

Debtors' Motion for Authority to Pay Certain Property Taxes (the "Property Taxes Motion")

By the Property Taxes Motion, the Debtors seek authority to pay approximately \$24.7 million of property taxes (as described below, the "Taxes"), an estimated \$1.9 million of penalties and interest thereon, and (iii) interest and fees accruing on these amounts until they are paid (collectively, the "Assessments" and, together with the Taxes, the "Tax Assessments") to the applicable tax authorities.

Prior to August 4, 2008 (the "Petition Date"), the Debtors acquired real property (the "Real Property") in Florida, New Jersey, Connecticut, Virginia, and Maryland (each, a "County") in order to develop master-planned communities. The Debtors maintain that the Tax Assessments (a) were assessed on such Real Property for the tax year 2008, (b) were assessed and became liens on the Real Property prior to the Petition Date, and (c) continue to accrue interest at the following applicable statutory rate in each County: 18% per annum in Connecticut and Florida; 1% for each month or fraction of a month that the Tax Assessments are overdue in Maryland; a rate of interest that does not exceed 6% of the amount of the delinquency per local regulation in New Jersey; and the "Underpayment Rate" established by the IRS plus 2% in Virginia. The Debtors further maintain that the Tax Assessments are (i) currently due and payable, and (ii) presently secured by liens in the Real Property and certain personal property of the Debtors.

The Debtors assert that their cash position has improved over the course of their bankruptcy cases, and their current cash balance exceeds \$150 million. Additionally, the Debtors expect to generate approximately \$55 million in additional cash through pending asset sales, including the sale of (i) "The Regent at Bal Harbour" property to Elevation Communities, LLC, (ii) certain master planned communities located in Virginia and Maryland to NVR, Inc. and NVR Mid-Atlantic Asset Acquisition L.L.C., and (iii) certain subdivided lots of real property located in Loudon County and William County, Virginia to Stanley Martin Companies, LLC (collectively, the "Pending Sales").¹ The Debtors assert that their cash is earning very low interest returns and they believe that the use of some of their available cash to pay the Tax Assessments will provide the creditors with a substantial benefit through the reduced interest cost attributable to such unpaid Taxes.

¹ A summary of the proposed sale was posted to the Committee website in June.