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# Barry Minkow Charged in Fraud Against Lennar

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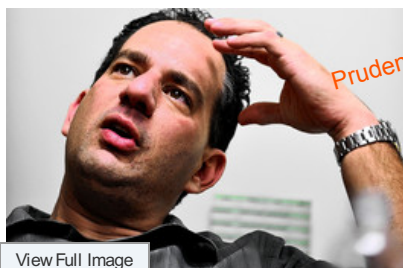
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By ROBBIE WHELAN

Federal prosecutors charged former fraud investigator Barry Minkow with conspiracy to commit securities fraud by allegedly disseminating false information in 2009 about home builder Lennar Corp., according to court documents filed Thursday in Miami federal court.

The complaint charges that Mr. Minkow, along with a person identified as Conspirator A and others, conspired to "artificially manipulate and depress Lennar's stock" in an effort to pressure the builder to pay money allegedly owed to Conspirator A. The charge against Mr. Minkow comes with a maximum prison term of five years.



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The Orange County Register/Zuma Press

Barry Minkow founded the Fraud Discovery Institute after prison.

Mr. Minkow's lawyer, Alvin Entin, said Thursday morning that Mr. Minkow plans to plead guilty next week to the charge. Mr. Minkow couldn't be reached for comment and his lawyer declined to make him available for an interview. "Barry knows what he's doing," Mr. Entin said. "He's going forward, trying to get this episode behind him."

If Mr. Minkow, 45 years old, does plead guilty, it will be the latest fall in his down-and-up career. In 1988, at age 21, Mr. Minkow was convicted of stock fraud in connection with the ZZZZ Best scandal, in which Mr. Minkow

swindled investors out of tens of millions of dollars by persuading them to invest in his carpet-cleaning business, which was actually a Ponzi scheme. He spent seven years in prison.

When he emerged, he became a pastor at Community Bible Church in San Diego and founded the Fraud Discovery Institute, which worked with the Federal Bureau of Investigation and the Securities and Exchange Commission to uncover fraud at numerous companies.

Mr. Minkow had earned praise from the federal agencies as a fraud investigator, but after the Lennar report was released, the home builder immediately sued Mr. Minkow for libel and extortion. Late last year, a Florida judge ruled in favor of Lennar, saying Mr. Minkow had in the course of the suit destroyed evidence and lied to his own lawyers, and sanctioned Mr. Minkow.

Mr. Minkow resigned as a pastor at his church last week after announcing to church leadership that he would plead guilty to a federal crime related to the Lennar case.

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The criminal complaint also says that Mr. Minkow abused his relationship with federal law-enforcement officials and induced them to open up an investigation into Lennar, and then used his knowledge of the investigation to bet against Lennar's stock.

According to several people familiar with the

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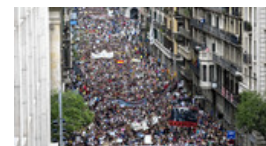
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complaint filed by the U.S. attorney for the Southern District of Florida, Conspirator A is Nicolas Marsch, a California real-estate

developer who has sued Lennar over losses related to the accounting practices of a real-estate venture in Southern California. Parts of that lawsuit are pending in appeals and bankruptcy courts in California.

According to the federal complaint, Conspirator A hired Mr. Minkow in late 2008 to assist him in litigation against Lennar. That resulted in a report released by Mr. Minkow on Jan. 9, 2009, that alleged widespread improprieties in Lennar's financial reporting and business plan.

Mr. Marsch's lawyer, Richard S. Van Dyke of Van Dyke & Associates in San Diego, said the description of Conspirator A in the legal complaint—as a California businessman who engaged in real-estate transactions with Lennar, and later hired Mr. Minkow in connection to help him recoup money owed to him, "sounds to be a pretty explicit reference to my client," but said that he isn't aware of any investigation of any kind against Mr. Marsch. He declined to make Mr. Marsch, who hasn't been charged with a crime, available for an interview.

After Mr. Minkow's report was made public, Lennar's stock price tumbled 30% and resulted in a loss of more than \$500 million in market capitalization in just two days, according to the company.

Lennar Chief Executive [Stuart Miller](#) said in a statement that "The criminal activity described in the government's filing has been a continuing assault on our company for several years. We are pleased that the government is pursuing the responsible parties. We intend to cooperate fully with the government's ongoing investigation."

In a statement, U.S. Attorney Wifredo Ferrer, said, "In this case, Minkow's manipulation of the market and his relationship with the FBI for his personal gain caused a severe drop in the stock prices of [Lennar]. This type of deceit and abuse of trust will not be tolerated."

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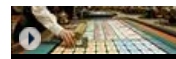
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