

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:) Case No. 08-11643 (KJC)
) (Jointly Administered)
WCI COMMUNITIES,) Chapter 11
INC., et al.,)
) Courtroom 5
) 824 Market Street
Debtors.) Wilmington, Delaware 19801
)
) January 6, 2009
) 11:05 A.M.

TRANSCRIPT OF OMNIBUS HEARING
BEFORE HONORABLE KEVIN J. CAREY
UNITED STATES CHIEF BANKRUPTCY JUDGE

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FSB: Kaye Scholler
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1 THE COURT: Good morning, all.

2 MR. SUTTY: Good morning, Your Honor. Eric Suttty of
3 Fox Rothschild on behalf of WCI Communities and its affiliated
4 debtors.

5 THE COURT: Congratulations on your new situation.

6 MR. SUTTY: Thank you. Thank you, Your Honor.

7 THE COURT: Good luck to you.

8 MR. SUTTY: We submitted an agenda on Friday
9 morning. Turning to that, Items Number 1 and 2 have been
10 continued, and orders have been entered with respect to Items
11 Number 3 and 4.

12 I'll turn the podium over to Craig Averch of White
13 and Case, who will handle the remainder of today's items.

14 THE COURT: All right.

15 MR. AVERCH: Good morning, Your Honor. Craig Averch
16 of White and Case on behalf of the debtor.

17 I am pleased to report that we're not going to have
18 any significant contested matters today, or any contested
19 matters today.

20 With respect to Agenda Item 5, which is the debtors'
21 motion to extend the time to assume or reject nonresidential
22 real property leases, as the Court is aware, an order was
23 entered with respect to all of the leases, except for one
24 ground lease with Great Expectations. And the Court is also
25 aware of the number of pleadings that have been filed with

1 respect to that particular matter.

2 We have entered into sort of a interim agreement,
3 which we hope will result in a settlement. And the interim
4 agreement is to continue all the matters for an additional 30
5 days, that would put us on the February 4th omnibus docket.
6 This will allow Great Expectations to conduct due diligence
7 with respect to the facility with the possible agreement to
8 transfer the facility to Great Expectations.

9 Under a scenario where the facility would be
10 transferred to Great Expectations, Great Expectations would
11 agree to ensure, either by indemnity and covenant, that all of
12 our customers receive sewage treatment facilities. There's
13 about -- there's 100 homes out there. In addition, there would
14 be mutual waivers and releases.

15 And finally, Your Honor, there would be an assumption
16 and assignment of certain contracts, specifically United Water,
17 which maintains and operates the plant, would be, you know,
18 potentially assumed by Great Expectations.

19 Obviously there is no guarantee that we're going to
20 go -- have this matter settled. But we have agreed to provide
21 due diligence materials to Great Expectations with the hope
22 that it would be settled.

23 So, at this point, I would like to present a bridge
24 order that has been reviewed by Great Expectations' counsel,
25 provided to the Creditors' Committee, and the U.S. Trustee this

1 morning, simply providing the debtors an extension of the time
2 to assume or rejection to February 4th so we do not have a
3 statutory rejection under 365(d)(4). And I'd like to present
4 that order for the Court's consideration.

5 THE COURT: All right. Thank you.

6 MS. MAYER: Good morning, Your Honor. Katharine
7 Mayer from McCarter & English on behalf of Great Expectations.

8 As counsel for the debtors reported, we are very
9 hopeful to reach an agreement on this matter. We are going to
10 use the next few weeks as meaningful as possible to perform
11 some due diligence, and we have tentatively scheduled a meeting
12 for this afternoon, in fact, to start that process.

13 It is -- our understanding of the agreed terms are
14 consistent with how debtors' counsel reported it. The facility
15 would be transferred to Great Expectations. It would actually
16 be transferred either directly or indirectly to Great
17 Expectations. And we would, of course, need the debtors'
18 cooperation with performing the due diligence as expeditiously
19 as possible. And we will certainly work with them.

20 And to the extent that there's any problems that
21 arise or any surprises, then the deal may not be consummated.
22 But we are hopeful it will be.

23 We have agreed with the debtors to operate the plant.
24 The debtors asked that we agree to operate the plant. And our
25 agreement is that we will not discontinue unless all the

1 customers have adequate alternative services.

2 So, that, in addition to the comments raised by
3 debtors' counsel, is the terms as of this point in time, and we
4 will document everything in much more detail after the due
5 diligence is completed.

6 THE COURT: Okay. I have the proposed bridge order
7 in front of me. It does not refer to the motion to seal, but
8 I'm assuming that the parties want that carried over to the
9 February 4th date, as well.

10 MR. AVERCH: That's correct, Your Honor.

11 MS. MAYER: Correct, Your Honor.

12 THE COURT: All right. Does anyone else care to be
13 heard in connection with this matter?

14 (No audible response heard)

15 THE COURT: I've signed the order.

16 MR. AVERCH: Thank you, Your Honor. As the Court
17 noted, that also carries Agenda Item 6 to February 4th.

18 With respect to Agenda Item 7, this was a motion to
19 reject a nonresidential real property lease. It was an office
20 lease. We had agreed to extend the time for objection. The
21 landlord objected last Friday to the nunc pro tunc relief.

22 After further due diligence, and a slight
23 modification to the order approving it, the landlord has agreed
24 to withdraw its objection, and I'd like to present to the Court
25 a revised draft of order that's been submitted to the

1 Creditors' Committee and the U.S. Trustee with the one change.
2 And, again, the extra due diligence plus this minor change to
3 the order, I believe, has resolved the landlord's objections.

4 THE COURT: Very well.

5 MR. McDANIEL: Good morning, Your Honor. Garvan
6 McDaniel of Bifferato Gentilotti for Walden Center, LLC.

7 Your Honor, we did file our limited objection, and
8 apologize to the debtors' counsel. There was some confusion,
9 there's two leases with my client, Walden Center I and Walden
10 Center II.

11 So, we've resolved the issues as to Walden Center II,
12 and we're -- we've stipulated to the form of order.

13 THE COURT: All right. Thank you.

14 MR. AVERCH: Your Honor, may I approach with both the
15 black line and the clean?

16 THE COURT: You may. Thank you.

17 (Pause)

18 THE COURT: All right. I see the black line. Anyone
19 else care to be heard in connection with this matter?

20 (No audible response heard)

21 THE COURT: Negative response.

22 (Pause)

23 THE COURT: That order has been signed.

24 MR. AVERCH: Thank you, Your Honor. That concludes
25 WCI's agenda for today's hearing.

1 THE COURT: All right. Thank you, all. That
2 concludes this hearing. Court will stand in recess.

3

4 (Whereupon, at 11:13 A.M. the hearing was adjourned.)

5

6

CERTIFICATE

7

8 I certify that the foregoing is a correct transcript from
9 the electronic sound recording of the proceedings in the
10 above-entitled matter.

11

12

13 /s/ Karen Hartmann

Date: January 16, 2009

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UNITED STATES BANKRUPTCY COURT
District of Delaware

In Re:

WCI Communities, Inc.
24301 Walden Center Drive
Bonita Springs, FL 34134

EIN: 59-2857021

Florida Design Communities, Inc.
Watermark Communities, Inc.

Chapter: 11

Case No.: 08-11643-KJC

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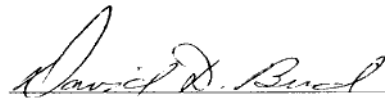
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