

Debtors' Motion for Entry of an Order Pursuant to the Court's Warranty Order Dated August 5, 2008, 11 U.S.C. § 363(b) and Rules 6004 and 9019 of the Federal Rules of Bankruptcy Procedure Authorizing and Approving (I) Agreement for Settlement with The Watch at Waterlefe Condominium Association, Inc. and (II) Immediate Payment of the Settlement Amount Thereunder (the "Watch Settlement Motion")

On August 5, 2008, the Court entered an order authorizing the Debtors to (i) honor and maintain their existing home warranty programs (the "Warranty Programs"), and (ii) continue, renew, replace, implement, new and/or terminate the Warranty Programs in the ordinary course of business without further application to the Court (the "Warranty Order"). By the Watch Settlement Motion, the Debtors seek entry of an order authorizing (a) the release agreement between the Debtors and The Watch at Waterlefe Condominium Association, Inc. (the "Association"), dated December 16, 2008 (the "Release Agreement"), and (b) immediate payment of the settlement amount under the Release Agreement.

Prior to August 4, 2008 (the "Petition Date") the Debtors developed, built, and sold residences in the Waterlefe Golf & River Club ("Waterlefe") in Brandon, Florida. Waterlefe consists of a number of amenities and several residential developments, including The Watch at Waterlefe ("The Watch"). The Watch is a series of condominiums located in 20 buildings on the Waterlefe golf course. The Watch is managed by the Association. The Debtors assert that many prospective buyers for two of their other largely unsold communities in the Brandon area, which share certain amenities privileges with Waterlefe, visit Waterlefe to review the properties and amenities before making purchases. The Debtors believe that The Watch is covered by one of the Warranty Programs approved by the Warranty Order.

The Debtors maintain that on numerous occasions prior to the Petition Date, the Association alleged that the decks or balconies attached to their condominiums (collectively, the "Decks") have construction and/or design defects. Prior to the Petition Date, the Association demanded that the Debtors repair certain alleged drainage problems with the Decks pursuant to the Warranty Program. Preliminary estimates for the repairs of the Decks have been as high as \$308,000. The Debtors maintain that most of the necessary repairs still need to be made.

Rather than retain a third party to make the necessary repairs at The Watch, the Debtors entered the Release Agreement and agreed to pay \$200,000 (the "Settlement Amount") directly to the Association. In exchange, the Association, on behalf of itself and its members, will have the repairs made, and fully release the Debtors from all claims related to (i) the design, development, construction, maintenance, repair, and operation of The Watch, (ii) the operation, management, and administration of the Association prior to the time the Debtors transferred control of the Association to the unit owners, and (iii) all matters of common interest to unit owners in The Watch relating to action of the Debtors and the Debtor-controlled board of administration of the Association.

The Debtors assert that entering the Release Agreement will (i) allow them to resolve all outstanding claims relating to The Watch for significantly less than it may cost to retain a third party to make the repairs directly, (ii) avoid the time and expense of potential litigation, and (iii) allow the Debtors to avoid any and all future liability relating to the repairs made to the Decks. At the same time, the Debtors maintain that they would be able to honor their Home Warranty

Program and avoid reputational damage that would make it more difficult for them to sell additional homes.