

**Debtors' Motion for Entry of an Order Approving the Settlement and Release Agreement By and Between QBE Insurance Corporation, Florida Intracoastal Underwriters, Ltd., 10295 Collins Avenue Residential Condominium Association, 10295 Collins Avenue Hotel Condominium Association, on the One Hand, and WCI Communities, Inc., Nagelbush Mechanical, Inc., Boran Craig Barber Engel Construction and Steadfast Insurance Company A/K/A Zurich American Insurance Company, on the Other Hand (the "Zurich Motion")**

By the Zurich Motion, the Debtors seek entry of an order approving the settlement and release agreement (the "Agreement") by and between QBE Insurance Corporation ("QBE"), Florida Intracoastal Underwriters, Ltd. ("FIU"), 10295 Collins Avenue Residential Condominium Association ("RCA"), 10295 Collins Avenue Hotel Condominium Association ("HCA," together with RCA, the "Condominium Associations") (collectively, the "Releasing Parties"), on the one hand, and Debtor WCI Communities, Inc. ("WCI"), Nagelbush Mechanical, Inc. ("Nagelbush"), Boran Craig Barber Engel Construction ("BCBE"), and Steadfast Insurance Company A/K/A Zurich American Insurance Company ("Zurich") (collectively, the "Released Parties"), on the other hand.

The Agreement (i) resolves a dispute between FIU and Zurich arising in connection with the failure of a portion the plumbing (the "Incident") at 10295 Collins Avenue, Bal Harbour, Florida ("One Bal Harbour") and (ii) grants a release to WCI from the Releasing Parties with respect to the claims arising from the Incident. At the same time, the Agreement does not require WCI to make any payments, and it preserves WCI's right to prosecute any claims relating to any Remaining Damages (as defined below) arising from the Incident. While the Debtors believe that entry into the Agreement is within the ordinary course of their business, they are seeking Court approval out of an abundance of caution and at the request of certain of the Releasing Parties.

According to the Zurich Motion, on July 15, 2004, WCI initiated an insurance program for construction of One Bal Harbour underwritten by Zurich (the "Zurich Policy"). Thereafter, WCI constructed One Bal Harbour with BCBE as the general contractor and Nagelbush as the plumbing subcontractor. Construction was completed on October 26, 2007 and WCI procured a property insurance policy (the "FIU Policy") on the completed One Bal Harbour structure from FIU, acting as QBE's managing general agent, for the benefit of the condominium owners, as represented by the Condominium Associations, and WCI.

The Debtors state that the Incident occurred on December 4, 2007 when a hot water return line installed by Nagelbush failed. The Debtors assert that the Incident resulted in significant water intrusion and damages to One Bal Harbour, causing the Debtors to incur significant repair costs and other damages (the "Damages"). After the incident, FIU paid for a portion of the Damages in the amount of \$1,306,323, pursuant to the terms of the FIU Policy (the "FIU Payment"). Thereafter, FIU sought to recover the FIU Payment from Nagelbush and Zurich based on the allegation that the Damages were caused by Nagelbush, as the plumbing subcontractor, and therefore should be covered under the Zurich Policy (the "FIU Claim"). While the FIU Payment covered a portion of the total Damages, a significant portion remains unpaid (the "Remaining Damages").

The parties negotiated the Agreement in order to resolve the FIU Claim. The following are the salient terms of the Agreement:

- Payment. Zurich will pay FIU (which shall accept such sum on behalf of all Releasing Parties) \$1,045,058.66 (the “Zurich Payment”) in full and final satisfaction of the amounts sought by the Releasing Parties and for the releases contained in the Agreement.
- Release by Releasing Parties. Upon the Effective Date, the Releasing Parties, on behalf of themselves and certain related parties, will release the Released Parties from any and all claims relating to the Incident.
- Acknowledgement of Receipt and Limited Release by WCI. WCI acknowledges that the Zurich Payment partially satisfies WCI’s Damages and stipulates that such Damages shall be partially reduced and released accordingly.
- Retention of Rights with Respect to Remaining Damages. WCI retains the right to prosecute all claims relating to its Remaining Damages. Nothing in the Agreement prohibits or limits such claims in any manner, other than stipulation that the total Damages shall be reduced by the Zurich Payment.
- Cost and Fees. All parties to the Agreement will bear their own attorneys’ fees and costs with respect to the Agreement.
- No Admission of Liability. The Agreement will not constitute, and should not be construed as, an admission of liability or of any wrongdoing by the parties to the Agreement.

The Debtors assert that entering into the Agreement benefits the Debtors and their estates by partially satisfying damages resulting from the Incident, while permitting WCI to prosecute all claims relating to its Remaining Damages.