

Debtors' Motion for Order Approving Communities Finance Company, LLC's Entry Into Agreement to Construct Lift Station, Sewer Lines, and Utility Lines and Transfer of Property Free and Clear in Connection Therewith (the "CFC Motion")

By the CFC Motion, the Debtors seek entry of an order approving (i) an agreement (the "Agreement") among Debtor Communities Finance Company, LLC ("CFC") and Palm Beach County (the "County"), with respect to a parcel of real estate in Juno Beach, Florida owned by CFC ("Parcel 32"), and (ii) the transfer of certain related property to the County free and clear of liens. The Debtors believe that entry of the Agreement falls within their ordinary course of business, but they are seeking Court approval out of an abundance of caution.

Parcel 32 is a waterfront property abutting the County-owned Bert Winters Park that consists of 77 unimproved acres, 34.3 acres of which are developable. Parcel 32 is zoned for the development of 48 single family residences with attendant boat docks, 30 multi-family residences and a 30 slip marina. In May of 2004, the County's Board of County Commissioners approved a rezoning plan for Parcel 32 proposed by CFC, subject to certain conditions, including a requirement that CFC convey to the County a portion of Parcel 32 as a civic site (the "Civic Site Parcel"). The Debtors maintain that they are currently in the process of preparing Parcel 32 for development, and that CFC has until September 1, 2009 to convey the Civic Site Parcel to the County.

The Debtors assert that they recently finished negotiating the terms and conditions of the Agreement whereby, among other things, the County would accept title to the Civic Site Parcel subject to easements for a lift station, sewer lines and utility lines (the "Infrastructure"). The County also agreed to grant CFC a temporary construction access easement over the Civic Site Parcel that will (i) give CFC the right to install on the Civic Site Parcel the Infrastructure running to the portion of Parcel 32 that CFC will retain for the planned and approved development ("Retained Parcel 32"), and (ii) give CFC the right of temporary access to and from Retained Parcel 32 over the Civic Site Parcel for construction and development purposes. Additionally, the County agreed to grant CFC a temporary construction easement to allow CFC to construct the sewer connections from the lift station to the existing facilities of Bert Winters Park (the "Park Sewer Improvements").

In exchange, CFC agreed to (i) install on the Civic Site Parcel a lift station designed to serve Bert Winters Park as well as Retained Parcel 32, (ii) install the Park Sewer Improvements, and (iii) relocate certain trees from Parcel 32 onto Bert Winters Park, all of which will be done at CFC's expense.

The Debtors assert that the costs of CFC's obligations under the Agreement are relatively insignificant compared to the benefits they would receive. Specifically, the Debtors maintain that the Agreement will enable CFC to put the Infrastructure necessary for Retained Parcel 32 on the County's property rather than on Retained Parcel 32. In addition to conserving space at Retained Parcel 32, the Debtors assert that constructing such improvements on the County's property will allow CFC to reduce their construction

costs significantly because it avoids CFC having to incur the cost to construct the utilities on Retained Parcel 32 around a large reserve area. The Debtors estimate that it will cost approximately \$100,000 to install the lift station, but the increase in capacity necessary to handle the flow from the facilities at Bert Winters Park would only cost approximately \$5,000.