

Motion for Order Pursuant to Sections 363(b), 363(f) and 363(m) Approving the Sale of the Sossaman Lots Pursuant to the Purchase Agreement Between TOUSA Homes, Inc. and Sossaman Holdings, L.L.C. (the “Sossaman Motion”).

By the Sossaman Motion, the Debtors seek entry of an order authorizing them to sell certain lots to Sossaman Holdings, L.L.C. (“Sossaman”) in accordance with the terms of the purchase agreement dated August 19, 2005 between TOUSA Homes, Inc. (“TOUSA Homes”) and Sossaman (the “Sossaman Purchase Agreement”).

The Sossaman Purchase Agreement, Repurchase Option and Land-Bank Agreement

On August 19, 2005, TOUSA Homes and Sossaman entered into the Sossaman Purchase Agreement, pursuant to which Sossaman sold 364 acres of real property situated in Queen Creek, Arizona (the “Sossaman Estates”) to TOUSA Homes. Exhibit T to the Sossaman Purchase Agreement incorporated an option for Sossaman to repurchase the Sossaman Estates (the “Repurchase Option”) if TOUSA Homes were to receive an offer from a “non-retail buyer”¹ to purchase any portion of the Sossaman Estates. Specifically, the Repurchase Option requires TOUSA Homes to provide Sossaman with notice, detailing the terms of any offer from a non-retail buyer, and then provides Sossaman ten business days to notify TOUSA Homes if Sossaman intends to exercise the Repurchase Option. The Repurchase Option’s exercise price is the lesser of (a) the original price paid pursuant to the Sossaman Purchase Agreement for such lots or (b) the price that the non-retail buyer has proposed to pay for such lots.

On April 26, 2006, TOUSA Homes entered into a land-banking agreement with APEX Capital Fund 2, LLC (“APEX”) with respect to the Sossaman Estates (the “Land-Bank Agreement”). As part of the Land-Bank Agreement, TOUSA Homes assigned the Sossaman Purchase Agreement to APEX. In May 2006, pursuant to the terms of the Land-Bank Agreement, APEX purchased 71.64 acres (113 lots) of the Sossaman Estates for \$9,085,483.12. Pursuant to an option agreement between TOUSA Homes and APEX, TOUSA Homes purchased 14 lots at an agreed price of \$117,395 per lot (the “Sossaman Lots”).

The Paulson Sale and Exercise of the Repurchase Option

On March 4, 2010, the Debtors entered into an agreement with Paulson RERF Acquisition Corp. (“Paulson”) pursuant to which the Debtors will sell and Paulson will purchase substantially all of the Debtors’ assets in Arizona, Colorado and Nevada (the “Western Assets”). Paulson originally intended to purchase the Sossaman Lots in connection with its purchase of the Western Assets. However, on March 3, 2010, TOUSA Homes provided Sossaman with notice of the potential sale of the Sossaman Lots, and on March 10, 2010, Sossaman responded to the notice indicating its intention to exercise the Repurchase Option. The Debtors assert that the contract price for the Sossaman Lots when APEX originally purchased them pursuant to the Sossaman Purchase Agreement was \$1,125,635.14, while the price offered by Paulson for the Sossaman Lots was

¹A non-retail buyer is defined as a “third-party purchaser other than in connection with a Retail Sale,” and a Retail Sale is defined as the “initial sale of a Residential Lot to an unaffiliated third party.” Sossaman Purchase Agreement, §§ 1(t), (qq).

\$420,000. Accordingly, pursuant to the Repurchase Option, the Debtors contend that Sossaman is entitled to purchase the Sossaman Lots for the lesser of these two amounts, or \$420,000.

The Construction 70 Lien

The Debtors believe that a company called Construction 70 holds a lien on the Sossaman Lots in the amount of \$955,931.87 (the "Construction 70 Lien"). The Debtors seek permission to sell the Sossaman Lots to Sossaman free and clear of all liens, claims, encumbrances and other interests pursuant to section 363(f) of the Bankruptcy Code. The Debtors believe that they have satisfied the requirements under section 363(f) of the Bankruptcy Code and should be entitled to sell the Sossaman Lots free and clear of the Construction 70 Lien because Construction 70 can be compelled to accept a money satisfaction in an amount equal to less than the full amount of the Construction 70 Lien pursuant to either section 1129(b)(2)(A)(iii) or section 724(b) of the Bankruptcy Code or Arizona Law.

A hearing on the Sossaman Motion is scheduled for July 13, 2010 at 1:30 p.m. (ET) with a corresponding objection deadline of July 9, 2010.