

**Debtors' Motion for Entry of an Order Approving Stipulation of Discontinuance and Release of Claims by and Between WCI Communities, Inc., Bonavenia Construction Corp., Manhattan Woods Enterprises, LLC, and Manhattan Woods Golf Club, LLC (the "Settlement Motion")**

By the Settlement Motion, the Debtors seek entry of an order approving the Stipulation of Discontinuance (the "Stipulation") and the Release of Claims (the "Release"), both dated April 22, 2009, among Debtors Spectrum Communities LLC, Spectrum Manhattan Woods LLC, Manhattan Woods Home & Land Company LLC ("H&L") and Bonavenia Construction Corporation ("Bonavenia"), as defendants (collectively, the "Defendants"), and Manhattan Woods Enterprises, LLC and Manhattan Woods Golf Club, LLC, as plaintiffs (collectively, the "Plaintiffs").

The Debtors maintain that, on June 30, 2003, the Plaintiffs conveyed 18 acres of land bordering the Plaintiffs' golf course to H&L, pursuant to an agreement whereby H&L agreed to construct nine luxury homes on the Property in accordance with the Plaintiffs' design specifications (the "Project"). H&L hired Bonavenia, among others, as construction contractors for the Project.

On March 20, 2008, the Plaintiffs, commenced an action against the Defendants in New York State court (the "Manhattan Woods Litigation"), alleging that the Defendants were liable to the Plaintiffs for approximately \$1.25 million in damages relating to the Debtors' failure to adequately prevent soil erosion at the Project, which deprived the Plaintiffs of the use and value of the Plaintiffs' adjoining property. The Defendants disputed the allegations and, on November 13, 2007, filed a third-party complaint against Bonavenia, seeking contribution from Bonavenia to recover Bonavenia's share of liability.

On July 3, 2008, the parties reached a settlement, whereby Plaintiffs agreed to accept \$120,000 (the "Initial Settlement Amount") from the Defendants in full satisfaction of their claims. The parties agreed to grant each other mutual releases of any outstanding claims and execute the Stipulation resolving the Manhattan Woods Litigation. On August 4, 2008, the Debtors filed their chapter 11 petitions, and the Plaintiffs timely filed a proof of claim for the Initial Settlement Amount. On April 17, 2009, the Plaintiffs agreed to reduce the amount they would receive from the Debtors to \$105,000 (the "Settlement Payment"). Of that amount, Bonavenia agreed to pay \$46,000, and the Debtors' agreed to pay \$59,000, with the Debtors' portion to be fully funded by the proceeds of the Debtors' insurance coverage provided by Travelers Insurance Company (the "Insurance Company").

Upon Court approval of the Stipulation and the payment of the Settlement Payment, the Plaintiffs have agreed to withdraw their motion to sever the Debtors and enforce the initial settlement against Bonavenia, and (b) dismiss the Manhattan Woods Litigation with prejudice.

The Debtors maintain that if the Court does not approve the Stipulation and Release, the settlement will likely crumble and the Debtors will be required to expend substantial time and resources litigating the Manhattan Woods Litigation. The Debtors do not believe that they will obtain a more favorable outcome for the estates and their creditors through continuation of the litigation than what they would accomplish with the Stipulation and Release.