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Introduction

If this country and corporate America have learned anything about fraud these past few months it has been that the perpetration of these acts is never compartmentalized. That is, Bernie Madoff's alleged first crime was not \$50 billion, but rather a smaller set of earlier compromises that went undetected, which reinforced the behavior and ultimately lead to larger and larger illegal activity. Unlike bank robbery, for example, white collar crime is not uncovered immediately after the offense takes place, which tends to reinforce the behavior.

In the case of ZZZZ Best, the first crime was not a \$26 million stock fraud,¹ but the theft from a local liquor store of a \$200 money order to meet payroll in 1982. When that crime went undetected, the criminal behavior was reinforced and every time economic pressure reared its ugly head, a pragmatic return to such behavior took place and the wheels of the ZZZZ Best debacle were set in motion.

“Once upon a time there was LENN-RON”

Once upon a time, Lennar Corporation, a public company listed on the New York Stock Exchange, entered into a joint venture with a private developer to build an elite, high-end housing project and golf course in prestigious Rancho Santé Fe, CA. The deal was simple: The predecessor to Briarwood Capital, LLC would contribute the value of his claims which were at the time of the contribution in excess of 50 million dollars and also included claims to the property itself—some 540 acres--while the big public company would, among other things, manage the development on a daily basis. As part of the agreement between the two parties, Lennar assisted in the acquisition of the land for the development of the project.

But Lennar appears to have had a hidden motive...get the cash!

An operating agreement² was signed by both parties in August of 1997 and at the closing of this transaction, the smaller developer agreed to contribute the value of his claim and claims to the property itself to the newly formed venture, HCC Investors. In June of 1999 the claims were realized at a sum total of 37.5 million and subsequently wired to the HCC bank accounts per both parties understanding as a capital contribution. And then the unthinkable happened.

¹ The victim impact of the ZZZZ Best fraud according to the government’s version of the pre-sentence report and the judgment and commitment order was \$26 million and not the “hundreds of millions” often cited by the media. The clarification of this is not an attempt to depreciate the significance of the offense but rather to accurately cite victim impact.

² Please see addendum 1, original operating agreement. The original operating agreement between Briarwood Capital, LLC and Lennar was in August of 1997. There were four amendments in writing from 1997 to date but none of those amendments authorized Lennar or any of their entities to send out the \$37.5 million contributed by Briarwood Capital, LLC. It was clearly stated from the beginning that the terms of the operating agreement could only be changed ‘in writing.’ Also, the operating agreement precluded Lennar from encumbering or leveraging (borrowing against) their interest in this project. Lennar appears to have violated this provision because they would later pledge their interest in The Bridges to the LandSource joint venture, which resulted in Briarwood receiving a bankrupt partner.

Within hours of receiving those funds by wire³ on June 25, 1999, the big public company, despite the required in-writing permission that had to be granted prior to any funds leaving the HCC Investors bank account—wired out the entire sum by sending out two separate wires to the same entity—to the exact penny of the wired-in contribution. The funds were wired to another one of the public company's wholly owned subsidiaries, which had nothing whatsoever to do with the project. The recipient of the wire, Pacific GreyStone had merged with Lennar Corporation in November of 1997—almost two years prior to the funding of this project and it was not until November of 2001—more than two years from the date of the wire that Pacific GreyStone would perform any work or services on the project.

What happened next was that over a period of approximately of 5 years, Lennar refused, despite obligations to do so in the operating agreement and numerous written requests, to provide accounting for the wired funds of June 25th, 1999 and the revenue of at the time in excess of 400 million dollars. Accounting was only obtained by court order. And it revealed what happened to the 37.5 million dollars.

When confronted by the developer about this undisclosed wire, the big public company argued through a countersuit that there was a verbal agreement that the developer had made which superseded the clear prohibition of such activity cited in the operating agreement.⁴ Lennar's position is that even though the operating agreement precluded verbal agreements that somehow the developer agreed that Lennar could simply take a 37.5 million contribution and wire it to an unaffiliated entity.

The above story, although it begins with “once upon a time” is sadly not fiction. The moral of the story is the smaller developer learned that if one goes into a joint venture project with the big public company builder, and works hard to make the project very successful, the big public company builder will even use the project as an example of a successful project and will even go as far as placing pictures of said project (the “Bridges”) on the front page of a certain Lennar controlled entity's annual report.⁵ Moreover, despite Lennar's use of the project

³ Client confirms the funds were wired out within hours of being sent.

⁴ Please see addendum 3, Lennar Corporation Counter Claim response. See 9th cause of action. The quote is a summation, not a direct quote from the filing.

⁵ Please see addendum 4, summary interview of Mr. Bruce Alvazian. In an interview on December 17th, 2008 with former Lennar employee Mr. Bruce Alvazian, a former licensed CPA, he indicated that Lennar issued annual reports for their joint ventures, audited by a firm other than the company's main outside auditing firm. On one of those annual reports, a picture of ‘The Bridges’ project and golf course of Rancho Santa Fe appeared, and was used to lure in new Lennar joint venture partners.

as a tool to leverage the project to obtain additional joint venture partners and lenders, they claimed to their partner Briarwood Capital, LLC that, even though they were unable to produce any accounting, and never did so until the court ordered, they knew for sure the project was “losing money.”

This report is far more than a “he said, she said” argument between litigants. Instead, it connects the dots of the public record and other documents to prove that Lennar Corporation has a pattern of behavior over a sustained period of time of knowingly and willfully abusing the legal system to gain an unfair advantage over the less capitalized, smaller entities⁶.

⁶ The purpose of mentioning the Briarwood Capital, LLC case in this report is not to prove the truth of the matter. To that end, we have included Lennar Corporation’s 2nd amended cross complaint so their voice in the Briarwood Capital, LLC would be heard as it relates to their objections to the Briarwood Capital, LLC claims. However, our report does seek to, from the public record, establish an apparent cumulative effect of the multiple law suits claiming similar breaches in order to argue a pattern of behavior. However, and because we on more than one occasion cite our client, Briarwood Capital, LLC prominently, it should be noted that Briarwood Capital’s principal’s contribution to what became the “Bridges” Community (HCC) in Rancho Santa Fe was in excess of 50 million dollar judgment they won and subsequently possessed (which was later reduced by the appeals courts to 37.5 million) to the joint venture. From 1995 to 1996 Lennar put approximately \$200,000 towards the legal battle against the property in dispute (the defendant’s name was Mr. Williams) but after spending about \$200,000 Lennar decided to walk away in 1996. Briarwood Capital’s principal then secured contingency counsel and ended up winning a judgment in excess of 50 million dollars. That is when Lennar came back into the picture and both parties were aware that in exchange of Briarwood Capital’s contributing the judgment to the joint venture, even if the appellate court later reduced the award for punitive damages to zero (it ended up being reduced to 37.5 million) Briarwood Capital was entitled to 50% of the Bridges project. Admittedly there are other details of this case—for example tens of millions of dollars were taken by Lennar (above all the other monies they took from the project) for “management fees”, and Lennar funneled tens of millions to affiliated companies, while, in addition, our client and Lennar each received approximately 26 million in “gross percentage fees” over a period of about 10 years. Lennar has not claimed that the management fees received by Briarwood Capital LLC over a ten year period were his original principle investment being returned or profits in what amounted to one of the most successful real estate developments in San Diego history. Additionally, in Lennar’s most recent 2nd amended cross complaint they discuss a default on two property lots at the Bridges that closed escrow in November of 1999 (Homesite #8 for 1,018,500 and Homesite #9 for \$1,212,500). An obligation for \$2,007,900, approved by HCC Investors and Lennar was provided in connection with the acquisition of these lots—with the clear understanding that the obligation was to be repaid from distributions scheduled for the very next quarter. Under Lennar’s management—despite the receipt of over 400 million in revenue from inception to present—Lennar, as manager of HCC, has not made a single distribution in the history of the project. Despite a clear, in writing, agreement to distribute excess cash on a quarterly basis. There was no obligation to pay the abovementioned obligation without distribution and this was clearly understood. Finally, there was no issue at all regarding the two lots until the Lennar counter claim seven years later.

Lennar's Civil "RICO" Type Behavior Predicate Acts Included!

In all the years of experience the Fraud Discovery Institute, Inc has had in proactive fraud uncovering, we have never encountered a more ruthless entity than Lennar Corporation. The company is ruthless because when cash became tight after the building crisis, the company began to routinely engage in litigation in order to buy time on payments owed to joint venture partners and other Lennar creditors. This predatory approach of intimidation by threat of a lawsuit works in an economy where dollars are tight. Lennar wears down their opponents with procedural matters, thereby abusing "due process" in order to better posture themselves for settlement with a much less-capitalized victim.

Lennar Corporation is indeed the "bully of the prison yard." Consider the number of lawsuits shown in the 'Lennar Litigation Skyrockets!' in red flag 4 of this report. This is a summary of one lawyer's search of the public record relating to the approximate number of lawsuits in which Lennar Corporation is currently involved.

Of course the nation's second largest home builder is bound to run into litigation from angry homebuyers complaining about faulty construction, or even former employees who sue for wrongful termination. However, in the case of Lennar this multitude of lawsuits and the issues raised within the lawsuits cannot be so easily dismissed as the "normal course of business." Instead, it appears to be a clever, intentional plan constructed by senior management to preserve cash at any cost through the abuse of the courts and the "buying of time before resolution" that always accompanies a lawsuit. In other words, why pay a joint venture partner \$30 million or \$40 million now when you can create a huge cash "float" by paying a law firm hundreds of thousands dollars a month to prolong and hopefully reduce payment?

The second abuse of the courts by Lennar Corporation can be seen in their use of the legal system to inoculate *any* new evidence that may paint the company in a negative light and show them for what they really are - a group of ruthless bullies who abuse the power and capital of a S&P 500 company to intentionally do harm to the less funded, smaller entity. Lennar Corporation in and through its counsel has a unique approach to dealing with critics that we who uncover fraud identify as the technique of "diversion and dismissal."

The technique of *diversion and dismissal* as utilized by Lennar Corporation goes something like this: "Do whatever it takes - no matter how much it costs - to cloud and taint any evidence at its source *before* anyone in the media, the public,

or law enforcement objectively analyzes it. Do this with a 'preemptive strike' type of lawsuit alleging slander, malice, fraud or whatever necessary."

The facts are not the issue for Lennar Corporation. The technique of diverting these facts by the filing of a lawsuit to taint the origin of the findings is what matters to this group of predators. It is for this reason that the Fraud Discovery Institute, Inc has relied almost solely on the public record to corroborate our list of "red flags for fraud at Lennar," in order to carefully preserve the evidence so that it is useable and above reproach.

Despite the clear "count the cost before you say anything negative about us" message that Lennar sends to any current or future critics through their long public record history of litigation, the truth must come out about this company and how they exploit and take advantage of smaller and less capitalized adversaries. That these smaller companies become adversaries is really self-fulfilling, in that Lennar breaks clear, written promises as is the case with many of their current joint venture lawsuits.

That this particular bullying has gotten out of hand can be seen when counsel for Briarwood Capital, LLC⁷ describes how difficult it was to find experts for the upcoming Lennar Corporation trial - not because of the facts of the case, but rather because "the word is out that any expert who goes up against Lennar will get sued." The cost of doing business when one factors in a lawsuit - even if it is argued that it is the right thing to do - often prevents embattled Lennar defendants or plaintiffs from getting a fair shake in the legal system. It is for this reason and many others that a RICO type of intentional bullying behavior can be clearly established and must be immediately addressed by law enforcement as the scales of justice and rule of law are at issue.

New Urgency for Regulators Regarding Lennar

This case now takes on even greater significance as the potential for President Elect Barack Obama's stimulus package, which would benefit Lennar Corporation through the re-filing of up to five years of corporate tax returns.⁸ This obviously plays into Lennar's pursuit of cash after their attempt to use strong

⁷ Stated in initial meeting with counsel in November, 2008.

⁸ Please see addendum 6, article in Wall Street Journal dated January 6th, 2009 explaining potential stimulus package.

political ties⁹ to generate interest in a “home builder bailout” failed. Lennar Corporation has always inserted itself into the political process to help achieve their end goal.¹⁰

There is simply no way the United States government, after independently corroborating our opinion on the standard business practices at Lennar Corporation - including practices at UAMC, the company’s mortgage division - can reward the past and current behavior of this company with a huge cash prize. The company’s entire current business plan is built on the hoarding of cash at all costs until the “cure” comes,¹¹ and the government could be the cure.

It is for this reason that the Fraud Discovery Institute, Inc will widely circulate this report to law enforcement and members of the Congress and Senate, and continue the investigation of Lennar Corporation, in order to educate the public on the “below the surface” activities of what we believe to be a financial crime in progress. And in a world after Bernie Madoff, no new stimulus package can include financial incentives for a company that exhibits apparent fraudulent behavior.

A Preview of Some of the Lennar Red Flags for Fraud

- Lennar Chief Operating Officer Receives \$5,000,000 loan from unlicensed lender who is, without disclosure interrelated to the company’s project in Kern County, California (**See Red Flag #1**).
- Lennar Corporation siphons cash, without authorization from one joint venture project and places it in a separate and unrelated project (**See Red Flags #3 and #8**).
- Lennar Corporation treats their joint ventures exactly like a Ponzi scheme, pledging their older joint venture interests to leverage themselves into newer joint venture relationships despite operating agreements that prohibit this unauthorized movement of interests (**See Red Flag #8**).

⁹ Please see

http://www.energy.ca.gov/sitingcases/sanfrancisco/documents/intervenors/BROWN_L_CARE_2005-01-26.PDF. Here Lennar agents/employees appear to have family ties to both Major Gavin Newsome and Congresswoman Nancy Pelosi. At the very least, this should have conflicted them out of any Lennar-related decisions.

¹⁰ For example, please see

http://www.energy.ca.gov/sitingcases/sanfrancisco/documents/intervenors/BROWN_L_CARE_2005-01-26.PDF.

¹¹ For fraud perpetrators, the scheme must stay afloat until the “cure” comes and solves the problems. For the ZZZZ Best fraud it was the potential selling of one million shares of ZZZZ Best stock.

- Lennar Corporation continues to provide vague and less than transparent responses to the SEC inquiries about off balance sheet, joint venture debt (**See Red Flag #6**).
- Lennar litigation skyrockets. How many people must be lying in order for Lennar to be believed (**See Red Flags #4 and #9**)?
- Lennar has exhibited a pattern of behavior over a sustained period of time of deceptive business practices, ranging from building homes using Chinese drywall to cut costs, to causing CALPERS (the California Public Retirement Fund) to lose approximately \$1 billion (**See Red Flags #7 and #9**).

Top Ten Red Flags for Fraud at Lennar Corporation

Red Flag #1 San Diego residents are familiar with the fraud involving Congressman Randall "Duke" Cunningham, in which he disguised a kickback from a defense contractor through the inflated sale price of his home.¹² Since that case, fraud investigators often look for disguised income or other malfeasance of a related party through the vehicle of their primary residence.

During our investigation, the Fraud Discovery Institute, Inc looked at the public record filings of Mr. Jonathan Jaffe, Lennar Corporation's Chief Operating Officer,¹³ specifically his primary residence.¹⁴ Much to our surprise, Mr. Jaffe's personal residence located in Laguna Beach, California has multiple loans against it:

- A first trust deed with Wells Fargo for \$2,100,000 taken out in January 2004
- A second trust deed for \$3,000,000 taken out in January 2004
- A curious \$5,000,000 third trust deed loan taken out in late September 2007

This third loan was done well into the 'writing on the wall' of the housing crisis.¹⁵ In fact, just 45 days from when Mr. Jaffe borrowed more money on his Orange

¹² Please see addendum 6, article regarding Duke Cunningham.

¹³ Please see page 16 of <http://www.sec.gov/Archives/edgar/data/920760/000119312508014540/d10k.htm>. Mr. Jaffe was named Chief Operating Officer for Lennar in 2004.

¹⁴ Please see addendum 7, letter from AFX Title.

¹⁵ Please see

http://www.businessweek.com/investing/content/mar2007/pi20070327_445486.htm?campaign_id=tbw%22

In the first quarter of 2007, Lennar reported a dramatic drop in sales. In November of 2007, less than 45 days after the funding of the Jaffe \$5,000,000 third trust deed, Lennar slowed down 2 projects in the very

County home with this unusual \$5,000,000 third trust deed, Lennar announced it halted sales at Irvine's Central Park West and postponed construction of A-Towntwo, both in Orange County.

How is it that Mr. Jaffe received a \$5,000,000 highly leveraged third trust deed loan in late September 2007 which placed his house “upside down” in equity? What was the true substance of this transaction? Was the \$5 million really a disguised payment for services?

The apparent problem becomes even more perplexing when one notes that the lender is Robert Venneri, through his company Canyon Finance, Inc. While Mr. Venneri appears to have a license in California to sell real estate,¹⁶ we were unable to find a current California lender's license in either his name or the name of the company on the Jaffe deed of trust.

Mr. Venneri also currently owns GulfStream Finance and Canyon Capital, Inc.¹⁷ Lennar Corporation is owed \$22 million by SunCal for a failed project in Kern County, California.¹⁸ This is notable because Mr. Bruce Elieff, the CEO of SunCal,¹⁹ became involved with none other than Robert Venneri in two 2008 mortgages. Venneri's company GulfStream Finance was the lender and secured party. In the UCC filing, the debtor is listed as Mr. Elieff.²⁰

We dug deeper into the relationship between the SunCal/Lennar Kern County project, Mr. Venneri's connection to SunCal and its CEO Bruce Elieff, and Mr. Venneri's connection to Mr. Jaffe. We noted that all of these transactions

area, Orange County, where Mr. Jaffe lives—please see http://www.ocregister.com/ocregister/money/housing/article_1917172.php.

¹⁶ Please see addendum 8. Although the California Residential Mortgage Lending Act does appear to exempt licensed brokers like Mr. Venneri from obtaining a California Finance Lenders License in certain transactions, our contention is that for a personal with the experience of Mr. Jaffe and the fact that Mr. Jaffe is the COO of a company that itself holds various lenders licenses in their mortgage division UAMC, that Mr. Jaffe would obtain multi million dollar loan from a caliber of lender that possesses a California Finance Lenders License and the fact that he did not but chose Mr. Venneri implies there may be another reason why this multi million dollar transaction went through Canyon Finance, Inc.

¹⁷ Please see addendum 9, Robert Venneri proof of ownership of Gulf Stream Finance.

¹⁸ Please see http://www.bakersfield.com/hourly_news/story/599114.html.

¹⁹ The point here is not that Mr. Elieff or SunCal has committed wrongdoing necessarily as receiving a loan from Mr. Venneri equals wrongdoing. Rather, we are simply stating that there is a connection and apparent undisclosed relationship on the Lennar side of the Kern County, California joint venture with SunCal and Bruce Elieff, as well as Mr. Jaffe's relationship with Mr. Venneri and Mr. Venneri's relationship with Mr. Elieff. Moreover, public companies have higher and stricter disclosure standards than private companies.

²⁰ Please see addendum 10.

occurred without any related party transaction disclosures by Lennar Corporation in any of their SEC filings.²¹

In checking just what Mr. Venneri and his entities did in Kern County, the public record reveals²² that on June 2, 2005, Mr. Venneri and Canyon Capital purchased Lots 3&4 in section 36 (Bakersfield) from Frank and Norma Fugitt for \$1,294,500. On June 23, 2005 they purchased lot 5 in section 36 from John Balfanz (a custom home builder) for \$1,248,000. Based on figures contained in a lot of line adjustments (DOC number 0205244976), it appears that these three lots (3, 4 and 5) contained a total of 51.81 acres and were part of parcel numbers 514-30-01 and 514-30-02.

Then on January 10th, 2006 Canyon Capital sold a 13.61 acre portion of Lots 4&5 (Parcel A) to Fore J Development, LLC, a company connected to Balfanz, **for an unlisted amount of money**. It appears that Canyon Capital may have developed the remaining land and obtained a new lot and parcel numbers for it because in 2007 Canyon Capital sold lots in a Tract 6353, that in some documents are referenced as being part of parcels 514-30-01 and 514-30-02, while in other documents they are referenced as being part of parcels 514-030-19 and 514-030-21.

In particular, on June 22, 2007 Canyon Capital sold Lots 1-44 of tract 6353 to John Balfanz Homes, Inc for \$4,400,000. Then on August 10, 2007, Canyon Capital sold lots 45 and 46 of tract 6353 to John Balfanz Homes, Inc **for an undisclosed** ("confidential") amount of money and took back a \$9,720,000 deed of trust (loan) secured by lots 45 and 46. Even though we don't know how much Canyon Capital sold the 13.61 acre parcel for, **we do know that they sold Lots 1-46** to John Balfanz Homes, Inc for at least \$14,120,000.

Given that Canyon Capital only paid \$2,542,500 in total for this land, the fact that they could turn around and sell this land for more than \$14,120,000 (a whopping 455% more than the purchase price) in 2 years in, of all places, Kern County (no offense to those in Kern County but it is no Rancho Santa Fe) suggests they either had some kind of insider knowledge that this land was going to increase tremendously in value, or, through a self fulfilling prophecy, they developed this land which contributed to its increased value. In fact, Lennar Corporation has a

²¹ We checked the K's, the Q's and the relevant Proxy Statements.

²² Please see addendum 11, the entire Kern County record where each lot and sale is referenced to find its supporting documentation.

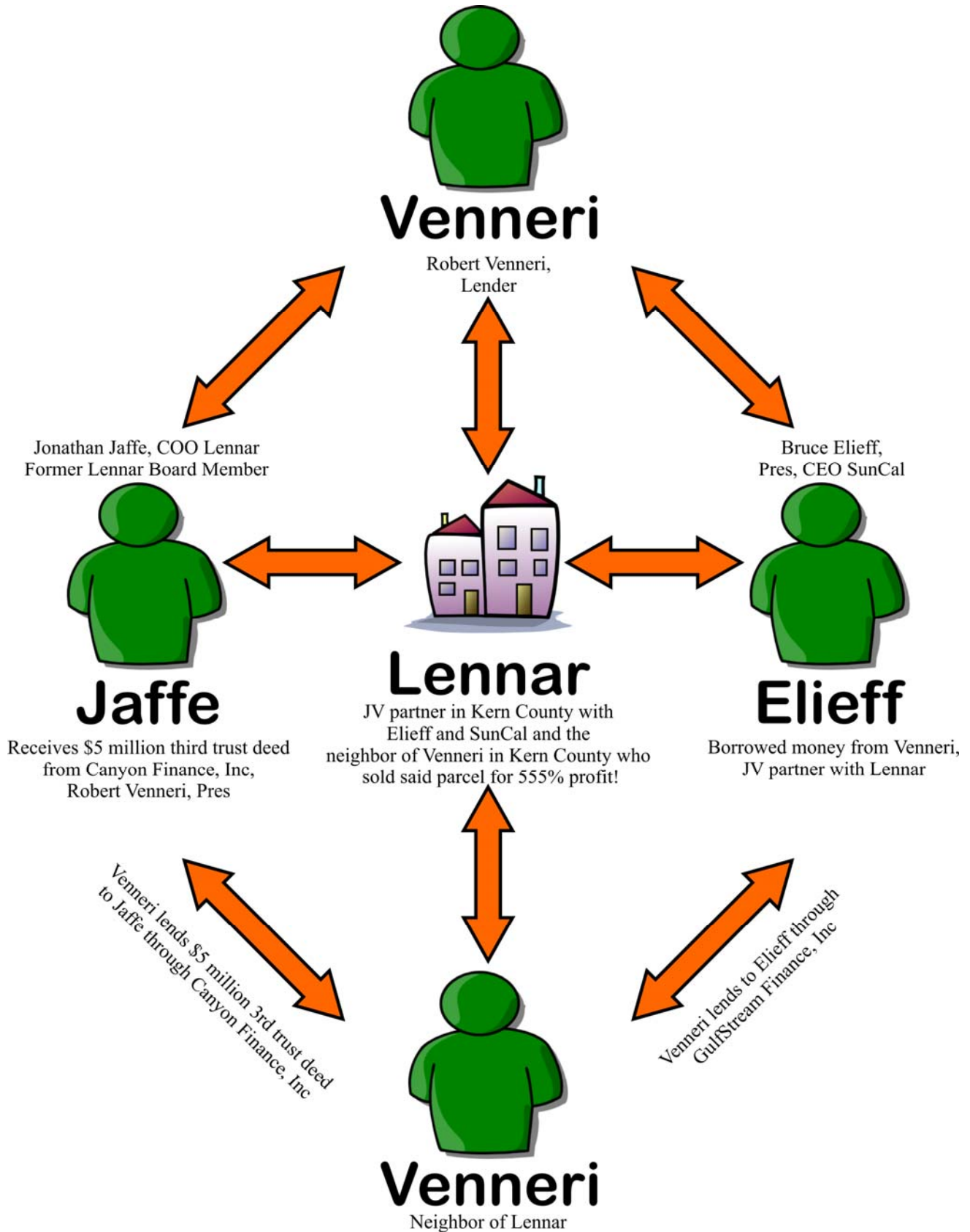
recently developed a subdivision called 'Spring Place North' located right next door to Mr. Venneri's property.²³

Another curious component of these transactions is the coincidental loan made within 30 days of this 455% profit of Mr. Venneri's when he makes an unwise \$5,000,000 loan on a piece of over-encumbered real estate owned by Lennar's COO Mr. Jonathan Jaffe. Could this be a Cunningham type of real estate transaction in which a disguised, preferential payment is being made? At the very least, probable cause exists for the audit committee to abide by Sarbanes-Oxley and retain outside, independent, counsel to investigate this entire ordeal. But for now, it is true that Lennar's latest 10-K and proxy statements report no **related party transaction** disclosures made about the connection between the real estate and debt transactions including Mr. Venneri, SunCal, Mr. Jaffe, and Mr Elieff. If anyone should know the importance of disclosing related party transactions it would be Mr. Jaffe, as up until 2004, he was on the Lennar Board of Directors.²⁴ At a minimum the audit committee should immediately engage independent, outside counsel to investigate every aspect of these transactions.

(Full-page graph follows)

²³ Please see addendum 13, where the aerial map and public parcel confirm the Lennar/Venneri neighboring properties. In fact, Mr. Venneri's parcels that he sold for 555% profit in 2007 are located literally directly across the street from the Lennar development, Spring Place North.

²⁴ [http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/06-22-2004/0002198267&EDATE=.](http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/06-22-2004/0002198267&EDATE=)



Red Flag #2 If the above scenario is hard to comprehend, what happens next regarding Mr. Venneri and Lennar is even more perplexing. First it should be noted that perpetrators of fraud are always walking contradictions, and this ‘red flag’ is most certainly true of Lennar. To understand the intricacies and the importance of this red flag, consider the fact that at the very time Bernie Madoff is stating on video that the regulatory environment in the U.S. is so strict that no money manager or registered investment advisor could commit material fraud against the investment community, he was perpetrating an alleged, \$50 billion fraud to which he would confess only months later.

In a like manner, at the same time that Lennar Corporation’s senior management is walking away from an agreement with Forest Lawn Mortuary²⁵ (leaving a funeral home of all places holding the bag) and not performing on a contract with RFC Construction Funding, LLC,²⁶ Lennar Corporation is quick to scream “*foul*” or “*fraud*” when they perceive that someone may be cheating them. Clearly Lennar has a double standard of appealing to the law while simultaneously breaking much more serious laws by fraud and deceit.²⁷

For example, consider the fact that on January 6, 2009, Lennar’s general counsel, Mr. Daniel Petrocelli called for the deposition of a bank employee based in Orange County to answer questions about an attempted identity theft on one of the bank’s customers, Mr. Robert Venneri.²⁸ Someone with a “raspy” voice allegedly called the local branch of Mr. Venneri’s bank asking for information about his account. The astute bank employee immediately placed the caller on hold and called Mr. Venneri, confirming that the caller was an imposter. No information was provided to the imposter.²⁹

²⁵ Please see addendum 13, article about the Forest Lawn lawsuit.

²⁶ Please see addendum 14, lawsuit against Lennar by RFC Construction with surprising points of similarity between that case and the Briarwood case.

²⁷ Many of the suits, including the stockholders/derivatives class action make the “fraud” allegation against Lennar.

²⁸ We realize that when a lawsuit exists between a public company and another party that discovery evidence, even some depositions, may be covered in a confidentiality agreement which was entered into by Briarwood Capital, LLC at the beginning of this case. It is for this reason that the Fraud Discovery Institute, Inc on January 6th, 2009 first checked, by phone, with the lawyer in charge of the Lennar litigation on behalf of Briarwood Capital, LLC before alluding to this particular deposition in the report.

²⁹ Mr. Petrocelli, no doubt, was attempting to establish a pattern similar to his previous case of *Stephen Slesinger, Inc., v. Walt Disney Company, Inc.* in which men dressed as janitors entered office buildings and stole attorney-client information that they were not entitled to. Of course, there is no point of similarity between the Disney case and this issue—especially since the bank employee did the right thing and refused to provide information.

Mr. Petrocelli went into “*attack and proactively discredit the messenger*” mode. He apparently wanted to create doubt about our first red flag by showing that some underhanded ‘investigator’ appears to have attempted (albeit unsuccessfully) to pretext Mr. Venneri’s personal banking information. It quickly becomes apparent just how desperate and just how far Lennar and its counsel will go to utilize the technique of *diversion* to take the sting out of the damaging evidence of suspicious unreported related party transactions.

First, the predicate act of the undisclosed related party transaction between Mr. Venneri and Mr. Jaffe comes solely from a proactive search of the public record. This independent trail of evidence can be immediately corroborated and duplicated by anyone in the media or Mr Petrocelli directly. Not one bank record or bank balance was needed to string together this series of events, as a simple title search on Mr. Jaffe’s primary residence reveals a third trust deed loan given by the president of Canyon Finance, Inc a California Corporation with no California lender’s license.

Immediately one has to ask how the COO of the nation’s second largest building company with an established subprime lending division (UAMC) could receive a real estate loan from a company with no California lender’s license.³⁰ Mr. Jaffe clearly knows that loan applications for Lennar’s subprime mortgage division disclose lending licenses in various states.³¹

The most important part of this scenario is that the deposition further confirms an undisclosed related party connection between Lennar Corporation, Mr. Venneri, Mr. Jaffe, and Mr. Elieff. Mr. Petrocelli has essentially confirmed that he is not representing the interests of Lennar or Mr. Jaffe as corporate counsel, but rather the interest of Mr. Venneri.³²

No experienced identity thief in the world would call the main branch of a national bank to steal personal information, as that is the only branch likely to discover the misrepresentation of the identity thief, which lowers the likelihood of success in this crime. A real criminal would instead call an 800 number of the national bank so that the customer service employee would have no chance of recognizing Mr. Venneri’s voice. The alleged identity theft makes no sense.

³⁰ Please see addendum 9, Mr. Venneri’s entities and licensing and lack thereof licensing.

³¹ Please see http://lennarholidayhomes.co.uk/ParadisePalms/UAMC_Pre-Qual_Banking_Info.pdf.

³² Even if Mr. Petrocelli states that he was there on behalf of Lennar, how close does Mr. Venneri have to be to the senior management of Lennar to get their general counsel to investigate an issue relating to his personal finances?

Maybe, faced with the devastating and inescapable public record proof of an undisclosed related party transaction, someone *not known* to Mr. Petrocelli wanted to taint the imminent release of this evidence and planted a silly call to the bank. What we know for sure is that: (1) to his credit, the bank employee did not reveal any of Mr. Venneri's information, (2) the public record confirming the related party transaction requires no personal banking information, and (3) in our experience, thieves are smart enough to not attempt to extract information from the very bank branch where the target is best known. In light of all of this, the technique of diversion will not work here for Mr. Jaffe, Lennar Corporation or Mr. Petrocelli.

Red Flag #3 In proactive fraud discovery, the "if then" argument is critical. **If** a company is engaged in unlawful activity, **then** one would expect to find that this behavior is not compartmentalized. Rather, it is likely prevalent in multiple areas of the company's business. In the case of Lennar Corporation, the public record reveals exactly that. Moreover, when one digs below the surface of some of the lawsuits involving Lennar Corporation, a clear pattern of apparent fraudulent behavior emerges in multiple areas.

On December 19, 2008, Matt Haggman of the Miami Herald wrote the following about Lennar's president Stuart Miller:

Miller said Lennar's primary moves remain generating cash by selling off its inventory of unsold homes, reducing land purchases and building fewer homes. In the conference call, Miller said Lennar not only had \$1.1 billion in reserves - up from \$642 million a year ago - but it received a \$230 million tax refund, further fortifying its cash stash. 'In 2009, cash generation will continue to be our top priority,' Miller said.

What Mr. Miller conveniently left out was *how* the company obtained the billion dollars cash improvement through a June, 2008 5,000-victim filled bankruptcy (LandSource/Newhall). How many people, companies and communities were destroyed in the process of their cash improvement? The media and law enforcement needs to hold Mr. Miller and Lennar accountable for where they got this money, not the fact that they have it.

The irony is that the vehicle utilized by Lennar to generate cash (which, by their own admission, has been and continues to be their top priority) is to simply stiff their joint venture partners or anyone else owed a material amount of money. This failure to pay multiple joint venture partners cannot be dismissed by the company as some "net profit" dispute similar to Hollywood's problem of the

“rolling gross.” Rather, this is a failure to pay the principal dollars contributed by various joint venture partners.

First consider the example of Forest Lawn Mortuary. The company is currently suing Lennar Corporation for a breach of the operating agreement. David Waite, legal spokesman for the mortuary, demonstrated that the lawsuit captures the “Lennar methodology” - a blatant refusal to follow through with their written contractual agreements - when he stated: "The agreement (between Forest Lawn and Lennar) binds them, but they say they have moved on."

The same can be said for a \$30 million lawsuit against Lennar by RFC Construction Funding LLC. In summary, RFC loaned \$30 million to Palm Springs LLC (owned and operated by Lennar) for the development of homes, hotels and golf courses in Riverside, California. Apparently, Palm Springs/Lennar decided to halt the project and keep the money, despite contractual obligations to the contrary.

Then there is the horror of CALPERS (the California Public Retirement Fund), and a 120 year old company called Newhall Ranch, part of LandSource, and a syndicating bank Barclay's, who collectively lost hundreds of millions of dollars over 18 months primarily because of Lennar. In addition, CALPERS lost almost one billion dollars in this transaction with Lennar.

How much money did Lennar, in the abovementioned transaction receive while others lost? Lennar received 700 million and their sister company LNR received 700 million for an astounding total of \$1.4 billion plus other fees. Note also that Lennar's COO Jonathan Jaffe served on the Executive Committee of LandSource, from February of 2007 when the deal was made, through June of 2008 when the deal fell into bankruptcy and caused well over a billion dollars of losses to date. There are now some 24 projects (including the Newhall project, Mare Island, and Stevenson Ranch) wrapped up in this particular debacle largely due to the fact that Lennar appears to have fraudulently thrown various interests into LandSource when they obtained the original 1.4 billion they received out of the transaction. They pledged their interest in certain projects as collateral, in complete disregard for operating agreements that prohibited such behavior. The company pledged their interest in certain projects to a “newer” joint venture project in order to obtain fresh cash. The latter appears to be almost a ‘joint venture Ponzi.’

For Lennar it does not stop with joint venture partners as in the LandSource bankruptcy alone there are over 5000 creditors claiming they owed over 45 million dollars many of them smaller companies that cannot afford to take the

'cash hit.' Contractors big and small have also been stiffed for hundreds of thousands of dollars by Lennar. Consider the following few examples:

- 9/18/08 - Griffin Construction suing Lennar for \$93,860 - contract/work not paid
- 1/25/08 -Southern California Pipeline suing Lennar for \$925,675 - contract/work not paid
- 11/21/07 - Archuleta Concrete suing Lennar for \$39,841 - labor and concrete not paid
- 9/18/07 - Mesa Contracting suing Lennar for \$3,567,781 - construction not paid.
- 2/7/07 - Palomar Grading and Paving suing Lennar for \$307,947 - labor and materials not paid

This behavior is not limited in scope or "compartmentalized" to just the courtroom. A recent story reveals yet another problem area for Lennar that indicates a prevailing attitude and standard business practice of taking shortcuts and taking advantage of people. In "Chinese Drywall Fears Widen in SW Florida,"³³ we are told of Lennar allegedly cheating in the home building process with the undisclosed use of drywall from China. This secret approach has resulted in claims of defective homes, and makes it apparent that Lennar will cut costs no matter who gets hurt in the process.

One Lennar whistleblower wrote and mailed a letter to us from Santa Ana, California in October of 2008. It states:³⁴

As a manager I have witnessed endless improprieties made by Stuart Miller (Lennar's CEO), Jon Jaffe (Lennar's Chief Operating Officer) and management

In the last 5 months, I have been involved in unwinding all of material Lennar off-balance sheet joint ventures. I have been instructed to move everything back on to the balance sheet as quickly as possible to avoid any further inquiries from either the FBI or the SEC enforcement agency. As I review each joint venture, I am finding countless abuse and improper accounting treatment.

³³ Please see addendum 15, Chinese Drywall Fears Widen in SW Florida. More about the application of this point will be in point 7.

³⁴ Please see addendum 16, unabridged whistleblower letter. A more thorough examination and application of this letter will be made in point 5.

Red Flag #4 The legal disclosures provided by Lennar in SEC filings regarding their many lawsuits are hopelessly inadequate, and in our opinion, this constitutes a material misrepresentation of the company's true financial condition through the potential exposure of filed suits. For example, in their latest Q they summarize all of the legal proceedings made in this report and the hundreds of others by the below paragraph.

In their latest 10-Q, Lennar states:

Item 1. Legal Proceedings. In August 2008, we entered into a Settlement Agreement with the Bay Area Air Quality Management District under which we agreed to pay \$515,000 in settlement of claims that a subcontractor on a major project in the San Francisco Bay Area of California failed to properly maintain air sampling equipment and that another subcontractor failed to comply with the requirements regarding washing truck tires and maximum truck loads that are intended to prevent tracking out of dust."³⁵

That's all? A company with hundreds of lawsuits and hundreds of millions of dollars on the line dedicates about 5 lines of disclosure, and doesn't even allude to the potential of a material adverse effect.

In the company's latest 10-K, the 'Legal Proceedings' disclosure states:

We are party to various claims and lawsuits which arise in the ordinary course of business. Although the specific allegations in the lawsuits differ, they most commonly involve claims that we failed to construct homes in particular communities in accordance with plans and specifications or applicable construction codes and seek reimbursement for sums allegedly needed to remedy the alleged deficiencies, assert contract issues or relate to personal injuries. Lawsuits of these types are common within the homebuilding industry. **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.** From time-to-time, we also receive notices from environmental agencies regarding alleged violations of environmental laws. We typically settle these matters before they reach litigation for amounts that are not material to us.

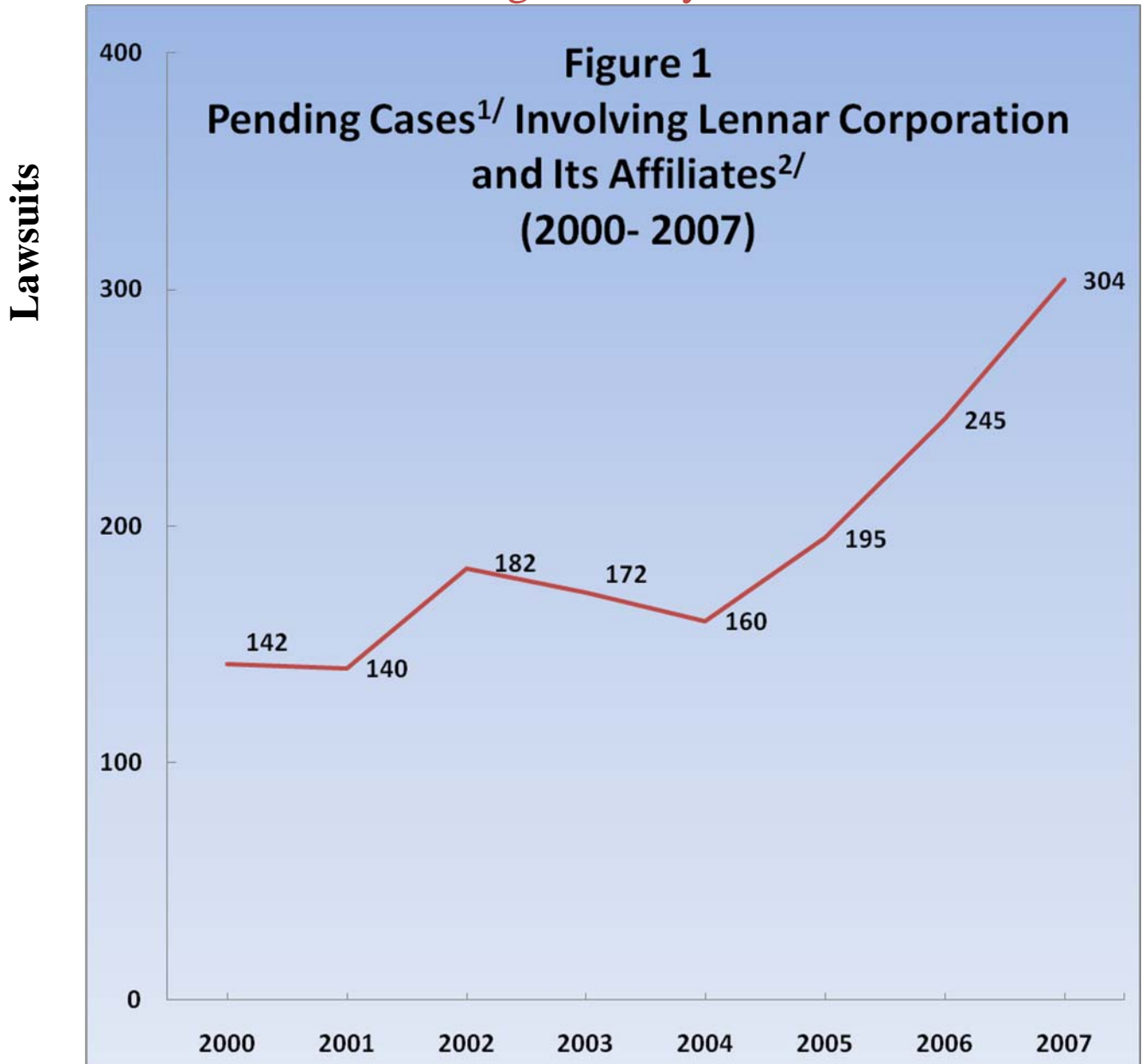
³⁵ Please see page 50 of <http://www.sec.gov/Archives/edgar/data/920760/000119312508209125/d10q.htm>.

This standard disclosure language may work for other companies but not Lennar. Even the cost of defending these multiple lawsuits--should they defy odds and win them all--is clearly material. It is the view of the Fraud Discovery Institute, Inc that Lennar Corporation has absolutely no intention of paying what is rightfully owed to joint venture partners, and that is why they make such an inadequate legal proceeding disclosure despite what is presented by the below graph titled '**Lennar Litigation Skyrockets!**'

However, Lennar's delusional, predatory approach to doing business may not be shared by the SEC, certain judges, and possibly juries. Therefore, when facing multiple millions of dollars in claims over "principal" dollars contributed by a joint venture party, no amount of positive "spin" can change the reality that this is a most incomplete and misleading legal disclosure as we have ever seen.

(Full-page graph follows)

Lennar Litigation Skyrockets



1. The cases include the reported cases in which Lennar Corporation and/or its affiliates are parties, either as a plaintiff or a defendant.

2. Lennar's "Affiliates" are listed on the accompanying Schedule of Lennar Corporation's Affiliates.³⁶

³⁶ Please see addendum 17, report from attorney.

Red Flag #5 The whistleblower letter referenced previously corroborates the following four critical facts about Lennar's manipulation of the numbers and the players:

A. The expenses and profits of the various Lennar joint ventures are manipulated by the company at random and shifted from one joint venture to another as it best suits the senior management of the company. This corroborates the Briarwood Capital claim that their capital contribution of \$37.5 million was used on a totally unrelated Lennar joint venture project.

The whistleblower writes:

For example, Mr. Miller's friends such as Rony Seilkaly, have invested in multiple joint ventures, where Mr. Miller has verbally promised a guaranteed preferred return and/or no principal loss on his investment. Case in point: Mr. Seilkaly was an investor in 4 separate joint ventures during the height of the real estate frenzy. Mr. Miller ordered us to pay back Mr. Seilkaly and his company their principal and his guaranteed preferred return on one joint venture and the principal back on three other joint ventures. These four joint ventures are projected to incur significant losses and Mr. Miller chose to have Lennar's shareholders take the losses, not Mr. Seilkaly.

B. Lennar Corporation's senior management freely manipulates financial information by hiding debt and creating fictitious profitability, to deceive stockholders, analysts and future investors who rely on these inaccurate figures.³⁷

The whistleblower states:

In the last 5 months, I have been involved in unwinding all of material Lennar off-balance sheet joint ventures. I have been instructed to move everything back on to the balance sheet as quickly as possible to avoid further inquiries from either the FBI or the SEC Enforcement Agency. As I review each joint venture, I am finding countless abuse and improper accounting treatment. These joint ventures were created to hide significant debt positions and to deceive the shareholders, Wall Street analysts and credit rating agencies.

³⁷ This kind of allegation relating the manipulation of financial information relied upon by the public is also a charge/allegation contained in the Stockholder/derivative lawsuit. Please see addendum 18.

C. Our client, Briarwood Capital, is accurate in its claims of fraud and abuse by Lennar Corporation, as the whistleblower states:

I am aware you are seeking legal action against Lennar for improper management relating to your joint venture. As a manager, I have witnessed endless improprieties made by Stuart Miller, Jon Jaffe and management. I have to admit - you stand correct in your legal action against Lennar.

D. Lennar Corporation regularly engages in undisclosed, related party transactions just like the \$5 million undisclosed loan from Mr. Venneri to Mr. Jaffe discussed in our first red flag. The whistle blower notes how the Venneri/Jaffe situation is a pattern of behavior rather than an isolated incident when he states:

Another example is the Playa Vista joint venture. This also included Mr. Miller's friend where the company had to return their principal investment. Why he didn't require them to take their pro-rata loss is harming and upsetting. Bottom line, these are not 3rd party investors. It is unfortunately, you are not a close friend of 'Mr. Miller. I can guarantee Stuart Miller, Jon Jaffe and management are extremely sensitive to this matter.

Red Flag #6 Forensic CPA and Certified Fraud Examiner Tracy Coenen examined the correspondence between the SEC and Lennar relating specifically to their joint ventures. In our view, every fraud has two components: concealment of debt and inflation of income.

Joint venture projects are safe havens for concealed debt since they are off balance sheet entities. According to Ms. Coenen:

A significant issue for Lennar is the level of debt carried by the joint ventures (unconsolidated entities) it is involved with. This debt is referred to as "off balance sheet" because Lennar doesn't report it on its own financial statements. And while this reporting may comply with the accounting rules, it is often conveniently used by companies that want to hide their true financial condition.

The SEC was clearly interested in the issue of the debt of the joint ventures, and asked Lennar for details³⁸ including:

Terms of the debt held by your unconsolidated entities, including average interest rates, whether the debt is fixed vs. floating, maturities, amount of principal payments due by period, material covenants, and whether these entities were in compliance with the covenants at the date of your balance sheet.

Did Lennar choose transparency in its response? No. The company chose vague and evasive answers that provided essentially no details about the debt of the joint ventures. Lennar kindly stated, however, that it does in fact know about the debt and monitors it.³⁹ But no details for the SEC.

Why does a company refuse to provide information to a regulatory body? One can only conclude that there is something to hide. A company truly interested in being transparent about its financial condition would provide the information requested by the SEC.

And what could there be to hide? Lennar had \$4.6 billion of liabilities on its own balance sheet as of August 31, 2008. On the same date, the debt of the joint ventures totaled another \$4.7 billion. That's clearly a material amount. And even though Lennar represents that it only guarantees \$630 million of the joint venture debt, the total debt load of \$9.3 is massive, and the details should certainly be of interest to investors.

Off-balance sheet debt is a major issue, especially in light of fallen companies like Lehman Brothers and Bear Stearns which used these types of deals aggressively. The debt is not included on the face of company's financial statement, and therefore essentially hidden from view of investors. How convenient.

³⁸ Please see, for example, the SEC correspondence with Lennar Corporation at <http://www.sec.gov/cgi-bin/browse-idea?action=getcompany&CIK=0000920760&type=corresp&dateb=&owner=exclude&count=40>.

³⁹ It should be stated that a huge contradiction exists here for Lennar. How in the world do they state to the SEC that they monitor closely the debt of their joint venture partners and yet turn right around, with their thumbs underneath their suspenders and say "We don't know how it happened, Briarwood Capital, LLC, but the most successful of our joint ventures, The Bridges, has surprisingly lost money."

Lennar's true financial condition borders on insolvent, and the company uses voodoo accounting to mask this. According to one writer,⁴⁰ Lennar:

1. Is borderline insolvent;
2. Makes use of voodoo accounting to book profits from assets held off balance (to boost performance metrics) and conceals significant debt off balance sheet as well (to health metrics);
3. Is operating at negative margins;
4. Is significantly discounting an exorbitant amount of inventory that is extremely overvalued in a highly unfavorable macro environment that is getting worse, not better.

The writer compares Lennar to Enron,⁴¹ a company that was found to be aggressively and inappropriately using off-balance sheet entities to cover up its true debt levels and fraudulently inflate earnings.

In the case of Lennar, the company's financial outlook certainly isn't rosy. In addition to an extremely weak real estate market and a high debt load both on and off the balance sheet, there are new conditions on Lennar's line of credit.⁴² The joint venture debt is so troublesome to J.P. Morgan Chase, that in its latest credit agreement with Lennar, the bank required the company to immediately begin reducing its exposure to the debt.

The excuse used by companies like Lennar is often, 'Hey, we are fully regulated by the SEC so if there was something wrong with us, then it would have shown up by now.'

Of course, those things that may be "wrong" aren't likely to be shown to the SEC by Lennar. Things like improper related party transactions, a hopelessly inadequate legal disclosure despite some 304 filed suits, off balance sheet debt and a variety of other items are things that companies actively conceal from the SEC. Until now, the SEC has not been able to see the "below the surface" activities of Lennar Corporation's true financial condition and lack of corporate governance.

⁴⁰ Please see <http://boombustblog.com/index.php/2007/11/2041/Voodoo-Zombies-Lennar%92s-Off-Balance-Sheet-Accounting-and-Other-Things-of-Mystery-amp-Myth.html>.

⁴¹ Ibid.

⁴² Please see amended credit agreement dated November 7, 2008 in addendum 19.

Red Flag #7 In the dispute over the Chinese drywall, Lennar misses the real issue. In a statement released on December 23, 2008, Lennar said that it was not the fault of Lennar (those darn sub contractors just can't be trusted), that the Chinese drywall was not authorized to be used in Lennar homes, but that the problem was not widespread enough to be deemed material.

Darin McMurray, Lennar's Southwest Florida division president,⁴³ stated:

So far, our investigation in Southwest Florida shows that independent subcontractors installed Chinese drywall in a very small percentage of Lennar homes built between November 2005 and November 2006...

This statement is problematic, first, because the investigation is not complete. Further, the issue is not how many (or how few) homes have been built with the faulty and unauthorized Chinese drywall. The real issue is that this is an apparent pattern of behavior seen across multiple divisions of Lennar.

This incident indicates an attitude of "cut costs no matter how it might hurt the victim homebuyer, joint venture partner, etc." In other words, Lennar is a company with a track record of doing business in a manner that always seeks to place their interests ahead of the customers and stockholders. We therefore expect to find evidence of that behavior in multiple areas, and when one takes a closer look at the company, that does appear to be the case.

Red Flag #8 This report has already established that Lennar Corporation appears to violate their joint venture operating agreements. Lennar and its subsidiaries freely transfer their interests from one joint venture project to another, even though their agreements prohibit this. One such example appears in the LandSource bankruptcy, in which 24 properties that were never part of the original deal are now a part of the legal proceedings. Why transfer interests between joint ventures? It is likely because the newer ventures have new cash to deplete and plenty of time before the partners find out about the transfers.

Even more problematic is the fact that these transfers have essentially created one giant Ponzi scheme with the joint venture activities. In most Ponzi schemes, the perpetrator receives the money, disperses it, and then is left in debt and looking for new sources of money, until the scheme fails and bankruptcy occurs.

⁴³ Please see

http://www.democraticunderground.com/discuss/duboard.php?az=view_all&address=115x180093 where Mr. McMurry, Southwest Florida Division President of Lennar Corporation.

Once the perpetrator has a track record of bankruptcy, he is finished and unable to raise additional funds.

But this is not the case with Lennar Corporation. Because Lennar is a large public company and appears to be untouchable (thanks to political connections and legal bullying), they have been able to continue to raise money even after several failed and bankrupt projects. Lennar recently claimed that they possessed more than 1 billion dollars in cash. Our point is that had they not looted LandSource or entered into a questionable tax refund driven deal with Morgan Stanley, they would have little to no cash at all. Looting LandSource and being the recipient of tax refunds appear to be a bit inconsistent with the Builder's business model.

Lennar's joint ventures end up being part of a Ponzi scheme because management appears to fraudulently transfer assets and then robs the cash from one entity to fund another, newer entity on a continuous basis. Depending on management's desire to offer preferential treatment to one party or another⁴⁴, they can hit one project with huge expenses (making it unprofitable on paper) and significantly reduce the expenses of the preferred project (making it profitable on paper).

This type of Ponzi scheme is exactly what the whistleblower alluded to, and what the serious student of the public record can easily conclude. It is clear that Lennar Corporation is currently perpetrating its scheme through the misallocation of expenses, unauthorized shifting of funds, and untenable and unpredictable returns.

Red Flag #9 How many people looking at this company have to be wrong for Lennar to be right? There is a cumulative effect of Lennar's behavior. It has been established multiple times that fraud is not compartmentalized, and instead appears abruptly in multiple areas of a company's business. The ensuing result becomes a cumulative effect on the credibility of the company and its senior management.

Why? Simply stated, how many hundreds of people (including past employees, current homeowners, past and present joint venture partners) would have to be lying for Lennar's version of events in these matters to be believed? How many people must be discredited in order for Lennar to be the exploited victim that management portrays the company to be?

⁴⁴ Please see Whistleblower letter in addendum 16.

How many ethical hoops must the average person or stockholder jump through to convince themselves that it is not the much smaller developers, pension funds and various communities violating operating agreements on a whim and breaking commitments ad infinitum, ad nauseam?

On the contrary, based on this evidence and the additional evidence we intend to uncover in the future, this situation appears to have all the predicate act ingredients of a civil RICO case. Not the least of these ingredients are the undisclosed related party transactions, the obscured joint venture debt, and the way Lennar actively seeks to deter adverse parties from seeking legal remedies.

With all of these in play at once, where does a party turn when a clear violation of an agreement is witnessed? If the person defrauded is convinced that there is collusion for the sole purpose of legal intimidation, the playing field for the average party without deep pockets is not level.

Based on the multiple predicate acts just taken from the public record and those we will reveal shortly, it is clear that Lennar Corporation, its senior management, and its subsidiaries have engaged in apparent fraudulent behavior over a sustained period of time that appears to meet the civil RICO burden.

Red Flag #10 An examination of some of the “either or” arguments in this matter help summarize and clarify the issues:

- Either Lennar Corporation misuses its status as a public company on the New York Stock Exchange through the intentional exploitation of their smaller and less capitalized business partners or they do not.
- Either the senior management of Lennar Corporation by and through its subsidiaries are serial borrowers and pledgers of collateral of joint venture assets in prohibition of operating agreements or they are not.
- Either Lennar Corporation’s Chief Operating Officer was involved in a \$5 million undisclosed related party transaction (possibly payment for services, disguised as a loan) or he was not.
- Either Lennar Corporation’s senior management wired \$37.5 million sourced from their joint venture partner without authorization or consent to an unrelated project or they did not.
- Either Lennar Corporation ruined LandSource, including a 120 year old development company, NewHall Ranch and pocketed 1.4 billion, along with their sister company which caused massive losses to CALPERS, Barclays Bank and over 5000 other creditors or they did not.

- Either the company intentionally exploits the legal system to preserve cash by forcing anyone owed a material amount of money to “sue to get it” no matter what was in the contract or they do not.
- Either Lennar Corporation regularly treats their joint venture projects like their own personal checkbooks, violates operating agreements, and masks their true debt obligations through off balance sheet transactions or they do not.
- Either the company makes adequate disclosures in their SEC filings about their legal proceedings or they do not.
- Either the company utilized Chinese drywall to cut costs and hoard cash at the expense of the unknowing home purchasers or they did not.
- Either Lennar Corporation will continue to get away with the blatant exploitation of the innocent (and may even receive a backdoor government bailout because of their political connections) or we, our client, former employees and other Lennar Corporation victims will once and for all successfully expose this apparent financial crime in progress.

Certain Disclosures

By way of introduction, the Fraud Discovery Institute, Inc. has proactively uncovered more than 20 cases of investor fraud similar to the alleged Madoff Ponzi scheme. One of our cases was actually made into a ‘made for television’ movie titled “**Million Dollar Con Man**,” which aired less than a year ago overseas.⁴⁵ The FBI has even commended the Fraud Discovery Institute, Inc. for its efforts by writing a letter corroborating the uncovering of “hundreds of millions” in financial fraud.

Even the Federal judge who presided over the criminal case of ZZZZ Best and, in March of 1989, pronounced a sentence of 25 years, would commend us almost 20 years later. Steve Kroft of 60 Minutes reported:

He’s now helped authorities uncover far more fraud than he ever perpetrated.” And as a result, Judge Dikran Tevrizian, who originally sentenced Minkow to 25-years, released him from the terms of his probation. “He has done some good things. He’s uncovered several hundreds of million dollars worth of frauds. And I give him credit for that,” says Tevrizian, who’s heard from federal authorities that Minkow has

⁴⁵ Please see addendum 20, Million Dollar Con Man.

helped in various investigations. “Not only the federal agencies, local agencies, but the insurance industry in uncovering lots of frauds that have been committed.”⁴⁶

Additionally, and perhaps most ironically, the lead prosecutor of the ZZZZ Best fraud was Mr. James Asperger, a current partner at O'Melveny & Myers LLP, the same firm that currently represents Lennar Corporation against our client, Briarwood Capital, LLC. Mr. Asperger in both an endorsement of Mr. Minkow's book titled “Cleaning Up”⁴⁷ and through an investor fraud series titled “Frauds Gone Wild” said:

As Barry Minkow's prosecutor, I zealously prosecuted him for his crimes relating to the ZZZZ Best fraud. With that same zeal, Barry has made a remarkable turnaround—both in his personal life and in uncovering far more fraud that he ever perpetrated.⁴⁸

Typically, the Fraud Discovery Institute, Inc when investigating public companies discloses that either Mr. Minkow or the company is “short” the stock (or purchased the options) on the company that is the subject of the report. This disclosure has been on the company web site for over two years (please see <http://www.frauddiscovery.net/privacy.html>).

In the case of Usana Health Sciences, Inc, that company sued the Fraud Discovery Institute, Inc in Federal Court for stock manipulation and slander among other charges. That case has been since settled to both parties' satisfaction. In that particular case, the Fraud Discovery Institute, Inc prevailed on a “SLAPP Motion” and FDI was also awarded legal fees.⁴⁹ Judge Campbell also published her opinion in our case which we have made available in its entirety.⁵⁰

⁴⁶ Please see http://www.cbsnews.com/stories/2005/05/19/60minutes/main696669_page2.shtml.

⁴⁷ Please see <http://www.nytimes.com/2005/02/20/books/bestseller/0220besthardnonfiction.html>.

⁴⁸ Cited from back cover of ‘Cleaning Up.’ That book hit the New York Times extended best seller List on three occasions. In no way is the citing of this quote of Mr. Asperger's an endorsement by him or meant to imply that he agrees with the Fraud Discovery Institute's views and conclusions regarding Lennar Corporation. This quote is provided to establish expertise in the field of proactive fraud uncovering from a partner at the same firm as opposing counsel in our client's litigation. It is also being utilized to prevent a priori dismissal of our track record in accurately identifying financial fraud.

⁴⁹ Please see addendum 21.

⁵⁰ Please see addendum 22, actual opinion in Usana v. Minkow and the article confirming legal fees awarded by the judge to the Fraud Discovery Institute, Inc.

However, in the case of Lennar Corporation, neither the Fraud Discovery Institute, Inc nor Barry Minkow are currently short the company stock or have purchased put options. The reason for this is simple and straightforward: There is a paying client in this case, and we wanted to prevent the possibility of diverting attention from the serious legal issues here to an “ex-con short seller.” Now Mr. Minkow will simply be the ex-con minus the “short seller.”

Conclusion

The enclosed report is not everything there is to know about Lennar Corporation, but everything law enforcement needs to know to establish probable cause to investigate what appears to be a blatant financial crime in progress. Sadly, the Fraud Discovery Institute *reluctantly* took on this Lennar Corporation assignment. The main reason we were reluctant is that even a cursory examination of the public record reveals the litigious nature of Lennar in an effort to deter potential critics of the company and even court experts from exposing the real way Lennar does business.

If we did not represent the victims in this case simply because of our fear of legal action by Lennar, who would? Someone must step up and proclaim that the “Lennar Emperor has no clothes,” even during a time when money is tight for many consumers and fear is preeminent. We have always held the firm belief that someone needs to speak for the victims and make sure their voice is heard—especially when there are many screaming the “fraud” allegation about the same company.

As we continue to work daily on this case, please let us know if you are in need of any further information.

Respectfully Submitted

Barry Minkow
Co-Founder, Fraud Discovery Institute, Inc

Reviewed by Shannon Boelter
Private Investigator, CA # 25643