

Fraud Discovery Institute, Inc. says Lennar Corporation (NYSE:LEN) CEO Stuart Miller “built a fraudulent foundation” in response provided in CNBC live interview

Sub Title: Consumer advocate group says Lennar (NYSE:LEN) executive failed to disclose the material fact of how much cash the company received while thousands of others lost in LandSource failure.

For Immediate Release

San Diego, California

Monday January 12th, 2009

The Fraud Discovery Institute, Inc. today released transcripts and documents that demonstrate that Lennar Corporation (NYSE:LEN) CEO Stuart Miller was not being particularly candid in a Friday January 9, 2009 live interview on CNBC.

The question came as the result of the Fraud Discovery Institute, Inc. revealing in their recently released Top 10 Red Flags for Fraud at Lennar Corporation that the company boasted on December 18, 2008 of a cash increase from \$642 million in 2007 to approximately \$1.1 billion in 2008. The report argued that a difficult housing market did not improve Lennar's cash position, so instead the company appears to have achieved the goal at the expense of a 5,000 person bankruptcy in which even CALPERS (the California Employee Pension Fund) lost approximately \$1.2 billion.

According to a transcript of Miller's interview with CNBC, he stated the following about the LandSource bankruptcy: "That deal has been vetted both in the press and it's been looked at pretty carefully. The fact is it's a premier parcel of land that has gotten caught up in the market downturn that I don't think anybody predicted would be as severe as it's been. At the end of the day it's a venture where all venture partners lost - 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."

But the public record reveals that Lennar did not lose as clearly stated by Mr. Miller. Instead, Lennar and its sister company LNR each received \$700 million (for a total of \$1.4 billion) in cash when they sold off a majority of their interest in the LandSource deal to MW Housing Partners. Mr. Miller also benefited personally via his 20.4% ownership stake in LNR. Lennar earned additional money from the LandSource deal via management fees it charged. Together, this enabled Miller to later boast that while other builders lost cash in 2008, his company was uniquely well capitalized.

"This is a clear lie about losing money, which flies in the face of what Mr. Miller knew to be false at the time he made the above comment. We will do our best to educate all relevant law enforcement agencies about this misrepresentation," said Minkow.



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Minkow further said that in FDI's original report, the company's paying client was clearly identified as a party who is currently in litigation with Lennar. "We were purposely clear about the issue of our client, yet it appears there was still some confusion. We want to emphasize that there was full disclosure in our report in footnote 6 on page 4, and in more than one addendum."

Partial Transcript Friday January 9th, 2009

CNBC Live Interview with Stuart Miller

CEO, Lennar Corporation

Well specifically, Lennar did spin off a joint venture with Calpers in 2007 – LandSource - which is a development in Valencia, California. Now it went into bankruptcy last year. This is one of the things they're citing in these allegations and Calpers lost about a billion dollars. Minkow is alleging fraud in that deal. How do you respond to that?

That deal has been vetted both in the press and it's been looked at pretty carefully. The fact is it's a premier parcel of land that has gotten caught up in the market downturn that I don't think anybody predicted would be as severe as it's been. At the end of the day it's a venture where all venture partners lost – 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.

But there have been no allegations by Calpers against you, is that correct?

There have been no allegations of fraud from anyone except for Minkow in this instance where he represents an angry litigant.

Now this litigant has filed a couple of lawsuits against you, one of them you told me was dropped, the other one is still in litigation. Why are they after you so much?

Well first, one of them wasn't dropped. It was actually dismissed. It was thrown out. And we have subsequently filed litigation in Florida against this litigant who has been trying to extort money from the company, and he's been using the litigation process, and we have alleged in our lawsuit that he is using every means to try to extort money where he's not being successful in the litigation process.

Given that, though, Mr. Miller, as soon as this news hit this morning many of the analysts out there on Wall Street said, "Well we've always been skeptical of Lennar's joint ventures." They didn't want to give any credence to what this report was saying, but they did say, "You know, we always take everything with a grain of salt." Why are – why is the Street so skeptical citing lack of transparency in your disclosures to the SEC?

Well there's no question that throughout the past years, because we've done so many joint ventures and each one is so unique, it's difficult to give the Street the kind of transparency that one would like to have if they were able to look at each one individually.

One analyst said he even had to “black box” Lennar, saying that you really couldn’t even tell anything.

Well I'm not really sure what black box means. We've had a pretty good relationship with all of the analysts on the Street and we've kept an open door with our investors as well. We've tried to give as much disclosure as possible. But we had almost 300 joint ventures at our peak. It's now down over 60%. But the amount of disclosure that would have been required to sate the appetite of the many people that were asking would have just been too extensive and too voluminous.

And do you feel at this point that divesting yourself of these joint ventures, or spinning them off as you would, was that a result specifically of the downturn in the housing market or because of this concern over transparency.

Well I think it's primarily derived from the downturn in the market. Many of the ventures started out to be optimistic about the land that was involved, and that land has been severely impaired and we've taken those impairments. And I might add parenthetically that in no instances have we used equity of one joint venture as collateral for debt of other ventures, as seems to be alleged in this circumstance. So the notion that the ventures are hiding some kind of a scheme to build up a balance sheet is just not true.

Lennar Corporation Press Release**LENNAR AND LNR EXPAND THEIR STRATEGIC LANDSOURCE PARTNERSHIP
TO INCLUDE MACFARLANE PARTNERS' VENTURE AND CALPERS**

Miami, January 2, 2007 — **Lennar Corporation (NYSE: LEN and LEN.B)**, one of the nation's largest homebuilders, and **LNR Property Corporation ("LNR")**, one of the nation's leading real estate, finance, management and development companies, announced today that they have reached an agreement to admit a new partner into their existing strategic joint venture, LandSource Communities Development LLC ("LandSource"). The new partner is MW Housing Partners, which is co-managed by MacFarlane Partners and includes the California Public Employees' Retirement System ("CalPERS").

As of July 1, 2006, LandSource had assets with a book value of approximately \$1.3 billion, with its primary investment being The Newhall Land and Farming Company ("Newhall"), which owns 15,000 acres of land in the rapidly growing Santa Clarita Valley, approximately 30 miles north of downtown Los Angeles. With 23,000 residential homesites, Newhall owns some of the last remaining large, undeveloped, but entitled, land in the greater Los Angeles area. It also owns 700 acres of commercial land and other property in the Santa Clarita Valley. Under the terms of the agreement, the LandSource assets are valued at approximately \$2.6 billion, with a potential increase adjustment to that value of over \$600 million.

The agreement also provides for a new non-recourse debt facility. In exchange for a 62% interest in LandSource, the MW Housing venture will contribute cash and property with a combined value of approximately \$900 million. The property, which is part of an existing land bank relationship between MW Housing Partners and Lennar, is being contributed based on today's fair market value. Lennar will continue to have options to purchase those homesites at the market price at the time of the exercise.

Commenting on the transaction, Stuart Miller, President and CEO of Lennar, and Jeffrey Krasnoff, President and CEO of LNR, issued a joint statement, "We are very pleased to expand our partnership to include MacFarlane Partners and CalPERS, which will add their strong financial resources and expertise in creating one of the nation's premier land companies. LandSource has created value through the continued development of Newhall and growing its land portfolio in targeted high growth markets. Today's announcement is a validation of this value creation, as we combine our respective residential and commercial expertise with the collective expertise and capital resources of our new partner. LandSource, building on the unique talent of our Newhall team in mixed use development, will become a new strategic platform for opportunistic land acquisition and value creation."

"We are excited to be investing in such prime property in Los Angeles, a market that we have favored for its long-term growth prospects," said Victor B. MacFarlane, founder and managing principal of MacFarlane Partners. "This is a once-in-a-lifetime opportunity that few pension

managers and investors have the resources and the capabilities to participate in thanks in large part to the flexibility and vision of our long time partner, CalPERS.”

The transaction will result in a distribution of approximately \$660 million each to Lennar and LNR. As part of the transaction, LandSource will grant options to Lennar to purchase property contributed by the MW Housing venture. Both Lennar and LNR will retain options and rights of first offer to purchase property currently owned by LandSource. While the MW Housing venture will have a 62% financial interest in LandSource, it will have 50% voting control of the entity. Lennar and LNR will continue to jointly serve as the administrative member of LandSource and will be responsible for its day-to-day operational management. LandSource will also enter into agreements with each of the members under which the members will be compensated for management services.

The transaction is subject to completion of financing, certain closing conditions, regulatory approvals and adjustments and is expected to close in February 2007.

Lennar Corporation, founded in 1954, is one of the nation’s leading builders of quality homes for all generations. The Company builds affordable, move-up and retirement homes primarily under the Lennar brand name. Lennar’s Financial Services segment provides primarily mortgage financing, title insurance and closing services for both buyers of the Company’s homes and others. Previous press releases and further information about the Company may be obtained at the “Investor Relations” section of the Company’s website, www.lennar.com.

LNR Property Corporation has been engaged in the development, ownership and management of commercial properties and land since 1969. Until October of 1997, LNR operated as a division of Lennar Corporation at which time it was spun off to become a separate public company. In February 2005, LNR was acquired by entities controlled by affiliates of Cerberus Capital Management, L.P. LNR manages real estate properties, loans and securities for its own account and for others exceeding \$5 billion and is responsible for the special servicing of over \$200 billion of real estate loans which collateralize commercial mortgage backed securities in the United States and Europe.

Through MW Housing, MacFarlane Partners has invested in single-family housing land and development projects since 1995 on behalf of its venture with CalPERS, the nation’s largest public pension fund, with more than \$220 billion in assets. Based in San Francisco, MacFarlane Partners is one of the leading real estate investment management firms in the United States, with \$11.7 billion in real estate assets under management.

Some of the statements in this press release are “forward-looking statements,” as that term is defined in the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Many factors could cause Lennar’s actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those described under the caption “*Risk Factors Relating to Our Business*” in Item 1A of Lennar’s Annual Report on Form 10-K/A for our



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fiscal year ended November 30, 2005. Lennar does not undertake any obligation to update forward-looking statements.

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Lennar Corporation Press Release**LENNAR COMPLETES THE EXPANSION OF ITS
STRATEGIC LANDSOURCE PARTNERSHIP**

Miami, February 28, 2007 — **Lennar Corporation (NYSE: LEN and LEN.B)**, one of the nation's largest homebuilders, announced today the addition of a new strategic partner, MW Housing Partners ("MWHP"), into its LandSource joint venture. MWHP adds significant financial resources and unique land positions to a venture already recognized as a premier land and development company. **The completion of the financing and transaction resulted in a cash distribution to Lennar of approximately \$700 million.** The resulting ownership of LandSource is 68% MWHP, 16% Lennar and 16% LNR Property Corporation. Lennar will retain a promote opportunity allowing it to have a disproportionate share of the entity's future positive net cash flow. In the first quarter of fiscal-year 2007, Lennar will recognize approximately \$170 million of earnings and, potentially, \$400 million in future years.

As of January 31, 2007, LandSource had assets with a book value of approximately \$1.3 billion. In the transaction announced today, the LandSource assets were appraised at a value of approximately \$2.6 billion, with a potential increase of over \$600 million. As part of today's transaction, MWHP contributed cash and approximately 4,000 homesites totaling nearly \$970 million to LandSource. The homesites were part of an existing land bank relationship between MWHP and Lennar, and were re-priced downward to reflect current market values. Lennar also retained option contracts and rights of first offer to purchase land from The Newhall Land & Farming Company, LandSource's primary investment. These below-market-value option contracts should enhance margins for Lennar during a period of industry-wide margin compression. Lennar now controls approximately 19,000 homesites within LandSource. In addition, Lennar will receive management fees in connection with its management of LandSource.

As part of today's transaction, LandSource successfully completed a new \$1.55 billion bank debt financing. The financing consisted of a \$200 million undrawn five-year Revolving Credit Facility initially priced at a rate of LIBOR plus 3%, a \$1.106 billion six-year Term Loan B Facility initially priced at LIBOR plus 2.75% and a \$244 million seven-year Second Lien Term Facility priced at LIBOR plus 4.5%. The pricing on the Revolving Credit Facility and Term Loan B Facility may be reduced based on certain events. The financing is non-recourse to the equity partners. The post-closing debt-to-appraised value of the assets in LandSource is 51.7%.

Barclays Capital served as the sole lead arranger and sole bookrunner for each of the facilities, with Barclays Bank PLC acting as administrative agent for the credit facilities.

Stuart Miller, President and Chief Executive Officer of Lennar Corporation, said, "Lennar welcomes MacFarlane Partners to the LandSource team. This transaction is another strategic stepping stone in building one of the nation's premier land companies. As a result of the

recapitalization, LandSource is uniquely positioned to take advantage of attractive land pricing in today's sluggish market with substantial capital and sponsorship."

Mr. Miller continued, "This transaction validates our approach to utilizing joint ventures in our business. Our LandSource joint venture allowed us to mitigate the risk of investing in long-term real estate while capturing significant financial upside. The liquidity achieved through this transaction reflects an intense focus on our 'balance sheet first' operating strategy. Lennar has always used the cycle as an ally, not an adversary, and the cash distribution to Lennar resulting from this transaction enhances our liquidity for long-term strategic opportunities."

MWHP is co-managed by MacFarlane Partners, one of the leading real estate investment management firms in the United States and an experienced investor in single-family residential land and housing developments in markets nationwide. Headquartered in San Francisco, MacFarlane Partners manages \$11.7 billion in real estate assets and has invested in residential land and housing developments since 1995.

Lennar Corporation, founded in 1954, is one of the nation's leading builders of quality homes for all generations. The Company builds affordable, move-up and retirement homes primarily under the Lennar brand name. Lennar's Financial Services segment provides primarily mortgage financing, title insurance and closing services for both buyers of the Company's homes and others. Previous press releases and further information about the Company may be obtained at the "Investor Relations" section of the Company's website, www.lennar.com.

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Excerpt from
Lennar Corporation
10-K, Year Ended November 30, 2007

Relationship with LNR Property Corporation

In 1997, we transferred our commercial real estate investment and management business to LNR Property Corporation (“LNR”), and spun-off LNR to our stockholders. As a result, LNR became a publicly-traded company, and the family of Stuart A. Miller, our President, Chief Executive Officer and a Director, which had voting control of us, became the controlling shareholder of LNR.

Since the spin-off, we have entered into a number of joint ventures and other transactions with LNR. Many of the joint ventures were formed to acquire and develop land, part of which was subsequently sold to us or other homebuilders for residential building and part of which was subsequently sold to LNR for commercial development. For a number of years after the spin-off, LNR was controlled by Mr. Miller and his family; thus, all significant transactions we or our subsidiaries engaged in with LNR or entities in which it had an interest were reviewed and approved by the Independent Directors Committee of our Board of Directors.

In January 2004, a company of which we and LNR each owned 50% acquired The Newhall Land and Farming Company (“Newhall”) for approximately \$1 billion, including \$200 million we contributed and \$200 million that LNR contributed (the remainder came from borrowings and sales of properties to LNR). Subsequently, we and LNR each transferred our interests in most of our joint ventures to the jointly-owned company that had acquired Newhall, and that company was renamed LandSource Communities Development LLC (“LandSource”). At November 30, 2007, Newhall owned approximately 35,000 acres in California.

In February 2005, LNR was acquired by a privately-owned entity. Although Mr. Miller’s family acquired a 20.4% financial interest in that privately-owned entity, this interest is non-voting and neither Mr. Miller nor anybody else in his family is an officer or director, or otherwise is involved in the management, of LNR or its parent. Nonetheless, because **the Miller family has a 20.4% financial, non-voting, interest in LNR’s parent**, significant transactions with LNR or entities in which it has an interest are still reviewed and approved by the Independent Directors Committee of our Board of Directors.

In February 2007, LandSource admitted MW Housing Partners as a new strategic partner. As part of the transaction, the joint venture obtained \$1.6 billion of non-recourse financing, which consisted of a \$200 million five-year Revolving Credit Facility, a \$1.1 billion six-year Term Loan B Facility and a \$244 million seven-year Second Lien Term Facility. The transaction resulted in a cash distribution to us of \$707.6 million. Our resulting ownership of LandSource is



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16%. As a result of the recapitalization, we recognized a pretax gain of \$175.9 million in 2007 and could potentially recognize additional profits in future years, in addition to profits from our continuing ownership interest.

LandSource's Law Firm Press Release

**Bilzin Sumberg Attorneys Complete Closing of
\$3.5 Billion LandSource Investment and Refinancing Deal**

- Dealmakers:** Steven D. Lear, partner in the Corporate & Securities and Tax Groups at Bilzin Sumberg; Robert M. Siegel, partner in the Corporate & Securities Group; Brian L. Bilzin, partner in the Real Estate and Corporate & Securities Group; Steven W. Simon, of counsel in the Real Estate Group; Stephen M. Rubin, senior associate in the Corporate & Securities and Technology & Telecommunications Groups; Marla K. Brock, associate in the Corporate & Securities and Technology & Telecommunications Groups; Eric B. Gilbert, associate in the Corporate & Securities Group; Antonio J. Martinez, associate in the Corporate & Securities and Technology & Telecommunications Groups; David T. Schubauer, associate in the Corporate & Securities Group; and T. Kendall Sparkman, senior paralegal in the Real Estate Group
(a list of other participating Bilzin Sumberg attorneys can be found at the end of this press release)
- Transaction:** Representation of a joint venture in the closing of an investment and refinancing transaction; the deal adds a new partner to the group
- Company:** LandSource Communities Development, LLC, owned by Lennar Corporation and LNR Property Corporation
- Investor:** MW Housing Partners (MWHP) Lenders: Barclays Capital, as sole lead arranger and sole bookrunner, and participating lenders
- Transaction Value:** Approximately \$3.6 to \$4.2 billion overall, with \$1.55 billion in new financing
- Closing Date:** February 27, 2007

Details:

Bilzin Sumberg Baena Price & Axelrod LLP, a Miami-based law firm, represented the company, a South Florida and California-based entity with nationwide operations, in this venture between the company and a new partner and in a refinancing transaction.

Bilzin Sumberg attorney Steven D. Lear spearheaded the negotiations, structuring and documentation in the firm's representation of this very complex deal. Attorney Robert M. Siegel led a team of Bilzin Sumberg attorneys on the \$1.55 billion debt financing portion of this transaction.

"Our clients are very pleased that this important strategic venture is now firmly in place," said Lear.

“Finalizing the deal was no easy feat, but it has uniquely positioned LandSource to remain very strong in a fluctuating market,” he added.

Key Terms of the Transaction

- LandSource has issued to MWHP a 68% ownership interest and a 50% management interest for a contribution of land and cash valued at approximately \$970 million
- LandSource obtained new financing on its properties of \$1.55 billion from Barclays Capital as the sole lead arranger and sole bookrunner, with Barclays Bank PLC acting as administrative agent for the credit facilities
- The financing consisted of a \$200 million undrawn five-year Revolving Credit Facility; a \$1.106 billion six-year Term Loan B Facility; and a \$244 million seven-year Second Lien Term Facility
- **The new financing funded distributions of approximately \$700 million to each of Lennar and LNR**
- Lennar’s and LNR’s combined interest in LandSource is 32%
- Lennar and LNR retain a promote opportunity, allowing them to have a disproportionate share of the entity’s future positive net cash flow
- LandSource assets were valued at approximately \$2.6 billion for the transaction, with a potential increase of more than \$600 million

About the Company

LandSource is one of the largest and most diversified land development companies in the United States, with assets located in California, Nevada, Arizona, Texas, New Jersey and Florida. LandSource owns interests in numerous commercial and residential properties and in 2003 acquired The Newhall Land and Farming Company, which owns 15,000 acres of land near Los Angeles.

About the Partners

LandSource Communities Development is now a joint venture owned by Lennar Corporation, one of the nation’s largest homebuilders, LNR Property Corporation, one of the nation’s leading real estate investment, finance and management companies, and MWHP, which is co-managed by MacFarlane Partners, one of the leading real estate investment management firms in the United States with \$11.7 billion in real estate assets under management.

Additional Bilzin Sumberg Attorneys in the Representation of LandSource

Also working on the deal were Joanna E. Iglesias, partner in the Corporate & Securities and Tax Groups; and Edward A. Kalish, Marc J. Sternbaum and Jeffrey Watkin, all of counsel in the Real Estate Group.

Associates from the firm’s Real Estate Group who worked on this transaction include Marla I. Berman, Javier A. Granda, Mary Margaret Langton (also a member of the Tax Group), Adam D. Lustig, Lori A. Schumacher, Jeremy H. Segal and Ira Teicher. Associates from the Corporate & Securities Group who were involved include Diane Lourdes Dick, Serge V. Pavluk and Jordan B. Taylor. James C. Moon and Jeffrey I. Snyder, from the firm’s Restructuring & Insolvency



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Group, were involved in the structuring of the deal, as well as Cristin A. Burke and Charles B. Shields, Jr. from the Tax Group.