

Housing

Slump sends Levitt & Sons to Chapter 11

**Burdened with debts
and slow sales, storied
home builder Levitt and
Sons filed bankruptcy.**

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Levitt and Sons, the Fort Lauderdale homebuilder, filed for Chapter 11 bankruptcy protection Friday, becoming South Florida's biggest casualty yet of the dismal housing market.

The bankruptcy filing could mark the beginning of the end for the company famous for its construction of Levittown, a mass-produced Long Island subdivision built after World War II. And it may be the harbinger of troubles for other homebuilders struggling in the downturn.

"I think, unfortunately, we will see more real-estate related Chapter 11's," said **Paul Singerman**, Levitt and Sons' bankruptcy lawyer.

As homebuilders expanded during the real-estate boom, many took on large amounts of debt to finance their growth. With the market souring and home purchases stalling, the companies aren't bringing in enough money to pay the debt. "For a big company it's painful, but for a smaller company it leads to bankruptcy," said Miami real-estate analyst Lew Goodkin.

Revenues have plunged and losses mounted at regional homebuilders such as WCI Communities, a Bonita Springs-based builder of single-family homes and condos, and Hollywood-based TOUSA.

At Levitt and Sons, a unit of publicly traded Levitt Corp., fortunes since August have slid precipitously as the housing slump paralyzed buyers. Levitt and Sons cut about three-fourths of its workforce, stopped building homes and negotiated feverishly with lenders to renegotiate its debt, but to no avail.

Levitt and Sons reported \$442.7 million in assets and \$531 million in liabilities as of Sept. 30, according to the U.S. Bankruptcy Court filing.

Alan Levan, chairman and CEO of Levitt Corp., did not return calls for a comment.

Levitt and Sons builds in Florida, Georgia, South Carolina and Tennessee. Levitt Corp., also owns Core Communities, which builds master-planned communities, and owns a stake in timeshare firm Bluegreen.

TROUBLE FOR PARENT

Friday, Levitt Corp., said it lost \$169.2 million in the third quarter due to problems at Levitt and Sons. The stock, which traded above \$20 a share two years ago, closed at \$1.84. The company announced it would pursue a wind-down of the business or sell all or part of the

company. It named Lawrence E. Young, managing director of Alix Partners, a financial advisory firm, as chief restructuring officer.

Since September, Levitt and Sons has cut about 320 jobs – employment stands at 72. In September, Levan cited the “worst market we’ve experienced in 25 years of homebuilding.”

Buyers of Levitt homes are essentially in limbo: possible scenarios include lenders providing the financing to finish the homes, or other builders completing construction, Singerman said.

In the past month, Levitt and Sons has defaulted on three loans of \$125 million each with Wachovia, Key-Bank and Bank of America, and on a \$75 million loan with Regions Bank.

“NO VALUE”

Levitt Corp., ultimately determined its investment in Levitt and Sons “has no value,” so the home building unit’s financial operations are being separated from the parent company, said spokesman Michael Freitag. The parent and Core Communities are “Financially strong and conducting normal business operations,” the company said in a statement.

The bankruptcy represents a comedown for Levan, who also heads BankAtlantic Bancorp and holding company BFC Financial, both in Fort Lauderdale. BFC Financial is the controlling share-holder of Levitt Corp.

Two years ago, Levan was hailed as “CEO of the Year” in South Florida CEO magazine. Among his big moves: buying Levitt and Sons in 1999 for \$21 million and spinning it off as a public company in 2003.

But some investors and analysts grew restless with his approach as the market slumped. Phil Frohlich, whose Prescott Group Capital Management in Tulsa, Okla. own 6.2 percent of Levitt Corp., earlier this week told The Wall Street Journal that Levan “hasn’t done a very good job running any” of his companies.

All homebuilders have been feeling the pinch.

In September Miami-based Lennar announced its biggest quarterly loss - \$513.9 million – in its 53-year history. And TOUSA, the Hollywood company, hired a financial advisory firm this week to assist in developing a long-term business plan and explore restructuring. Touse’s stock price has dropped from \$10.87 to 35 cents in a year.

Other real-estate firms have struggled as well. Juan Puig, a condominium converter in Hialeah, filed Chapter 11 in May more than \$100 million in debts. He later agreed to sell nearly all of his personal possessions to start paying off creditors.

Miami Herald staff writer Ina Cordle contributed to this report.

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