

Debtors' Motion for Entry of an (i) Order (a) Approving Bid Procedures to be Employed in Connection with Proposed Sale of Certain Real Property and Personal Property Located in Fairfax and Loudoun Counties, Virginia and Prince Georges County, Maryland to NVR, Inc. and NVR Mid-Atlantic Asset Acquisition L.L.C.; (b) Authorizing the Debtors to Pay a Break-Up Fee in Connection Therewith; (c) Scheduling an Auction and Sale Hearing; and (d) Approving the Manner of Notice of Auction and Sale Hearing; and (ii) Order (a) Approving Agreement for Sale and Purchase of Real Property for the Sale of Certain Real Property Free and Clear of Liens, Claims, Encumbrances and Interests, Subject to Higher and/or Otherwise Better Offers; (b) Authorizing the Debtors to Assume and Assign or Reject Certain Executory Contracts; and (c) Granting Related Relief (the "Mid-Atlantic Sale Motion")

By the Mid-Atlantic Sale Motion, Debtors WCI Mid-Atlantic U.S. Region, Inc. ("WCI Mid-Atlantic"), Poplar Tree, LLC ("Poplar Tree"), MHI-Rugby Road, L.L.C. ("Rugby Road"), Renaissance at Oak Creek Club, LLC ("Oak Creek"), Renaissance at Bellevue Road, LLC ("Bellevue Road"), and WCI Hunter Mill, LLC ("Hunter Mill") and, together with WCI Mid-Atlantic, Poplar Tree, Rugby Road, Oak Creek and Bellevue Road, "Sellers") and their affiliated debtors and debtors in possession (collectively, the "Debtors") seek entry of an (i) order (a) approving bid procedures (the "Bid Procedures") to be employed in connection with the proposed sale (the "Sale") of certain master planned communities located in Virginia and Maryland to NVR, Inc. and NVR Mid-Atlantic Asset Acquisition L.L.C. (the "Purchasers" and, together with the Debtors, the "Parties") or another bidder for approximately \$35.6 million (the "Purchase Price"); (b) authorizing the Debtors to pay a break-up fee in connection therewith and approving other "stalking horse" bid protections; (c) scheduling an auction (the "Auction") and a hearing (the "Sale Hearing") to consider approval of the Sale; and (d) approving the form and manner of notice of the Auction and the Sale Hearing; and (ii) order (a) approving the Agreement for Purchase and Sale of Real Property (the "Agreement") dated May 21, 2009 for the Sale of the Property (as defined below) free and clear of any liens, claims, encumbrances and interests (collectively, the "Interests"), subject to higher and better offers; (b) authorizing the Debtors to assume and assign or reject certain executory contracts and leases; and (c) granting related relief.

The Property. The Sellers, in collaboration with the other Debtors, currently own or are building single- and multi-family homes in several leisure-oriented, amenity-rich master-planned communities located in Fairfax and Loudoun Counties, Virginia and Prince Georges County, Maryland. In order to construct these communities, prior to the petition date, the Sellers acquired 226 undeveloped lots, 3 developed lots, and 3 homes built on such developed lots (collectively, the "Real Property").¹ Additionally, Poplar Tree and Rugby Road own certain

¹ The Real Property includes the following properties, together with certain related common areas: (i) 8 subdivided lots in the "Long Acres" project just outside Leesburg, Virginia, owned by WCI Mid-Atlantic; (ii) 19 subdivided lots and 1 subdivided model home lot in the "Poplar Parc" project located in Chantilly, Virginia, owned by Poplar Trees; (iii) (a) 26 subdivided lots and 1 subdivided model home lot in the "Kensington Parc" project and (b) 112 subdivided lots in the "Kensington Manor" project, located in Fairfax, VA, owned by Rugby Road; (iv) 7 subdivided lots in the "Oak Creek" project and 1 subdivided inventory home lot in the "Oak Creek" project in the Upper Marlboro area of Prince Georges County, Maryland, owned by Oak Creek; (v) 2 subdivided lots in the

personal property located in two model homes located on such Real Property (collectively, the “Personal Property”, and together with the Real Property, the “Property”).

The Proposed Sale. The Debtors maintain that they have (i) marketed the Property extensively for several months, (ii) obtained at least four written bids, and (iii) determined that the price offered by Purchasers is the best price the Debtors can obtain for the Property under the circumstances. Accordingly, the Parties engaged in extensive arm’s-length negotiations pursuant to which Sellers agreed to sell the Property for approximately \$35.6 million pursuant to the terms of the Agreement.

The Agreement. The following is a summary of certain additional key terms of the Sale of the Property to the Purchasers:

- Deposit. The Purchasers are required to provide Sellers with a deposit of approximately \$2.2 million (the “Deposit”).
- “As Is” Purchase. The Purchasers agree to accept the Property “as is,” with all faults and in its condition as of the closing date (the “Closing Date”).
- Special Warranty Deeds and Bills of Sale. On or before the Closing Date, the Sellers must execute, and deliver to the Purchasers, special warranty deeds conveying title to each portion of the Property to the Purchasers, together with bills of sale executed by Poplar Tree and Rugby Road transferring to the Purchasers such Debtors’ interest in the Personal Property, without any warranties.
- Assumption and Assignment or Rejection of Development Contracts. The Agreement provides that the Sellers have entered into certain contracts with contractors for the completion of the development work for the Property (the “Development Contracts”). Within seven days after the effective date of the Sale (the “Effective Date”), the Sellers and the Purchasers shall determine whether or not each of the Development Contracts will be terminated by Sellers effective as of the Closing Date or assigned to the Purchasers by the Sellers on the Closing Date.
 - If the Sellers and the Purchasers determine that any of the Development Contracts shall be assigned to and assumed by Purchasers, then on the Closing Date, each applicable Seller and the Purchasers shall join in the execution of a “Development Contracts Assignment” covering each of the respective assigned Development Contracts in a form reasonably acceptable to the applicable Sellers and to Purchasers, whereby each respective Seller transfers and assigns to Purchasers all of its right, title and interest in and to the subject Development Contracts and Purchasers expressly assume all obligations and liabilities of each respective Seller under the applicable Development Contracts arising or accruing after the

“Fosters Run” project in McLean, Virginia, owned by Belleview Road (or its affiliate); and 52 subdivided lots in the “Hunter Mill” project located in the Hunter Mill area of Fairfax, Virginia, owned by Hunter Mill.

Closing Date (with appropriate mutual indemnifications included in each such Development Contracts Assignment); provided, that the Purchasers shall identify to the Sellers any Development Contracts that are to be assigned to the Purchasers not less than 23 days prior to the Auction to permit Sellers to seek Bankruptcy Court approval of the assumption and assignment of those Development Contracts.

- Homeowners' Association. At the time of Closing, the Property shall be conveyed subject to the organizational documents and other guidelines and documents (the "HOA Documents") of the homeowner's association for each portion of the Property, excluding the homeowner's association for the Property owned by Oak Creek (each, an "Association"), which relate to each respective portions of the Property.
 - The Purchasers shall be responsible, and shall indemnify, defend and hold the Sellers harmless from and against, any and all claims and expenses incurred by the Sellers or asserted against Sellers resulting from (i) any representations made by the Purchasers concerning the Associations, the fees and dues of the Associations or the proposed development within or outside of the Property from the Closing Date, or (ii) Purchasers' failure to comply with any of the terms and conditions of the HOA Documents or certain state law property acts.
- Prorations. Certain real estate taxes and assessments, special assessments applicable to the Property and fees and dues of the Associations are to be prorated between the Sellers and the Purchasers as of the Closing Date and thereafter assumed and paid by the Purchasers.
- Conditions. The obligations of the Parties to close the Agreement are conditioned on, among other things (i) the correctness of the Sellers' representations and warranties in the Agreement, (ii) the Sellers' performance and compliance in all material respects with all agreements, undertakings and obligations which are required to be performed by the Sellers or by which the Sellers are required to comply at or prior to the Closing Date, (iii) the delivery on the Closing Date of all documents and other items required by the Agreement, (iv) not later than 75 days after the Effective Date, the entry of the Sale Order in a form reasonably acceptable to the Sellers and the Purchasers approving the transactions contemplated in the Agreement and the terms and conditions of the Agreement, and (v) satisfaction of certain additional conditions by the Purchasers set forth in the Agreement.
- Ashbriar Contingent Claim. Hunter Mill has advised Purchasers that pursuant to a Purchase and Sale Agreement, dated February 17, 2005, entered into by and among Hunter Mill, 643-641 Ashbriar Partnership ("Ashbriar") and certain other parties in connection with Hunter Mill's acquisition of the Hunter Mill Property, Hunter Mill may be required to pay to Ashbriar additional consideration up to a maximum amount of approximately \$76.4 million dollars if lots comprising the Hunter Mill Property are re-zoned for a higher density at any time on or before August 17, 2014 (the "Ashbriar Contingent Claim").

- Neither Hunter Mill nor the Purchasers believe that higher density rezoning is possible based on the prior failed attempts to obtain rezoning. Consequently, Purchasers have covenanted and agreed to refrain from filing any application for a re-zoning of all or any portion of the Hunter Mill Property on or before August 17, 2014.
- At Closing, Hunter Mill and Purchasers shall execute a document to be recorded among the Fairfax County, Virginia land records at Hunter Mill's expense evidencing this covenant.
- Moreover, post-Closing, Hunter Mill shall be entitled to assert all claims and causes of action which may be available to Hunter Mill in the event of any default by the Purchasers of their covenant, including a cause of action to recover monetary damages in the amount of any additional consideration which may be payable by Hunter Mill to Ashbriar.
- The Debtors dispute the validity, enforceability, nature, scope and amount of the Ashbriar Claim.

The Bid Procedures. The following is a summary of the key terms in the Bid Procedures governing the Sale of the Property:

- Qualifying Bids. In order to participate at the Auction, a competing bidder must submit a bid for the Property (an "Initial Qualifying Overbid") that is (a) an all cash bid equal to the Purchase Price, plus \$200,000 plus the Break-Up Fee (as defined below), (b) for all of the Property and (c) subject to the substantially the same terms and conditions as those set forth in the Agreement (with the exception of the possibility of a diligence period, which is not to extend past the Bid Deadline (as defined below)).
- Qualifying Bidders. Additionally, such competing bidder (a "Qualifying Bidder") must establish to the reasonable satisfaction of Sellers that it has (a) the financial capability to close its Initial Qualifying Overbid or any subsequent overbid, as applicable, and provide "adequate assurance of future performance" (within the meaning of the Bankruptcy Code) of the Development Contracts to be assumed and assigned to the Purchasers, and (b) the necessary internal authorizations and approvals necessary to close such Initial Qualifying Overbid or subsequent overbid, as the case may be, without the consent of any entity that not already been obtained.
- Bid Deadline. In order to be a Qualifying Bid, a Qualifying Bidder shall deliver written copies of the bid materials described above to the Debtors and the Committee's counsel, no later than the second business day prior to the date of the Auction (unless such date is modified by the Debtors prior to the Auction) (the "Bid Deadline").
- Deposit. Qualifying Bidders must also deliver a deposit (a "Bid Deposit") equal to or greater than ten percent of the amount of their Initial Qualifying Overbid by the Bid Deadline.
- The Auction. If, prior to the Bid Deadline, the Debtors have received at least one Initial Qualifying Overbid, an open auction with respect to the Property shall occur and the

Debtors shall provide to Purchasers and all Qualifying Bidders the opportunity to submit additional incremental bids at the Auction.

- The Debtors propose that the Auction be held at the Wilmington offices of Delaware counsel to the Debtors, Fox Rothschild LLP, in Wilmington, Delaware on June 30, 2009 at 1:00 p.m. (Prevailing Eastern Time) or such other date and time that the Bankruptcy Court deems appropriate.
- At the commencement of the Auction, the Sellers will identify the opening bid, which will be the highest and best Initial Qualifying Bid, as determined by the Sellers, in their sole discretion in consultation with the Committee (the “Starting Bid”). Further bids will be solicited in increments of at least \$200,000. The Auction will be conducted openly and all creditors will be permitted to attend.
- The Auction shall continue until Sellers, in consultation with the Committee, determine that they have received the highest and best bid.
- The Sellers may adopt such other rules for bidding at the Auction, that, in Sellers’ business judgment, will better promote the goals of the bidding process and that are not inconsistent with any of the provisions of the Bid Procedures, the Bankruptcy Code or any order of the Bankruptcy Court entered in connection with the Sale.
- Break-Up Fee. If the Property is sold or transferred to a Qualifying Bidder other than the Purchasers, other than as a result of Purchasers’ breach of the Agreement, then Purchasers will be entitled to receive a non-refundable expense reimbursement equal to 3% of the Purchase Price as a “break-up fee” out of the proceeds of the consummated Sale (the “Break-Up Fee”), which shall not constitute an administrative liability of the estate.
- Return of Deposits. The Bid Deposits of each Qualifying Bidder shall be returned within five business days following entry by the Court of an order approving the Sale, except (i) the Qualifying Bidder determined to have made the highest and best bid (the “Prevailing Bidder”) and (ii) any Qualifying Bidder who shall forfeit its Bid Deposit by withdrawing or modifying its Initial Qualifying Overbid or any subsequent Qualifying Overbid without Sellers’ consent before the selection of the Prevailing Bidder.

The Debtors assert that the Bid Procedures will allow them to conduct the Auction in a controlled, fair and open fashion that will encourage participation by financially capable bidders who demonstrate the ability to close a transaction, thereby increasing the likelihood that the Debtors will receive the best possible consideration for the Property.