

Lennar Lawsuit Charges Makers of Chinese Drywall with Product Liability and Negligence

EMBARGO: FOR RELEASE ON TUESDAY FEBRUARY 3, 2009 12:01 A.M.

MIAMI, FLA. February 2, 2009 – Lennar Corp. (NYSE: LEN) (NYSE: LEN.B) filed suit against the manufacturers of defective drywall made in China and installed in a small percentage of Lennar homes in Florida.

The manufacturers made deficient and defective gypsum drywall, failed to establish proper quality control for detecting defects and failed to warn their customers that the drywall was defective, the lawsuit states.

The lawsuit, filed late Friday in the Circuit Court of the 11th Judicial District of Miami-Dade County, charges Knauf Gips KG, Knauf Plasterboard Tainjin Co., LTD and Taishan Gypsum with, among other things, product liability and negligence in connection with gypsum wallboard made in China.

“The manufacturers either knew or should have known that this drywall was defective and not appropriate for use in homes,” said Mark Sustana, general counsel for Lennar. “Lennar is acting promptly to correct the problem in the homes we delivered. Lennar, as a customer, expects the same from its manufacturers, suppliers and subcontractors. Unfortunately, they have refused to take responsibility for their defective product, leaving us no other option but to seek redress in a court of law.”

The lawsuit also charges eight drywall suppliers with, among other things, product liability and breach of implied warranty. And it charges 12 installers with breach of contract and breach of express and implied warranty.

“Lennar stands alongside its homeowners as a victim of the manufacturers, suppliers and installers who unfortunately allowed this defective drywall to be manufactured, supplied and installed in the affected homes,” the lawsuit states.

The suit seeks unspecified damages for the harm done to Lennar’s reputation and good name. It also seeks damages for the costs to investigate the problem, to replace the defective drywall and to provide alternative housing to homeowners while the repairs are being made.

The drywall problems came to Lennar’s attention because of complaints about failures of heating/air conditioning coils in a small number of its communities in the State of Florida, the lawsuit states.

One of the world's leading environmental firms, ENVIRON International Corporation, was retained by Lennar to investigate and determined that corrosion causing pitting and blackening of the coils as well as copper pipes was the result of the defective drywall. ENVIRON conducted scientific air quality testing in about 100 homes confirming that the trace amounts of sulfur emitted by the Chinese drywall posed no health or safety risks to Lennar homeowners and their families.

ENVIRON also briefed county, state and federal officials, including the Florida Department of Health and the U.S. Environmental Protection Agency on the findings and provided the sampling data to the agencies and the homeowners.

Armed with the scientific data definitively identifying the defective drywall as the source of the problem, Lennar launched an intensive effort to "engage all responsible parties, demanding that they not only assist Lennar in finding alternative solutions to remedy the problem, but also to commit to doing precisely what Lennar has committed to doing for its homeowners – standing behind its product," the lawsuit states.

Lennar did not directly purchase the defective drywall from China or specify at any time that Chinese drywall be used as a substitute for domestic product. Nor did Lennar bargain for a discount or any other financial benefit from the use of Chinese drywall.

"Lennar remains committed to fully rectify these problems and otherwise address its homeowners' concerns and the real harm that this defective drywall has caused them," the lawsuit states. "While many of its homeowners have praised Lennar's proactive response and commitment, the defective drywall has caused substantial damage to Lennar's good will and business reputation."

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, <http://www.lennar.com> .

Contacts: Glenn Bunting glenn_bunting@sitrick.com or Tony Knight tony_knight@sitrick.com at (310) 788-2850.

##