 11 Cases were filed, Levitt Corporation has also incurred certain administrative costs in the amount of $1.4 million relating to certain services and benefits provided by the Company in favor of the Debtors. These costs include, but are not limited to, the cost of maintaining employee benefit plans, providing accounting services, human resources expenses, general liability and property insurance premiums, payroll processing expenses, licensing and third-party professional fees (collectively, the Post Petition Services).

Recent Developments

Bankruptcy of Levitt and Sons

On November 9, 2007, the Debtors filed voluntary petitions for relief under the Chapter 11 Cases in the Bankruptcy Court. The Debtors commenced the Chapter 11 Cases in order to preserve the value of their assets and to facilitate an orderly wind-down of their businesses and disposition of their assets in a manner intended to maximize the recoveries of all constituents.

On November 27, 2007, the Office of the United States Trustee (the U.S. Trustee), appointed an official committee of unsecured creditors in the Chapter 11 Cases (the Creditors Committee). On January 22, 2008, the U.S. Trustee appointed a *Joint Home Purchase Deposit Creditors Committee of Creditors Holding Unsecured Claims* (the Deposit Holders Committee , and together with the Creditors Committee, the Committees) The Committees have a right to appear and be heard in the Chapter 11 Cases.

On November 27, 2007, the Bankruptcy Court granted the *Debtors Motion for Authority to Incur Chapter 11 Administrative Expense Claim* (Chapter 11 Admin. Expense Motion) thereby authorizing the Debtors to incur a post petition administrative expense claim in favor of the Company for Post Petition Services. While the Bankruptcy Court approved the incurrence of the amounts as unsecured post petition administrative expense claims, the cash payments of such claims is subject to additional court approval. In addition to the unsecured administrative expense claims, the Company has pre-petition secured and unsecured claims against the Debtors. The Debtors have scheduled the amounts due to the Company in the Chapter 11 Cases. The unsecured pre-petition claims of the Company scheduled by Levitt and Sons are approximately $67.3 million and the secured pre-petition claim scheduled by Levitt and Sons is approximately $460,000. The Company has also filed contingent claims with respect to any liability it may have arising out of disputed indemnification obligations under certain surety bonds. Lastly, the Company implemented an employee severance fund in favor of certain employees of the Debtors. Employees who received funds as part of this program as of December 31, 2007, which totaled approximately $600,000 paid as of that date, have assigned their unsecured claims to the Company. There is no assurance that there will be any funds available to pay the Company these or any other amounts associated with the Company s claims against the Debtors.

At December 31, 2007, the Company had a federal income tax receivable of $27.4 million as a result of losses incurred, which is anticipated to be collected upon filing the 2007 consolidated U.S. federal income tax return. The Creditors Committee has advised the Company that they believe the creditors are entitled to share in an unstated amount of the refund.

Pursuant to the Bankruptcy Code, the Debtors have for a limited period subject to extension, the exclusive right to file a plan of reorganization or liquidation (the Plan).

Rights Offering

On August 29, 2007, Levitt Corporation distributed to each holder of record of its Class A common stock and Class B common stock as of August 27, 2007 5.0414 subscription rights for each share of such stock owned on that date (the Rights Offering), or an aggregate of rights to purchase 100 million shares of Class A common stock. The Rights Offering was priced at $2.00 per share, commenced on August 29, 2007 and was completed on October 1, 2007. Levitt Corporation received $152.8 million of proceeds in connection with the exercise of rights by its shareholders. In connection with the offering, Levitt Corporation issued an aggregate of 76,424,066 shares of Class A common stock on October 1, 2007. The stock price on the October 1, 2007 closing date was $2.05 per share. As a result, there is a bonus element adjustment of 1.97% for all shareholders of record on August 29, 2007 and accordingly the number of weighted average shares of Class A common stock outstanding for basic and diluted (loss) earnings per share was retroactively increased by 1.97% for all prior periods presented in this Annual Report on Form 10-K.

Reductions in Force

In the third and fourth quarters of 2007, substantially all of Levitt and Sons employees were terminated and 22 employees were terminated at Levitt Corporation primarily as a result of the Chapter 11 Cases. On November 9, 2007, Levitt Corporation implemented an employee fund and indicated that it would pay up to $5 million of severance benefits to terminated Levitt and Sons employees to supplement the limited termination benefits which could be paid by Levitt and Sons to those employees. Levitt and Sons is restricted in the amount of termination benefits it can pay to its former employees by virtue of the Chapter 11 Cases. For the year ended December 31, 2007, the Company paid approximately $600,000 in severance and termination charges related to the above fund which is reflected in the Other Operations segment and paid $2.3 million in severance to the employees of the Homebuilding Division prior to deconsolidation. Employees entitled to participate in the fund either received a payment stream, which in certain cases extended over two years, or a lump sum payment, dependent on a variety of factors. For any amounts paid related to this fund from the Other Operations segment, these payments were in exchange for an assignment to the Company by those employees of their unsecured claims against Levitt and Sons. At December 31, 2007 there was $2.0 million accrued to be paid related to this fund as well as severance for employees other than Levitt and Sons employees. In addition to these amounts, we expect additional severance related obligations associated with the fund mentioned above of $1.7 million in 2008 as employees assign their unsecured claims to the Company.

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In addition to the severance benefits, Levitt Corporation entered into two independent contractor agreements in December 2007 with two former Levitt and Sons employees. The agreements are for past and future consulting services. The total commitment related to these agreements is $1.6 million and will be paid monthly through 2009.

Acquisition of Carolina Oak Homes, LLC

On October 23, 2007, Levitt Corporation acquired from Levitt and Sons all of the outstanding membership interests in Carolina Oak, a South Carolina limited liability company (formerly known as Levitt and Sons of Jasper County, LLC) for the following consideration: (i) assumption of the outstanding principal balance of a loan in the amount of $34.1 million which is secured by a 150 acre parcel of land owned by Carolina Oak located in Tradition Hilton Head , (ii) execution of a promissory note in the amount of $400,000 to serve as a deposit under a purchase agreement between Carolina Oak and Core Communities of South Carolina, LLC and (iii) the assumption of specified payables in the amount of approximately $5.3 million. The principal asset in Carolina Oak is a 150 acre parcel of partially developed land currently under development and located in Tradition Hilton Head. As of December 31, 2007, Carolina Oak had 14 units under current development with no units in backlog. Carolina Oak has an additional 91 lots that are currently available for home construction.

Acquisition of common stock

As of March 17, 2008, the Company, together with, Woodbridge Equity Fund LLLP, a newly formed limited liability limited partnership, wholly-owned by the Company, had purchased 3,000,200 shares of Office Depot, Inc. (Office Depot) common stock, which represents approximately one percent of Office Depot s outstanding stock, at a cost of approximately $34.0 million. In connection with the acquisition of this ownership interest, on March 17, 2008, the Company delivered notice to Office Depot of the Company s intent to nominate two nominees to stand for election to Office Depot s Board of Directors. One of the nominees, Mark D Begelman, was the President and Chief Operating Officer of Office Depot from 1991 to 1995 and is currently an officer of BankAtlantic. Also on March 17, 2008, the Company, together with Woodbridge Equity Fund LLLP and other participants in the proxy solicitation, filed a preliminary proxy statement with the SEC in connection with the solicitation of proxies in support of the election of the two nominees. The Company has agreed to indemnify each nominee against certain losses and expenses which such nominees may incur in connection with the proxy solicitation and their efforts to gain election to the Office Depot board. In addition, the Company has filed a complaint in the Delaware Court of Chancery seeking, among other things, a court order declaring that the nomination of the two nominees at the Office Depot annual meeting is valid.

Business Strategy

Our business strategy involves the following principal goals:

Pursue investment opportunities. We intend to pursue acquisitions and investments opportunistically, using a combination of our cash and third party equity and debt financing. These investments may be within or outside of the real estate industry. We also intend to explore a variety of funding structures which might leverage and capitalize on our available cash and other assets currently owned by us. We may acquire entire businesses, majority interests in companies or minority, non-controlling interests. Investing on this basis will present additional risks, including the risks inherent in the industries in which we invest and potential integration risks if we seek to integrate the acquired operations into our operations.

Continue to develop master-planned communities. The Land Division is actively developing and marketing its master-planned communities in Florida and South Carolina. In addition to marketing of parcels to homebuilders, the Land Division continues to expand its commercial operations through sales to developers and through its efforts to internally develop projects for leasing to third parties. Core is committed to developing communities that will responsibly serve its residents and business in the long-term. The goal of its developments is to facilitate a regional roadway network and establish model communities that will set an example for future development. Core has established a series of community design standards which have been incorporated into the overall planning effort of master-planned communities including: utilizing a mix of housing types, including single-family neighborhoods and a variety of higher density communities; and having a neighborhood Town Center, Community School parcels, a workplace environment and community parks. The intent is to establish well-planned, innovative communities that are sustainable for the long-term.

We view our commercial projects opportunistically and intend to periodically evaluate the short and long term benefits of retention or disposition. In 2007, we announced the intention to sell the commercial leasing projects owned by Core and provide ongoing management services to a potential buyer. Historically, land sale revenues have been sporadic and fluctuate dramatically by quarter and land sale transactions have resulted in 40% to 60% margins. However, margins on land sales and the many factors which impact the margin may not remain at these levels given the current downturn in the real estate markets where we own properties. Recent trends in home sales may require us to hold our land inventory longer than originally projected. We intend to review each parcel ready for development to determine whether to market the parcel to third parties, to internally develop the parcel for leasing, or hold the parcel and determine later whether to pursue third party sales or internal development opportunities. Our decision will be based, in part, on the condition of the commercial real estate market and our evaluation of future prospects. Our land development activities in our master-planned communities offer a source of land for future homebuilding by others. Much of our master-planned community acreage is under varying development orders and is not immediately available for construction or sale to third parties at prices that maximize value. Third-party homebuilder sales remain an important part of our ongoing strategy to generate cash flow, maximize returns and diversify risk, as well as to create appropriate housing alternatives for different market segments in our master-planned communities.

Operate efficiently and effectively. We have recently taken steps which we believe strengthen our company. We raised a significant amount of capital through a rights offering and have implemented significant reductions in workforce levels. We intend to continue our focus on aligning our staffing levels with business goals and current and anticipated future market conditions. We also intend to continue to focus on expense management initiatives throughout the organization.

Utilize community development districts to fund development costs. We establish community development districts to access tax-exempt bond financing to fund infrastructure development at our master-planned communities, which is a common practice among land developers in Florida. The ultimate owners of the property within the district are responsible for amounts owed on these bonds, which are funded through annual assessments. Generally, in Florida, no payments under the bonds are required from property owners during the first two to three years after issuance as a result of capitalized interest built into the bond proceeds. While we are responsible for any assessed amounts until the underlying property is sold, this strategy allows us to more effectively manage the cash required to fund infrastructure at the project in the short term. If the property is not sold prior to the assessment date we will be required to pay the full amount of the annual assessment on the property owned by us. However, there have recently been significant disruptions in credit markets, including downward trends in the municipal bond markets which may impact the availability and pricing of this type of financing in the future. We may not be able to access tax-exempt bond financing or any other financing through community development districts if market conditions do not improve.

Business Segments

Through 2007, management reported results of operations through four segments: Land Division, Other Operations, Primary Homebuilding and Tennessee Homebuilding. The results of operations of Primary Homebuilding, with the exception of Carolina Oak, and Tennessee Homebuilding are only included as separate segments through November 9, 2007, the date of Levitt Corporation s deconsolidation of Levitt and Sons. The presentation and allocation of the assets, liabilities and results of operations of each

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segment may not reflect the actual economic costs of the segment as a stand-alone business. If a different basis of allocation were utilized, the relative contributions of the segment might differ but, in management s view, the relative trends in segments would not likely be impacted. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements Note 23 to our audited consolidated financial statements for a discussion of trends, results of operations and other relevant information on each segment.

Land Division

The Land Division, which operates through Core Communities, generates revenue primarily from land sales from master-planned communities and also generates revenue from leasing commercial properties which it has developed. At December 31, 2007, our Land Division owned approximately 6,500 gross acres in Tradition, Florida including approximately 3,900 saleable acres. Through December 31, 2007, Core Communities had entered into contracts for the sale of a total of approximately 2,100 acres in the first phase development at Tradition, Florida of which approximately 1,800 acres had been delivered at December 31, 2007. Our backlog contains contracts for the sale of 259 acres, although there is no assurance that the consummation of those transactions will occur. Delivery of these acres is expected to be completed in 2009. At December 31, 2007, our Land Division also owned approximately 5,200 gross acres in Tradition Hilton Head, including approximately 2,800 remaining net saleable acres and 150 acres owned and being developed by Carolina Oak, a subsidiary of the Company, currently included under Other Operations below.

Our Land Division s land in development and relevant data as of December 31, 2007 were as follows:

	Date Acquired	Acres Acquired	Closed Acres(a)	Current Inventory	Non-Saleable Acres(b)	Saleable Acres(b)	Third Party Backlog(c)	Acres Available
Currently in Development								
Tradition, Florida	1998 2004	8,246	1,794	6,452	2,583	3,869	259	3,610
Tradition Hilton Head	2005	5,390	163	5,227	2,417	2,810		2,810
Total Currently in Development		**13,636**	**1,957**	**11,679**	**5,000**	**6,679**	**259**	**6,420**

(a) Closed acres for Tradition Hilton Head include 150 acres owned by Carolina Oak, a wholly owned subsidiary of Levitt Corporation. The revenue from this sale was eliminated in consolidation.

(b) Actual saleable and

non-saleable acres may vary over time due to changes in zoning, project design, or other factors. Non-saleable acres include, but are not limited to, areas set aside for roads, parks, schools, utilities, wetlands and other public purposes.

(c) Acres under contract to third parties.

Other Operations

Other operations consist of Levitt Commercial, our investment in Bluegreen Corporation, investments in joint ventures and holding company operations.

Levitt Commercial

Levitt Commercial was formed in 2001 to develop industrial, commercial, retail and residential properties. Revenues for the year ended December 31, 2007 amounted to $6.6 million which reflect sales of warehouse properties. Levitt Commercial delivered 17 flex warehouse units at its remaining development project. Levitt Commercial completed the sale of all flex warehouse units in inventory in 2007 and we have no current plans for future sales from Levitt Commercial.

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Investment in Bluegreen Corporation

We own approximately 9.5 million shares of the outstanding common stock of Bluegreen, which represents approximately 31% of that company s issued and outstanding common stock. Bluegreen is a leading provider of vacation and residential lifestyle choices through its resorts and residential community businesses. Bluegreen is organized into two divisions: Bluegreen Resorts and Bluegreen Communities.

Bluegreen Resorts acquires, develops and markets vacation ownership interests (VOIs) in resorts generally located in popular high-volume, drive-to vacation destinations. Bluegreen Communities acquires, develops and subdivides property and markets residential land homesites, the majority of which are sold directly to retail customers who seek to build a home in a high quality residential setting, in some cases on properties featuring a golf course and related amenities.

Bluegreen also generates significant interest income through its financing of individual purchasers of VOIs and, to a nominal extent, homesites sold by its Bluegreen Communities division.

We evaluated our investment in Bluegreen at December 31, 2007 and noted that the current $116.0 million book value of the investment was greater than the market value of $68.4 million (based upon a December 31, 2007 closing price of $7.19). We performed an impairment review in accordance with Emerging Issues Task Force 03-1 (EITF 03-1), Accounting Principles Board Opinion No. 18 (APB No. 18), and Securities and Exchange Commission Staff Accounting Bulletin 59 (SAB 59) to analyze various quantitative and qualitative factors and determine if an impairment adjustment was needed. Based on our evaluation and the review of various qualitative and quantitative factors relating to the performance of Bluegreen, the current value of the stock price, and management s intention with regards to this investment, management determined that the impairment associated with the investment in Bluegreen was not an other than temporary decline and, accordingly, no adjustment to the carrying value was recorded at December 31, 2007.

Bluegreen recently announced its intention to pursue a rights offering to its shareholders of up to $100 million of its common stock. Bluegreen intends to file a registration statement relating to the rights offering in March 2008. We own approximately 31% of Bluegreen s outstanding common stock and we currently intend to participate in this rights offering and to support the efforts of Bluegreen s management to maximize shareholder value through organic and acquisition-driven growth initiatives and then exploring strategic alternatives.

Corporate Operations Headquarters

In October 2004, we acquired an 80,000 square foot office building to serve as our home office in Fort Lauderdale, Florida for $16.2 million. The building was fully leased and occupied during the year ended December 31, 2005 and generated rental income. On November 9, 2005 the lease was modified and two floors of the building were vacated in January 2006. The building now serves as the Corporate Headquarters for Levitt Corporation. We are planning to seek to lease to third parties this space in 2008 and relocate to a smaller space due to the number of employees we have remaining at this facility.

Other Investments and Joint Ventures

In the past we have sought to mitigate the risks associated with certain real estate projects by entering into joint ventures. Our investments in joint ventures and the earnings recorded on these investments were not significant for the year ended December 31, 2007.

We entered into an indemnity agreement in April 2004 with a joint venture partner at Altman Longleaf relating to, among other obligations, that partner s guarantee of the joint venture s indebtedness. Our liability under the indemnity agreement is limited to the amount of any distributions from the joint venture which exceeds our original capital and other contributions. Levitt Commercial owns a 20% interest in Altman Longleaf, LLC, which owns a 20% interest in this joint venture. This joint venture is developing a 298-unit apartment complex in Melbourne, Florida. An affiliate of our joint venture partner is the general contractor. Construction commenced on the development in 2004 and was completed in 2006. Our original capital contributions totaled approximately $585,000 and we have received approximately $1.2 million in distributions since 2004. Accordingly, our potential obligation of indemnity at December 31, 2007 is approximately $664,000. The book value of this investment as of December 31, 2007 was zero due to the losses this joint venture has incurred. Based on the joint venture assets that secure the indebtedness, we do not currently believe it is likely that any payment will be required under the indemnity agreement.

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Homebuilding Division

The Primary and Tennessee Homebuilding segments were deconsolidated from our results of operations on November 9, 2007 due to the Chapter 11 Cases. The results of operations for the three year period ended December 31, 2007 include the results of operations for the Debtors through November 9, 2007. However, we continue to be engaged in limited homebuilding activities in Tradition Hilton Head through Carolina Oak, which was acquired by Levitt Corporation from Levitt and Sons during 2007. The results of operations and financial condition of Carolina Oak as of and for the three year period ended December 31, 2007 are included in the Primary Homebuilding segment in this Form 10-K because it is engaged in homebuilding activities and because the financial metrics from this company are similar in nature to the other homebuilding projects within this segment that existed during these periods.

As of December 31, 2007, Carolina Oak had 14 units under current development with no units in backlog. Carolina Oak has an additional 91 lots that are currently available for home construction. We may decide to continue to build the remainder of the community which is planned to consist of approximately 403 additional units if the sales of the existing units are successful.

Information Technologies

We continue to seek to improve the efficiency of our field and corporate operations in an effort to plan appropriately for the construction of our master-planned communities, perform limited homebuilding activities and to plan for future investments or acquisitions. In the fourth quarter of 2006, we implemented a fully integrated operating and financial system in order to have all operating entities on one platform. These systems have enabled information to be shared and utilized throughout our company and have enabled us to better manage, optimize and leverage our employees and management. During 2007, we further implemented the property management module associated with this financial system for use in our Land Division to assist with our expansion and management of our commercial leasing business.

Seasonality

We have historically experienced volatility but not necessarily seasonality, in our results of operations from quarter-to-quarter due to the nature of the real estate business. Historically, land sale revenues have been sporadic and have fluctuated dramatically. In addition, margins on land sales and the many factors which impact the margin may not remain at historical levels given the current downturn in the real estate markets where we own properties. We are focusing on maximizing our sales efforts with homebuilders at our master-planned communities. However, due to the uncertainty in the real estate market, we expect to continue to experience high volatility in our Land Division revenues throughout 2008.

Competition

The real estate development industry is highly competitive and fragmented. We compete with third parties in our efforts to sell land to homebuilders. We compete with other local, regional and national real estate companies and homebuilders, often within larger subdivisions designed, planned and developed by such competitors. Some of our competitors have greater financial, marketing, sales and other resources than we do.

In addition, there are relatively low barriers to entry into our business. There are no required technologies that would preclude or inhibit competitors from entering our markets. Our competitors may independently develop land. A substantial portion of our operations are in Florida and South Carolina, and we expect to continue to face additional competition from new entrants into our markets.

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Employees

As of December 31, 2007, we employed a total of 117 full-time employees and 8 part-time employees. The breakdown of employees by segment was as follows:

	Full Time	Part Time
Primary Homebuilding	3	
Land	67	8
Other Operations	47	
Total	117	8

Primary Homebuilding employee count includes those employees working at Carolina Oak. They are Levitt Corporation employees but the salaries and expenses related to these individuals are included in the results of operations of Primary Homebuilding for the three year period ended December 31, 2007. In addition to the employees listed in the preceding table, Levitt and Sons had 38 employees as of December 31, 2007 who were providing post-bankruptcy services. These employees are being phased out as projects are abandoned or transferred to the lenders. Levitt Corporation is not paying for the salaries or benefits of these remaining Levitt and Sons employees.

Our employees are not represented by any collective bargaining agreements and we have never experienced a work stoppage. We believe our employee relations are satisfactory.

Additional Information

Our Internet website address is www.levittcorporation.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available free of charge through our website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Our Internet website and the information contained in or connected to our website are not incorporated into this Annual Report on Form 10-K.

Our website also includes printable versions of our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and the charters for each of the Audit, Compensation and Nominating/Corporate Governance Committees of our Board of Directors.

ITEM 1A. RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND THE REAL ESTATE BUSINESS GENERALLY

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

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

- overbuilding or decreases in demand to acquire land;
- the availability and cost of financing;
- unfavorable interest rates and increases in inflation;
- changes in national, regional and local economic conditions;
- cost overruns, inclement weather, and labor and material shortages;

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- the impact of present or future environmental legislation, zoning laws and other regulations;
- availability, delays and costs associated with obtaining permits, approvals or licenses necessary to develop property; and
- increases in real estate taxes, insurance and other local government fees.

There has been a decline in the homebuilding industry over the past two years and if it continues it could adversely affect land development activities at our Land Division.

For the past two years, the homebuilding industry has experienced a significant decline in demand for new homes and a significant oversupply of lots and homes available for sale. The trends in the homebuilding industry continue to be unfavorable. Demand has slowed as evidenced by fewer new orders and lower conversion rates, which has been exacerbated by increasing cancellation rates. The combination of the lower demand and higher inventories affects the amount of land that we are able to develop and sell in the future, as well as the prices at which we are able to sell the land. We cannot predict how long demand and other factors in the homebuilding industry will remain unfavorable, how active the market will be during the coming periods and how these factors will affect our Land Division. A substantial downturn or a further deterioration in the homebuilding industry will have an adverse effect on our results of operations and financial condition.

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

Real estate investments are generally illiquid. Companies that invest in real estate have a limited ability to vary their portfolio of real estate investments in response to changes in economic and other conditions. In addition, the market value of any or all of our properties or investments may decrease in the future. Moreover, we may not be able to timely dispose of an investment when we find dispositions advantageous or necessary, or complete the disposition of properties under contract to be sold, and any such dispositions may not provide proceeds in excess of the amount of our investment in the property or even in excess of the amount of any indebtedness secured by the property. Our inventory of real estate was $227.3 million at December 31, 2007. These land holdings subject us to a greater risk from declines in real estate values in our markets and are susceptible to impairment write-downs in the current real estate environment. Declines in real estate values or in the economy generally could have a material adverse impact on our financial condition and results of operations.

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

The Florida and South Carolina markets in which we operate are subject to the risks of natural disasters such as hurricanes and tropical storms. These natural disasters could have a material adverse effect on our business by causing the incurrence of uninsured losses, increased homebuyer insurance rates, delays in construction, and shortages and increased costs of labor and building materials.

In addition to property damage, hurricanes may cause disruptions to our business operations. Approaching storms may require that operations be suspended in favor of storm preparation activities. After a storm has passed, construction-related resources such as sub-contracted labor and building materials are likely to be redeployed to hurricane recovery efforts. Governmental permitting and inspection activities may similarly be focused primarily on returning displaced residents to homes damaged by the storms rather than on new construction activity. Depending on the severity of the damage caused by the storms, disruptions such as these could last for several months.

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

Under the percentage of completion method of accounting for recognizing revenue, we record revenue and cost of sales as work on the project progresses based on the percentage of actual work incurred compared to the total estimated costs. This method relies on estimates of total expected project costs. Revenue and cost estimates are reviewed and revised periodically as the work progresses. Adjustments are reflected in sales of real estate and cost of sales in the period when such estimates are revised. Variation of actual results compared to our estimated costs in these large master-planned communities could cause material changes to our net margins.

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

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

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

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

- environmental matters, including the presence of hazardous or toxic substances;
- wetland preservation;
- health and safety;
- zoning, land use and other entitlements;
- building design; and
- density levels.

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

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

These laws or regulations could, among other things:

- establish building moratoriums;

limit the number of commercial properties that may be built;

change building codes and construction requirements affecting property under construction;

increase the cost of development and construction; and

delay development and construction.

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

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

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

We may be subject to delays or may be precluded from developing in certain communities because of building moratoriums or changes in statutes or rules that could be imposed in the future. The State of Florida and various counties have in the past and may in the future continue to declare moratoriums on the issuance of building permits and impose restrictions in areas where the infrastructure, such as roads, schools, parks, water and sewage treatment facilities and other public facilities, does not reach minimum standards. Additionally, certain counties in Florida, including counties where we are developing projects, have enacted more stringent building codes which have resulted in increased costs of construction. As a consequence, we may incur significant expenses in connection with complying with new regulatory requirements that we may not be able to pass on to buyers.

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

As a current or previous owner or operator of real property, we may be liable under federal, state, and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the property. These laws often impose liability whether or not we knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of investigating, remediating or removing such hazardous or toxic substances may be substantial. The presence of any such substance, or the failure promptly to remediate any such substance, may adversely affect our ability to sell or lease the property, to use the property for our intended purpose, or to borrow funds using the property as collateral.

Increased insurance risk could negatively affect our business.

Insurance and surety companies may take actions that could negatively affect our business, including increasing insurance premiums, requiring higher self-insured retentions and deductibles, requiring additional collateral or covenants on surety bonds, reducing limits, restricting coverages, imposing exclusions, and refusing to underwrite certain risks and classes of business. Any of these actions may adversely affect our ability to obtain appropriate insurance coverage at reasonable costs which could have a material adverse effect on our business.

We utilize community development district and special assessment district bonds to fund development costs and we will be responsible for assessments until the underlying property is sold.

We establish community development district and special assessment district bonds to access tax-exempt bond financing to fund infrastructure development at our master-planned communities. We are responsible for any assessed amounts until the underlying property is sold. We will continue to be responsible for the annual assessments if the property is never sold. Accordingly, if recent negative trends in the homebuilding industry do not improve, and we are forced to hold our land inventory longer than originally projected, we would be forced to pay a higher portion of annual assessments on property which is subject to assessments. We could be required to pay down a portion of the bonds in the event our entitlements were to decrease as to the number of residential units and/or commercial space that can be built on a parcel(s) encumbered by the bonds. In addition, Core Communities has guaranteed payments for assessments under the district bonds in Tradition, Florida which would require funding if future assessments to be allocated to property owners are insufficient to repay the bonds.

The availability of tax-exempt bond financing to fund infrastructure development at our master-planned communities may be affected by recent disruptions in credit markets, including the municipal bond market, by general economic conditions and by fluctuations in the real estate market. If we are not able to access this type of financing, we would be forced to obtain substitute financing, which may not be available on terms favorable to the Company, or at all. If we are not able to obtain financing for infrastructure development, Core would be forced to use our own funds or delay development activity at the master-planned communities.

RISKS ASSOCIATED WITH LEVITT AND SONS BANKRUPTCY FILING

We cannot predict the effect that the Chapter 11 Cases will have on Levitt and Sons business and creditors or on Levitt Corporation.

There is no assurance that Levitt and Sons will be able to develop, prosecute, confirm and consummate the Plan and that the Plan will be accepted. Third parties may seek and obtain Bankruptcy Court approval to propose and confirm the Plan. As a result, there is no assurance that the creditors will not seek to assert claims against Levitt Corporation or any of its subsidiaries other than Levitt and Sons, whether or not such claims have any merit and the risk that Levitt Corporation s or any such subsidiary s assets become subject to or included in Levitt and Sons bankruptcy case. In addition, Levitt Corporation files a consolidated federal income tax return, which means that the taxable income or tax losses of Levitt and Sons were included in the Company s federal income tax return. At December 31, 2007, Levitt Corporation had a federal income tax receivable of $27.4 million as a result of losses incurred, which is anticipated to be collected upon filing the 2007 consolidated U.S. federal income tax return. The Creditors Committee of the Chapter 11 Cases has advised that they believe that the creditors are entitled to share in an unstated amount of the refund. At this time, it is not possible to predict the effect that the Chapter 11 Cases will have on Levitt Corporation or whether it will adversely affect our results of operations and financial condition.

Levitt and Sons bankruptcy and the publicity surrounding its filing may adversely affect Levitt Corporation and its subsidiaries other than Levitt and Sons.

The businesses and relationships we had at Levitt and Sons may also be relationships we have at our other subsidiaries. These relationships could be affected by the Chapter 11 Cases of Levitt and Sons and it could materially affect our ability to conduct business with customers, suppliers and employees in the future.

Levitt and Sons had surety bonds on most of their projects some, of which were subject to indemnity by Levitt Corporation.

Levitt and Sons had $33.3 million in surety bonds relating to its ongoing projects at the time of the filing of the Chapter 11 Cases. In the event that these obligations are drawn and paid by the surety, Levitt Corporation could be responsible for up to $12.0 million plus costs and expenses in accordance with the surety indemnity agreement for these instruments. As of December 31, 2007, we recorded $1.8 million in surety bonds accrual at Levitt Corporation related to certain bonds where management considers it probable that the Company will be required to reimburse the surety under the indemnity agreement. It is unclear given the uncertainty involved in the Chapter 11 Cases whether and to what extent the outstanding surety bonds of Levitt and Sons will be drawn and the extent to which Levitt Corporation may be responsible for additional amounts beyond this accrual. It is unlikely that Levitt Corporation would have the ability to receive any repayment, assets or other consideration as recovery of any amount it is required to pay. If losses on additional surety bonds are identified, we will need to take additional charges associated with Levitt Corporation s exposure under our indemnities, and this may have a material adverse effect on our results of operations and financial condition.

Levitt Corporation s outstanding advances due from Levitt and Sons may not be repaid.

Levitt Corporation has deconsolidated Levitt and Sons from its consolidated financial statements and reflects Levitt and Sons as a cost method investment as of December 31, 2007. At the time of deconsolidation, November 9, 2007, Levitt Corporation had a negative investment in Levitt and Sons of $123.0 million and there were outstanding advances due from Levitt and Sons of $67.8 million at Levitt Corporation resulting in a net negative investment of $55.2 million. Since the Chapter 11 Cases were filed, Levitt Corporation has also incurred certain administrative costs in the amount of $1.4 million related to Post Petition Services. The payment by Levitt and Sons of its outstanding advances and the Post Petition Services expenses are subject to the risks inherent to creditors in the Chapter 11 Cases. Levitt and Sons may not have sufficient assets to repay Levitt Corporation for advances made to Levitt and Sons or the Post Petition Services and it is likely that some, if not all, of these amounts will not be recovered.

RISKS RELATING TO OUR COMPANY

Our outstanding debt instruments impose restrictions on our operations and activities and could adversely affect our financial condition.

At December 31, 2007, our consolidated debt was approximately $274.8 million of which $137.1 million relates to the Land Division. Debt associated with assets held for sale was $79.0 million. Certain loans which provide the primary financing for Tradition, Florida and Tradition Hilton Head have an annual appraisal and re-margining requirement. These provisions may require Core Communities, in circumstances where the value of its real estate securing these loans declines, to pay down a portion of the principal amount of the loan to bring the loan within specified minimum loan-to-value ratios. Accordingly, should land prices decline, reappraisals could result in significant future re-margining payments. In addition, all of our outstanding debt instruments require us to comply with certain financial covenants. Further, one of our debt instruments contains cross-default provisions, which could cause a default in this debt instrument if we default on other debt instruments. If we fail to comply with any of these restrictions or covenants, the holders of the applicable debt could cause our debt to become due and payable prior to maturity. These accelerations or significant re-margining payments could require us to dedicate a substantial portion of our cash and cash flow from operations to payment of or on our debt and reduce our ability to use our cash for other purposes.

Certain of our borrowings require us to repay specified amounts upon a sale of a portion of the property securing the debt. The borrowings may require additional principal payments in the event that the timing and the amount of sales are below those agreed to at the inception of the borrowing. Our anticipated minimum debt payment obligations in 2008 total approximately $12.2 million, of which $8.9 million relates to assets held for sale. These amounts do not include any amounts due upon a sale of the collateral, amounts due as a result of sales below expectations or re-margining payments that could be required in the event that property serving as collateral becomes impaired. Core is subject to provisions in its borrowing agreement that require additional principal payments, known as curtailment payments, in the event that sales, within a specific timeframe, are below those agreed to at the inception of the borrowing. In the event that agreed upon sales targets are not met in Tradition Hilton Head, total curtailment payments during 2008 could amount to $34.2 million. In January 2008, a $14.9 million curtailment payment was paid and an additional $19.3 million would be due in June 2008 if actual sales continue to be below the contractual requirements of the development loan. Unfavorable current trends in the homebuilding industry could result in us holding property longer than projected which would increase the likelihood that sales of property would be below levels required by our lenders.

Our business may not generate sufficient cash flow from operations, and future borrowings may not be available under our existing credit facilities or any other financing sources in an amount sufficient to enable us to service our indebtedness, or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity, which we may not be able to do on favorable terms or at all. Recent disruptions in the credit and capital markets could make it more difficult for us to obtain future financing.

Our ability to meet our debt service and other obligations, to refinance our indebtedness or to fund planned capital expenditures will depend upon our future performance. We are engaged in businesses that are substantially affected by changes in economic cycles. Our revenues and earnings vary with the level of general economic activity in the real estate market and are, therefore, subject to many factors outside of our control. See risk factor below entitled Our

results may vary.

Our current land development plans may require additional capital, which may not be available on favorable terms, if at all.

We may need to obtain additional financing as we fund our current land development projects and pursue new investments. These funds may be obtained through public or private debt or equity financings, additional bank borrowings or from strategic alliances. We may not be successful in obtaining additional funds in a timely manner, on favorable terms or at all, especially in light of the current adverse conditions in the capital and credit markets and the adverse conditions in municipal bond markets which impact our ability to access tax-exempt bond financing. Moreover, certain of our bank financing agreements contain provisions that limit the type and amount of debt we may incur in the future without our lenders consent. If we do not have access to additional capital, we may be required to delay, scale back or abandon some or all of our land development activities and we may not be able to pursue new investments. In addition, we may need to reduce capital expenditures and the size of our operations. There is no assurance that we will have sufficient funds to continue to develop our master-planned communities or pursue new investments as currently contemplated without additional financing or equity investment.

Our results may vary.

We historically have experienced, and expect to continue to experience, variability in operating results on a quarterly basis and from year to year. Factors expected to contribute to this variability include:

- the cyclical nature of the real estate industry;
- prevailing interest rates and the availability of mortgage financing;
- weather;
- cost and availability of materials and labor;
- competitive conditions;
- timing of sales of land;
- the timing of receipt of regulatory and other governmental approvals for land development projects; and
- the timing of the sale of our commercial leasing operations.

Margins in our Land Division are subject to significant volatility.

Due to the nature and size of our individual land transactions, our Land Division results are subject to significant volatility. Historically, land sale revenues have been sporadic and have fluctuated dramatically and margins on land sales and the many factors which impact the margin may not remain at the current levels given the current downturn in the real estate markets where we own properties. Margins will fluctuate based upon changing sales prices and costs attributable to the land sold. Recent declines in the value of residential land, especially in Florida where Core s Tradition, Florida community is located, could significantly adversely impact our margins. If the real estate markets deteriorate further or if the current downturn is prolonged, we may not be able to sell land at prices above our carrying cost or even in amounts necessary to repay our indebtedness. In addition to the impact of economic and market factors, the sales price and margin of land sold varies depending upon: the location; the parcel size; whether the parcel is sold as raw land, partially developed land or individually developed lots; the degree to which the land is entitled; and whether the designated use of land is residential or commercial.

In addition, our ability to realize margins may be affected by circumstances beyond our control, including:

- shortages or increases in prices of construction materials;
- natural disasters in the areas in which we operate;
- lack of availability of adequate utility infrastructure and services; and

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

Any of these circumstances could give rise to delays in the start or completion of, or increase the cost of, developing our master-planned communities. We compete with other real estate developers, both regionally and nationally, for labor as well as raw materials, and the competition for materials has recently become global. Increased costs in labor and materials could cause increases in construction costs. In addition, the cost of sales of real estate is dependent upon the original cost of the land acquired, the timing of the acquisition of the land, and the amount of land development, interest and real estate tax costs capitalized to the particular land parcel during active development. Future margins will continue to vary based on these and other market factors.

When commercial leasing projects become available for sale, they may not yield anticipated returns, which could harm our operating results, reduce cash flow, or cause management to choose not to sell certain commercial assets.

A component of our business strategy is the development of commercial properties and assets for sale. These developments may not be as successful as expected due to the commercial leasing related risks discussed below, as well as the risks associated with real estate development generally, and the timeline involved in development and leasing.

Development of commercial projects involve the risk of the significant time lag between commencement and completion of the project which subjects us to greater risks due to fluctuation in the general economy, failure or inability to obtain construction or permanent financing on favorable terms, inability to achieve projected rental rates, anticipated pace that we will be able to lease new tenants, higher than estimated construction costs, including labor and material costs, and possible delay in completion of the project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters.

Significant changes in economic conditions could adversely affect prospective tenants and our ability to lease newly developed properties and could result in our being forced to hold these properties for a longer period of time.

We are dependent upon certain key tenants in our commercial developments and decisions made by these tenants or adverse developments in the business of these tenants could have a negative impact on our financial condition.

We own commercial real estate centers which are supported by anchor tenants which, due to size, reputation or other factors, are particularly responsible for drawing other tenants and shoppers to our centers in certain cases. We are subject to the risk that certain of these anchor tenants may be unable to make their lease payments or may decline to extend a lease upon its expiration.

In addition, an anchor tenant may decide that a particular store is unprofitable and close its operations, and, while the tenant may continue to make rental payments, its failure to occupy its premises could have an adverse effect on the property. A lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises could result in lease terminations or reductions in rent by other tenants in the same shopping center. Vacated anchor tenant space also tends to adversely affect the entire shopping center because of the loss of the departed anchor tenant s power to draw customers to the center. We may not be able to quickly re-lease vacant space on favorable terms, if at all. Any of these developments could adversely affect our financial condition or results of operations.

It may be difficult and costly to rent vacant space and space which may become vacant in future periods.

Our goal is to improve the performance of our properties by leasing available space and re-leasing vacated space. However, we may not be able to maintain our overall occupancy levels. Our ability to continue to lease or re-lease vacant space in our commercial properties will be affected by many factors, including our properties locations, current market conditions and the provisions of the leases we enter into with the tenants at our properties. In fact, many of the factors which could cause our current tenants to vacate their space could also make it more difficult for us to release that space. The failure to lease or to re-lease vacant space on satisfactory terms could harm our operating results.

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If we are able to re-lease vacated space, there is no assurance that rental rates will be equal to or in excess of current rental rates. In addition, we may incur substantial costs in obtaining new tenants, including brokerage commission fees paid by us in connection with new leases or lease renewals, and the cost of making leasehold improvements.

The loss of the services of our key management and personnel could adversely affect our business

Our ability to successfully implement our business strategy will depend on our ability to attract and retain experienced and knowledgeable management and other professional staff. We currently have an Acting Chief Financial Officer and are in the process of seeking to recruit a permanent replacement. There is no assurance that we will be successful in attracting and retaining an experienced and knowledgeable Chief Financial Officer or other key management personnel.

Our future acquisitions may reduce our earnings, require us to obtain additional financing and expose us to additional risks.

Our business strategy includes investing in and acquiring diverse operating companies and some of these investments and acquisitions may be material. While we will seek investments and acquisitions primarily in companies that provide opportunities for growth with seasoned and experienced management teams, we may not be successful in identifying these opportunities. Further, investments or acquisitions that we do complete may not prove to be successful. Acquisitions may expose us to additional risks and may have a material adverse effect on our results of operations and may:

- fail to accomplish our strategic objectives;
- not perform as expected; and/or
- expose us to the risks of the business that we acquire.

In addition, we will likely face competition in making investments or acquisitions which could increase the costs associated with the investment or acquisition. Our investments or acquisitions could initially reduce our per share earnings and add significant amortization expense or intangible asset charges. Since our acquisition strategy involves holding investments for the foreseeable future and because we do not expect to generate significant excess cash flow from operations, we may rely on additional debt or equity financing to implement our acquisition strategy. The issuance of debt will result in additional leverage which could limit our operating flexibility, and the issuance of equity could result in additional dilution to our then-current shareholders. In addition, such financing could consist of equity securities which have rights, preferences or privileges senior to our Class A common stock. If we do require additional financing in the future, there is no assurance that it will be available on favorable terms, if at all. If we fail to obtain the required financing, we would be required to curtail or delay our acquisition plans or to liquidate certain of our assets. Additionally, we do not intend to seek shareholder approval of any investments or acquisitions unless required by law or regulation.

Our controlling shareholders have the voting power to control the outcome of any shareholder vote, except in limited circumstances.

As of December 31, 2007, BFC Financial Corporation (BFC) owned 1,219,031 shares of our Class B common stock, which represented all of our issued and outstanding Class B common stock, and 18,676,955 shares, or approximately 19.7%, of our issued and outstanding Class A common stock. In the aggregate these shares represent approximately 20.7% of our total equity and, excluding the 6,145,582 shares of our Class A common stock that BFC has agreed, subject to certain exceptions, not to vote in accordance with the Letter Agreement described in Item 8. Financial Statements Note 16, these shares represent approximately 54.0% of our total voting power. Since the Class A common stock and Class B common stock vote as a single group on most matters, BFC is in a position to control our company and

elect a majority of our Board of Directors. Additionally, Alan B. Levan, our Chairman and Chief Executive Officer, and John E. Abdo, our Vice Chairman, beneficially own approximately 22.6% and 14.0% of the shares of BFC, respectively. Collectively, these shares represent approximately 73.2% of BFC s total voting power. As a consequence, Alan B. Levan and John E. Abdo effectively have the voting power to control the outcome of any shareholder vote of Levitt Corporation, except in those limited circumstances where Florida law mandates that the holders of our Class A common stock vote as a separate class. BFC s interests may conflict with the interests of our other shareholders.

RISKS ASSOCIATED WITH OUR OWNERSHIP STAKE IN BLUEGREEN CORPORATION

We own approximately 31% of the outstanding common stock of Bluegreen Corporation, a publicly-traded corporation whose common stock is listed on the New York Stock Exchange under the symbol BXG . Although traded on the New York Stock Exchange, our shares of Bluegreen s common stock may be deemed restricted stock, which would limit our ability to liquidate our investment if we chose to do so. While we have made a significant investment in Bluegreen Corporation, we do not expect to receive any dividends from the company for the foreseeable future.

For the year ended December 31, 2007, our earnings from our investment in Bluegreen were $10.3 million, compared to $9.7 million in 2006, and $12.7 million in 2005. At December 31, 2007, the book value of our investment in Bluegreen was $116.0 million. A significant portion of our earnings and book value are dependent upon Bluegreen s ability to continue to generate earnings and maintain its market value. Further, declines in the market value of Bluegreen s shares or other events that could impair the value of our holdings would have an adverse impact on the value of our investment. We review our investment in Bluegreen for impairment on an annual basis or as events or circumstances warrant for other than temporary declines in value. Bluegreen recently announced its intention to pursue a rights offering to its shareholders of up to $100 million of its common stock and we currently intend to participate in the rights offering. We refer you to the public reports filed by Bluegreen with the Securities and Exchange Commission for information regarding Bluegreen.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own our principal and executive offices located at our Corporate Headquarters at 2200 West Cypress Creek Road, Fort Lauderdale, Florida 33309. In 2008, we are planning to seek to lease to third parties the space in our executive offices and relocate to smaller space due to the number of employees we have remaining at this facility. Core Communities owns their executive office building in Port St. Lucie, Florida. We also have various month to month leases on the trailers we occupy in Tradition Hilton Head. In addition to our properties used for offices, we additionally own commercial space in Florida that is leased to third parties. Because of the nature of our real estate operations, significant amounts of property are held as inventory and property and equipment in the ordinary course of our business.

ITEM 3. LEGAL PROCEEDINGS

Levitt and Sons Bankruptcy

On November 9, 2007, Levitt and Sons and substantially all of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Florida.

It is not possible to predict the impact that the Chapter 11 Cases will have on Levitt and Sons business and creditors or on Levitt Corporation. See Item 1. Business Recent Developments Bankruptcy of Levitt and Sons.

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Class Action litigation

On January 25, 2008, plaintiff Robert D. Dance filed a purported class action complaint as a putative purchaser of our securities against us and certain of our officers and directors, asserting claims under the federal securities law and seeking damages. This action was filed in the United States District Court for the Southern District of Florida and is captioned Dance v. Levitt Corp. et al., No. 08-CV-60111-DLG. The securities litigation purports to be brought on behalf of all purchasers of our securities beginning on January 31, 2007 and ending on August 14, 2007. The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder by issuing a series of false and/or misleading statements concerning our financial results, prospects and condition. We intend to vigorously defend this action.

General litigation

We are party to additional various claims and lawsuits which arise in the ordinary course of business. We do not believe that the ultimate resolution of these claims or lawsuits will have a material adverse effect on our business, financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None submitted.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Class A common stock is listed on the New York Stock Exchange (the NYSE) under the symbol LEV. BFC is the sole holder of the Company s Class B common stock and there is no trading market for the Company s Class B common stock. The Class B common stock may only be owned by BFC or its affiliates and is convertible into Class A common stock at the discretion of the holder on a one-for-one basis.

The quarterly high and low sale prices of our Class A common stock on the NYSE for the years ended December 31, 2007 and 2006 are presented in the following table.

	2006		2007	
	High	**Low**	**High**	**Low**
First Quarter	$ 25.50	$ 20.10	$ 15.44	$ 9.19
Second Quarter	$ 22.33	$ 14.15	$ 11.82	$ 8.47
Third Quarter	$ 16.10	$ 9.22	$ 10.62	$ 2.00
Fourth Quarter	$ 13.70	$ 11.54	$ 4.00	$ 1.54

The stock prices do not include retail mark-ups, mark-downs or commissions. On March 7, 2008, the closing sale price of our Class A common stock as reported on the NYSE was $1.91 per share.

Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total returns (assuming reinvestment of dividends) for the Class A common stock, the Dow Jones U.S. Total Home Construction Index and the Russell 2000 Index and assumes $100 was invested on January 2, 2004.

	Symbol	1/2/2004	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Levitt Corporation Class A common stock	LEV	100.00	152.48	113.60	61.31	11.04
Dow Jones US Total Home Construction Index	DJUSHB	100.00	140.43	161.22	127.99	56.58
Russell 2000 Index	RTY	100.00	116.18	120.04	140.44	136.58

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Comparison of Four Year Cumulative Total Return

Holders

On February 27, 2008, there were approximately 690 record holders and 95,040,731 shares of the Class A common stock issued and outstanding. Our controlling shareholder, BFC, holds all of the 1,219,031 shares of our Class B common stock outstanding.

NYSE Certification

On October 9, 2007, the Company submitted its Annual Section 303A.12(b) Certification to the NYSE. Pursuant to this filing, the Chief Executive Officer provided an unqualified certification that, as of the date of the certification, he was not aware of any violation by the Company of the Corporate Governance Listing Standards of the NYSE.

Dividends

On each of January 24, 2006, April 26, 2006, August 1, 2006, October 23, 2006 and January 22, 2007 our Board of Directors declared cash dividends of $0.02 per share on our Class A common stock and Class B common stock. These dividends were paid in February 2006, May 2006, August 2006, November 2006 and February 2007, respectively. There were no other dividends declared during the years ended December 31, 2006 and 2007.

The Board has not adopted a policy of regular dividend payments. The payment of dividends in the future is subject to approval by our Board of Directors and will depend upon, among other factors, our results of operations and financial condition. We do not expect to pay dividends to shareholders for the foreseeable future.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data as of and for the years ended December 31, 2003 through 2007. Certain selected financial data presented below as of December 31, 2007, 2006, 2005, 2004 and 2003 and for each of the years in the five-year period ended December 31, 2007, are derived from our audited consolidated financial statements. Based on the loss of control over Levitt and Sons as a result of the Chapter 11 Cases and the uncertainties surrounding the nature, timing and specifics of the bankruptcy proceedings, Levitt Corporation deconsolidated Levitt and Sons as of November 9, 2007, eliminating all future operations from its financial results. The results of operations for the Primary and Tennessee Homebuilding segments are through November 9, 2007 with the exception of the operations of Carolina Oak which are for the full year. As a result of the deconsolidation, the consolidated financial condition data does not include the Primary and Tennessee Homebuilding segments with the exception of Carolina Oak. This table is a summary and should be read in conjunction with the audited consolidated financial statements and related notes thereto which are included elsewhere in this report.

	As of and for the Year Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
	(Dollars in thousands, except per share, unit and average price data)				
Consolidated Operations:					
Revenues from sales of real estate	$ 410,115	566,086	558,112	549,652	283,058
Cost of sales of real estate (a)	573,241	482,961	408,082	406,274	209,431
Margin (a)	(163,126)	83,125	150,030	143,378	73,627
Earnings from Bluegreen Corporation	10,275	9,684	12,714	13,068	7,433
Selling, general & administrative expenses	116,087	119,337	87,162	70,992	42,027
(Loss) income from continuing operations	(236,385)	(9,143)	55,069	57,420	26,820
Income (loss) from discontinued operations, net of tax	1,765	(21)	(158)	(5)	
Net (loss) income	$ (234,620)	(9,164)	54,911	57,415	26,820
Basic (loss) earnings per common share:					
Continuing operations	$ (6.05)	(0.45)	2.73	3.04	1.78
Discontinued operations	0.05		(0.01)		
Total basic (loss) earnings per common share	$ (6.00)	(0.45)	2.72	3.04	1.78
Diluted (loss) earnings per common share:					
Continuing operations	$ (6.05)	(0.46)	2.70	2.98	1.74
Discontinued operations	0.05		(0.01)		
Total diluted (loss) earnings per common share (b)	$ (6.00)	(0.46)	2.69	2.98	1.74
	39,092	20,214	20,208	18,883	15,108

Basic weighted average common shares outstanding (thousands) (c)					
Diluted weighted average common shares outstanding (thousands) (c)	39,092	20,214	20,320	18,965	15,108
Dividends declared per common share	$ 0.02	0.08	0.08	0.04	
Key Performance Ratios:					
Margin percentage (d)	(39.8)%	14.7%	26.9%	26.1%	26.0%
SG&A expense as a percentage of total revenues	27.9%	20.8%	15.4%	12.8%	14.7%
Return on average shareholders equity, annualized (e)	(77.6)%	(2.6)%	17.0%	27.3%	23.0%
Ratio of debt to shareholders equity	105.3%	171.4%	113.6%	89.9%	138.8%
Ratio of debt to total capitalization (f)	51.3%	63.2%	53.2%	47.3%	58.1%
Ratio of net debt to total capitalization (f)	14.9%	58.0%	38.0%	24.9%	46.1%

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	As of and for the Year Ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands, except per share, unit and average price data)				
Consolidated Financial Condition Data:					
Cash	$ 195,181	48,391	113,562	125,522	35,965
Inventory of real estate	$ 227,290	822,040	611,260	413,471	254,992
Investment in Bluegreen Corporation	$ 116,014	107,063	95,828	80,572	70,852
Total assets	$ 712,851	1,090,666	895,673	678,467	393,505
Total debt	$ 274,820	588,365	397,309	264,967	174,093
Total liabilities	$ 451,745	747,427	545,887	383,678	268,053
Shareholders equity	$ 261,106	343,239	349,786	294,789	125,452
Book value per share (j)	$ 2.71	17.31	17.65	14.88	8.47
Primary Homebuilding:					
Revenues from sales of real estate	$ 345,666	424,420	352,723	418,550	222,257
Cost of sales of real estate (a)	501,206	367,252	272,680	323,366	173,072
Margin (a)	$ (155,540)	57,168	80,043	95,184	49,185
Margin percentage (d)	(45.0)%	13.5%	22.7%	22.7%	22.1%
Construction starts	558	1,445	1,212	1,893	1,593
Homes delivered	998	1,320	1,338	1,783	1,011
Average selling price of homes delivered	$ 338,000	322,000	264,000	235,000	220,000
Net orders (units)	383	847	1,289	1,378	2,240
Net orders (value)	$ 94,782	324,217	448,207	376,435	513,436
Tennessee Homebuilding (g):					
Revenues from sales of real estate	$ 42,042	76,299	85,644	53,746	
Cost of sales of real estate (a)	51,360	72,807	74,328	47,731	
Margin (a)	$ (9,318)	3,492	11,316	6,015	
Margin percentage (d)	(22.2)%	4.6%	13.2%	11.2%	
Construction starts	171	237	450	401	
Homes delivered	146	340	451	343	
Average selling price of homes delivered	$ 205,000	224,000	190,000	157,000	
Net orders (units)	110	269	478	301	
Net orders (value)	$ 20,621	57,776	98,838	51,481	
Land Division (h):					
Revenues from sales of real estate	$ 16,567	69,778	105,658	96,200	55,037
Cost of sales of real estate	7,447	42,662	50,706	42,838	31,362
Margin (a)	$ 9,120	27,116	54,952	53,362	23,675
Margin percentage (d)	55.0%	38.9%	52.0%	55.5%	43.0%

Acres sold	40	371	1,647	1,212	1,337
Inventory of real estate (acres) (i)	6,679	6,871	7,287	5,965	6,837
Inventory of real estate (value)	$ 189,903	176,356	150,686	122,056	43,906
Acres subject to sales contracts					
Third parties	259	74	246	1,833	1,433
Aggregate sales price of acres subject to sales contracts to third parties	$ 77,888	21,124	39,283	121,095	103,174
Assets held for sale	96,214	47,284	19,134	7,985	
Total assets	342,696	271,169	228,756	194,825	83,034
Liabilities related to assets held for sale	80,093	28,263	10,770	3,262	
Notes and mortgage notes payable	137,057	68,642	51,294	49,470	15,174
Total liabilities	214,393	133,015	94,006	83,343	23,621
Total shareholders equity	$ 128,303	138,154	134,750	111,482	59,413

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(a) Margin is calculated as sales of real estate minus cost of sales of real estate. Included in cost of sales of real estate for the years ended December 31, 2007 and 2006 are homebuilding inventory impairment charges and write-offs of deposits and pre-acquisition costs of $206.4 million and $31.1 million, respectively, in our Primary Homebuilding segment. In our Tennessee Homebuilding segment impairment charges amounted to $11.2 million and $5.7 million in the years ended December 31, 2007 and 2006, respectively.

(b) Diluted (loss) earnings per share takes into account the dilutive effect of our stock

options and restricted stock using the treasury stock method and the dilution in earnings we recognize as a result of outstanding Bluegreen securities that entitle the holders thereof to acquire shares of Bluegreen s common stock.

(c) The weighted average number of common shares outstanding in basic and diluted (loss) earnings per common share for all prior periods presented has been retroactively adjusted for the number of shares representing the bonus element arising from the rights offering that closed on October 1, 2007. Under the rights offering, stock was issued on October 1, 2007 at a purchase price below the market price on October 1, 2007

resulting in the bonus element of 1.97%. The number of weighted average shares of Class A common stock is required to be retroactively increased by this percentage for all prior periods presented.

(d) Margin percentage is calculated by dividing margin by sales of real estate.

(e) Calculated by dividing net (loss) income by average shareholders equity. Average shareholders equity is calculated by averaging beginning and end of period shareholders equity balances.

(f) Total capitalization is calculated as total debt plus total shareholders equity. Net debt is calculated as total debt minus cash.

(g) Bowden Building

Corporation was acquired in May 2004. The Company had no homebuilding operations in Tennessee in 2003.

(h) Revenues and costs of sales of real estate include land sales to Levitt and Sons, if any. These inter-segment transactions are eliminated in consolidation. Included in total liabilities is a net receivable amount associated with intersegment loans. This amount eliminates fully in consolidation but has the effect of decreasing liabilities when shown on a stand alone basis. As of December 31, 2007, the Parent Company (Other Operations) had outstanding advances from Core Communities in the amount of $38.3 million which are generally

subordinated to loans from third party lenders. These advances eliminate in consolidation.

(i) Estimated net saleable acres (subject to final zoning, permitting, and other governmental regulations and approvals). Includes approximately 56 acres related to assets held for sale as of December 31, 2007.

(j) Book value per share is calculated as shareholders equity divided by total number of shares issued and outstanding as of December 31 of each year.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

Our operations have historically been concentrated in the real estate industry which is cyclical in nature. In addition, the majority of our inventory has been located in the State of Florida.

Our ongoing operations include our land development business, Core Communities, which sells land to residential builders as well as to commercial developers, and internally develops commercial real estate and enters into lease arrangements with tenants. In addition, our Other Operations consist of an investment in Bluegreen, a NYSE-listed company in which we own approximately 31% of its outstanding common stock. Bluegreen is engaged in the acquisition, development, marketing and sale of ownership interests in primarily drive-to vacation resorts, and the development and sale of golf communities and residential land. Other Operations also includes limited homebuilding activities in Tradition Hilton Head through our subsidiary, Carolina Oak, which is developing a community known as Magnolia Walk. The results of operations and financial condition of Carolina Oak as of and for the three year period ended December 31, 2007 are included in the Primary Homebuilding segment in this Annual Report on Form 10-K because it is engaged in homebuilding activities and because the financial metrics from this company are similar in nature to the other homebuilding projects within this segment that existed during these periods. Until its filing for protection under the Bankruptcy Code on November 9, 2007, Levitt and Sons engaged in the construction and sale of residential housing.

Outlook

The homebuilding environment continued to deteriorate throughout 2007 as increased inventory levels combined with weakened consumer demand for housing and tightened credit requirements negatively affected sales, deliveries and margins throughout the industry. Excess supply, particularly in previously strong markets like Florida, in combination with a reduction in demand resulting from tightened credit markets and reductions in credit availability, as well as buyers fears about the direction of the market, exerted downward pricing pressure for residential homes and land. As a result of the significant slowdown Levitt and Sons and substantially all of its subsidiaries filed the Chapter 11 cases. See Item 1. Business Recent Developments Bankruptcy of Levitt and Sons for the current status of the Chapter 11 Cases.

Our Land Division entered 2007 with two active projects, Tradition, Florida and Tradition Hilton Head. During 2007, we continued our development and sales activities in both of these projects with increased activity in Hilton Head from the prior year. As a result of the Hilton Head expansion, we incurred higher general and administrative expenses in the Land Division in 2007. In addition, the overall slowdown in the homebuilding market had an effect on demand for residential land in our Land Division which was partially mitigated by increased commercial sales and commercial leasing revenue. Traffic at the Tradition, Florida information center slowed from prior years in connection with the overall slowdown in the Florida homebuilding market.

As we enter 2008, we will continue to focus on the strength of our balance sheet and will continue to bring costs in line with market conditions and our strategic objectives. We have taken steps to align our staffing levels with current and anticipated future market conditions and have implemented expense management initiatives throughout the organization. While there is clearly a slowdown in the homebuilding sector, the Land Division expects to continue developing and selling land in its master-planned communities in South Carolina and Florida. In addition to the marketing of parcels to homebuilders, the Land Division plans to continue to expand its commercial operations through sales to developers and the internal development of certain projects for leasing to third parties. The Land Division is currently pursuing the sale of two of its commercial leasing projects. However, while the commercial real estate market has generally been stronger than the residential real estate market, interest in commercial property is showing signs of weakening and financing is not as readily available in the current market, which may adversely impact the profitability of these sales.

We are also engaged in limited homebuilding activities in Tradition Hilton Head through our wholly owned subsidiary, Carolina Oak. Levitt Corporation had a previous financial commitment associated with this community and management determined that it was in the best interest of the Company to develop the community. As of December 31, 2007, Carolina Oak had 14 units under current development with no units in backlog. Carolina Oak has an additional 91 lots that are currently available for home construction. We may decide to continue to build the remainder of the community which consists of approximately 403 additional units if the sales of the existing units are successful. The results of operations and financial condition of Carolina Oak as of and for the three year period ended December 31, 2007 are included in the Primary Homebuilding segment in this Annual Report on Form 10-K.

Looking forward, we intend to pursue acquisitions and investments opportunistically, using a combination of our cash and third party equity and debt financing. These acquisitions and investments may be within or outside of the real estate industry. We also intend to explore a variety of funding structures which might leverage and capitalize on our available cash and other assets currently owned by us. We may acquire entire businesses, majority interests in companies or minority, non-controlling interests.

Financial and Non-Financial Metrics

Performance and prospects are evaluated using a variety of financial and non-financial metrics. The key financial metrics utilized to evaluate historical operating performance include revenues from sales of real estate, margin (which we measure as revenues from sales of real estate minus cost of sales of real estate), margin percentage (which we measure as margin divided by revenues from sales of real estate), (loss) income from continuing operations, net (loss) income and return on equity. We also continue to evaluate and monitor selling, general and administrative expenses as a percentage of revenue, our ratios of debt to shareholders equity and debt to total capitalization and our cash requirements. Non-financial metrics used to evaluate historical performance include saleable acres in our Land Division and the number of acres in our backlog. In evaluating future prospects, management considers financial results as well as non-financial information such as acres in backlog (measured as land subject to an executed sales contract). The ratio of debt to shareholders&