

### Red Flags of Fraud Revealed by Fraud Discovery Institute Confirmed by Lennar and Independent Expert

On January 7, 2009, Barry Minkow and the Fraud Discovery Institute issued their initial report on Lennar Corporation, citing 10 Red Flags of Fraud. As of January 28, 2009 (only 21 days later), there is definitive proof that **four** of the red flags are true. Below is a comparison of the items from the original FDI report, the initial denials by Lennar, the later admissions by Lennar, and the opinion of an independent expert.

The result? No FDI allegations have been proven false. FDI also predicted that Lennar would sue Barry Minkow and the company in an attempt to intimidate them, and that prediction has been proven true as well.

FDI Reported	Lennar Initially Denied	Admission / Corroboration
1. Lennar Corporation <b>profited handsomely</b> from the LandSource venture while 5,000 victims lost when the project declared bankruptcy.	CEO Stuart Miller in a CNBC interview: "At the end of the day it's a venture where <b>all venture partners lost</b> – and, have lost – and we continue to try to find ways to maximize value in a venture that is today in bankruptcy, as you noted."	February 28, 2007 press release by Lennar: "The completion of the financing and transaction resulted in <b>a cash distribution to Lennar of approximately \$700 million...</b> In the first quarter of fiscal-year 2007, Lennar will recognize <b>approximately \$170 million of earnings</b> and, potentially, \$400 million in future years."  2008 10-K: "In November 2008, our land purchase options with LandSource were terminated (which resulted in us <b>recognizing a deferred profit of \$101.3 million</b> , net of \$31.8 million of write-offs, related to the 2007 recapitalization)."  The 2008 10-K released this week by Lennar seems to concede that previous disclosures were inadequate, as <b>far more information is provided in this filing</b> than ever before. Lennar now publicly acknowledges being party to 600 lawsuits, with the vast majority (538) as the defendant. The company also acknowledges that 184 of those lawsuits (over 30%) involve claims against Lennar that individually exceed \$250,000.
2. Disclosures about legal proceedings in Lennar SEC filings are <b>hopelessly inadequate</b> , and therefore materially misrepresented.	January 12, 2009 press release by Lennar: "Lennar's litigation is <b>accurately reported</b> and reserved for in accordance with generally accepted accounting principles."	The 2008 10-K released this week by Lennar seems to concede that previous disclosures were inadequate, as <b>far more information is provided in this filing</b> than ever before. Lennar now publicly acknowledges being party to 600 lawsuits, with the vast majority (538) as the defendant. The company also acknowledges that 184 of those lawsuits (over 30%) involve claims against Lennar that individually exceed \$250,000.

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<p>3. The use of low quality Chinese drywall in Lennar-built homes is likely <b>a bigger issue</b> that Lennar has admitted publicly.</p>	<p>January 9, 2009 press release by Lennar: "Today convicted felon Barry Minkow, acting as an agent for a disgruntled litigant, Nicolas Marsch III, posted <b>false</b> and inflammatory accusations concerning Lennar."</p>	<p>January 23, 2009 Business Journal article Lennar <b>Admits to Chinese Drywall Problems</b>: "Miami-based homebuilder Lennar Corp. said it has identified about 80 homes in Southwest Florida that are believed to have been built using Chinese drywall. The nation's second-largest homebuilder (NYSE: LEN) said it has set up a special task force to address homeowners' concerns and fix the problem."</p>
<p>4. The home of Lennar executive Jon Jaffe is <b>over-encumbered</b> when a \$5 million suspicious "loan" from Robert Venerri and Canyon Finance.</p>	<p>January 12, 2009 press release by Lennar: "At the time of the loan, the house was appraised at \$18 million by an independent appraiser on behalf of the lender. The first mortgage was for \$3 million; the second mortgage was a line of credit for \$2.1 million. <b>Together with the \$5 million loan, the total equaled \$10 million, a loan-to-value ratio of 55%.</b>"</p>	<p>January 21, 2009 report of independent appraiser George Hatch: "Based on the descriptions of the subject property throughout the report as well as the available information about the sales data presented as the comparables, <b>the \$18,000,000 value conclusion in the appraisal report is not supported or supportable.</b> Indeed, there is no indication among these data that this property is worth more than the \$9,000,000 - \$10,000,000 maximums that are indicated by a more reasonable analysis of Sales #3 and #4 in the report. Based on my prior review experience I believe it quite likely that if a federally regulated lending institution were caught by the federal regulators having accepted an appraisal report like this that they would be compelled to obtain a new appraisal from a different appraiser."</p> <p>This opinion has not been refuted by Lennar.</p>