

**Debtors' Motion for Authority to Enter Into (I) Certain Termination Agreements and (II) that Certain Declaration of Covenants By and Between WCI Mid-Atlantic U.S. Region, Inc. and Renaissance at Woodlands, LLC (the "Termination Motion")**

By the Termination Motion, the Debtors seek entry of an order authorizing them to enter into (i) certain Termination Agreements (as defined below) and (ii) the related declaration of covenants (the "Declaration") by and between Debtor WCI Mid-Atlantic U.S. Region, Inc. ("WCI Mid-Atlantic") and Renaissance at Woodlands, LLC ("Renaissance").

Renaissance was formed to develop 224 single-family and town home lots (the "Lots") in the Greene Mill Preserve development in Leesberg, Virginia. Woodland Properties, LLC ("Woodland")<sup>1</sup> and Stanley-Martin Woodlands, LLC ("Stanley-Martin") each owns 50% of Renaissance pursuant to Renaissance's operating agreement (the "Operating Agreement"). Pursuant to three lot purchase agreements between Renaissance and WCI Mid-Atlantic, dated January 10, 2002 (together, as amended, the "Lot Purchase Agreements"), WCI Mid-Atlantic agreed to purchase 107 Lots over a certain scheduled period of time. Stanley-Martin agreed to purchase the remaining 117 Lots pursuant to separate lot purchase agreements. To date, WCI Mid-Atlantic has purchased 66 Lots, Stanley-Martin has purchased 81 Lots, and Renaissance still controls the remaining 77 Lots.

In early 2005, Renaissance procured an acquisition and development revolver loan (the "Revolver") from Wachovia Bank, National Association (the "Lender"). The Revolver has a balance of \$8,330,868 as of December 1, 2008 and matures on February 15, 2009. WCI guaranteed the repayment of 60% of the Revolver loan balance (the "Guaranty").

In November 2008, both WCI Mid-Atlantic and Stanley-Martin were scheduled to purchase an additional 8 Lots. WCI Mid-Atlantic, however, decided not to purchase such Lots. As a result, WCI Mid-Atlantic is currently in default of its Lot Purchase Agreements and, in accordance with the Operating Agreement, Woodland has lost the management rights with respect to Renaissance.

On January 14, 2009, Woodland and Stanley-Martin entered into an Agreement for Assignment of Limited Liability Company Interest (the "Assignment Agreement"), pursuant to which Woodland will assign its 50% capital and profits membership interest in Renaissance to Stanley-Martin. The Assignment Agreement provides that the consummation of the transactions contemplated thereby shall take place on February 13, 2009 (the "Closing Date").

The Assignment Agreement also provides, among other things, that on or prior to the Closing Date, (i) Renaissance shall terminate the Lot Purchase Agreements and obtain a release from the Lender of WCI's obligations under the Guaranty, (ii) the parties shall exchange mutual general releases, (iii) the parties shall make certain amendments to the Operating Agreement, including a waiver of certain restrictions and the right of first refusal with respect to Lot sales, and (iv) WCI Mid-Atlantic shall execute and deliver to Renaissance a declaration of covenants attached to the

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<sup>1</sup> Woodland is an indirect, wholly owned subsidiary of WCI, Communities, Inc. ("WCI"), but it is not a Debtor.

Assignment Agreement (the “Declaration”). Also attached to the Assignment Agreement are three separate agreements that provide for the termination of the Lot Purchase Agreements (the “Termination Agreements”).

The Declaration will (i) bifurcate responsibility for certain pre-existing development obligations with respect to Lots (the “Lot Obligations”) between WCI Mid-Atlantic and Renaissance, and, (ii) in the event WCI Mid-Atlantic fails to complete the Lot Obligations, grant Renaissance such easement as is necessary to perform such obligations. The Declaration further provides that, in the event Renaissance is required to complete any of the Lot Obligations, Renaissance shall be entitled to reimbursement from WCI of its reasonable costs.

The Debtors believe that, given the significant decrease in Lot sales, declining market pricing in the area, and the fact that WCI Mid-Atlantic currently has 42 finished Lots in inventory, the purchase of additional Lots would be detrimental to WCI Mid-Atlantic’s estate. Furthermore, entry into the Termination Agreements and the Declaration are conditions to closing under the Assignment Agreement, which provides for a Release of WCI’s repayment obligations under the Guaranty and a waiver of certain restrictions on WCI Mid-Atlantic’s ability to sell its current inventory of 42 Lots.