

Debtors' Motion for Authority to Enter into the Settlement Agreement with Hammock Dunes Club, Inc. and to Make the Settlement Payment Related Thereto (the "Settlement Motion")

By the Settlement Motion, the Debtors seek entry of an order (i) approving the Settlement and General Release Agreement (the "Settlement Agreement") with Hammock Dunes Club, Inc. ("Hammock Dunes Club") and Le Jardin at Hammock Dunes Condominium Association, Inc. (the "Association"), and (ii) authorizing the Debtors to make the \$40,000 settlement payment to Hammock Dunes Club related thereto (the "Settlement Payment").

The Tri-Party Agreement. Prior to August 4, 2008, the Debtors developed a luxury community, which includes condominiums, a golf course, a country club (the "Club"), and clubhouse (the "Clubhouse"), collectively known as "WCI at Hammock Dunes" ("Hammock Dunes"). Le Jardin, one of the towers in the Hammock Dunes community, is adjacent to the Clubhouse.

On June 3, 2005, HD Associates, L.P. (the prior operator of the Club), WCI, and Hammock Dunes Club entered into an agreement for the expansion and renovation of the Clubhouse (the "Tri-Party Agreement"), whereby the Debtors agreed to contribute funds toward improvements related to the Clubhouse, and in exchange, Hammock Dunes Club agreed to sell up to 30 additional equity memberships in the Club to purchasers of the Debtors' properties located in Hammock Dunes. Hammock Dunes Club also agreed to grant the Debtors an ingress and egress easement to allow Club member residents of Le Jardin to have member access to Club property.

In the Settlement Motion, the Debtors maintain that a disagreement arose among the parties as to the required duties and obligations under the Tri-Party Agreement resulting in the commencement of a lawsuit against WCI and the Association currently pending in the Florida district court (the "Lawsuit"). Furthermore, Hammock Dunes Club alleges that certain portions of Le Jardin and related improvements encroach on the Clubhouse's property.

The Settlement. The Debtors, Hammock Dunes Club, and the Association have agreed to enter into the Settlement Agreement to resolve these outstanding disputes and avoid litigating them. Pursuant to the Settlement Agreement, Hammock Dunes Club will (i) voluntarily dismiss with prejudice the Lawsuit, (ii) withdraw with prejudice its proof of claim filed against the Debtors (the "Proof of Claim"), (iii) grant WCI an easement (the "Easement") for the alleged encroachment on the Clubhouse property, and (iv) agree to release the Debtors from any and all claims which Hammock Dunes Club may have arising from or related to the disputes resolved by the Settlement Agreement. In exchange, the Debtors will pay Hammock Dunes Club the \$40,000 Settlement Payment.

The Debtors assert that entering into the Settlement Agreement is in the best interest of their estates because (i) it will resolve all the disputes arising from the Tri-Party Agreement, thereby avoiding potentially expensive and time-consuming litigation, (ii) it provides the Debtors the Easement on the Clubhouse property resolving all allegations that Le Jardin is encroaching, and (iii) obtaining the Easement will allow the Debtors to avoid future liability regarding any claims associated with the repair of the encroachment.