

Debtors' Motion to Reject Various Executory Contracts in Connection with the Waterlefe Community Golf Course (the "Waterlefe Rejection Motion").

By the Waterlefe Rejection Motion, the Debtors seek entry of an order authorizing the Debtors to reject the Management Agreement, the Deficiency Agreement, and the Line of Credit (each, as defined below, collectively, the "Golf Course Agreements") entered into on March 1, 2001 in connection with the sale of the Waterlefe Community Golf Club by WCI Communities, Inc. ("WCI") to the Waterlefe Community Development District (the "CDD") as of September 5, 2008.

BACKGROUND

The Golf Course. In 2000, the Debtors completed the construction of the Waterlefe Golf & River Club development in Bradenton, Florida (the "Development"), which consists of 588 residential homes, the Waterlefe Community Golf Club, and a number of other amenities. The Waterlefe Community Golf Club, originally developed by WCI, is an 18-hole championship golf course, including a club house, pro shop, dining room, kitchen facilities, cart barn, maintenance facility, and rest shelters (collectively, the "Golf Course"). In March 2001, WCI sold the Golf Course to the CDD for \$10.1 million. WCI recently completed the sale of all homes in the Development.

The CDD Bonds. In order to fund a portion of the purchase of the Golf Course, the CDD issued Waterlefe Community Development District Golf Course Revenue Bonds (the "Bonds") in the principal amount of approximately \$9.5 million. The CDD is the only obligor in respect of the Bonds and its payment obligations are secured by a pledge of the revenue generated by the Golf Course. The indenture for the Bonds (the "Indenture") requires that a portion of the proceeds from the Bonds be allocated to fund the creation of a "Debt Service Reserve Fund," which would be used to pay interest on the Bonds. Future funding of the Debt Service Reserve Fund is to come from Golf Course revenues. Interest on the Bonds is due semi-annually at a rate of 8.125% per annum (the "Bond Rate"), with the next interest payment due October 1, 2008. The annual debt service in respect of the Bonds is approximately \$925,000 and the outstanding principal amount of the Bonds as of August 4, 2008, the petition date, is approximately \$8.595 million.

The Surplus Note. Because the net Bond proceeds were not sufficient to fund the entire purchase price of the Golf Course, the CDD delivered a promissory note to WCI in the original principal amount of \$2.365 million with semi-annual interest at the rate of 8.52% per annum (the "Surplus Note"). Payment of the Surplus Note is subordinate to payment of the Bonds so the CDD has not made any payments to WCI with respect to the Surplus Note although the Surplus Note continues to accrue interest. The current amount of principal and interest due to WCI under the Surplus Note is approximately \$4.4 million.

THE GOLF COURSE AGREEMENTS AND THE PURCHASE AGREEMENT

WCI and the CDD entered the following agreements on March 1, 2001 in connection with the CDD's purchase of the Golf Course:

The Deficiency Agreement. In order to provide the CDD with another source of funds to repay the Bonds, the Debt Service Reserve Fund Deficiency Agreement (the “Deficiency Agreement”) obligates WCI to pay interest and/or principal in respect of the Bonds if the revenue from Golf Course operations is insufficient to fully fund the debt service or meet the Indenture’s reserve fund requirements. WCI is entitled to be repaid by the CDD for any amounts advanced by WCI under the Deficiency Agreement, together with interest at the Bond Rate. The CDD is only required to make such reimbursements from Golf Course revenues, which obligation is subordinate to payment of the Bonds, so the CDD currently owes WCI approximately \$1.1 million for amounts WCI has advanced under the Deficiency Agreement.

The Management Agreement. Pursuant to the Club Facilities Management Agreement (the “Management Agreement”), WCI (i) acts as the manager of the Golf Course, (ii) employs the Golf Course employees, and (iii) pays expenses incurred in connection with the operation of the Golf Course, including salaries, wages, fringe benefits, payroll, administrative and general expenses for sales, advertising, business promotion, and utilities (collectively, the “Operating Expenses”). The monthly Operating Expenses are approximately \$204,100. The CDD is required to reimburse WCI for the Operating Expenses on a monthly basis and pay WCI a management fee (the “Management Fee”) of \$12,500 per month. The Management Agreement provides that the CDD’s payment of the Management Fee and reimbursements for the Operating Expenses is funded by Golf Course revenues. Because the Golf Course operating revenues have not been sufficient to fund the goods and services provided by WCI under the Management Agreement, the CDD currently owes WCI approximately \$7.88 million under the Management Agreement. The term of the Management Agreement runs through September 30, 2011.

The Line of Credit. Pursuant to the Working Capital Line of Credit (the “Line of Credit”), WCI agreed to furnish the CDD with a revolving credit line in the maximum amount of \$1.1 million to cover any operating shortfalls resulting from Golf Course operations. The CDD currently owes WCI approximately \$730,000 in respect of the Line of Credit, which is payable solely from Golf Course revenue after payment of Operating Expenses and debt service on the Bonds.

The Purchase Agreement. Pursuant to the Golf Course Purchase Agreement (the “Purchase Agreement”), at any time prior to March 2011 or as long as the CDD is obligated to pay the Debtors for amounts owed under the Line of Credit, Deficiency Agreement, or Surplus Note, WCI has the option of repurchasing the Golf Course for a purchase price equal to the greater of fair market value and the outstanding amount owed by the CDD in respect of the Bonds plus 3%.