

Debtors' Motion for Entry of an Order Pursuant to Section 363(b) of the Bankruptcy Code Approving the Debtors' Entry Into the Home Builders' Protective Policy with Steadfast Insurance Company (the "Steadfast Motion").

By the Steadfast Motion, the Debtors seek entry of an order authorizing the Debtors to renew their Home Builders' Protective Policy (the "Policy") with Steadfast Insurance Company ("Steadfast"). The Policy is scheduled to expire on April 15, 2009, and the Debtors are now seeking to renew the Policy through April 15, 2010.

On March 6, 2008, the Court entered an order (the "Insurance Order") authorizing the Debtors to maintain insurance policies essential to preserving the Debtors' businesses. The U.S. Trustee, and many of the jurisdictions in which the Debtors operate, require the Debtors to maintain insurance coverage in connection with the Debtors' ordinary course operations. While the Debtors believe that the Insurance Order permits them to enter into the renewal of the Policy in the ordinary course of business, at the request of Steadfast, the Debtors are seeking entry of an order specifically approving their entry into the renewal of the Policy.

The Policy provides the Debtors with: (i) general liability insurance for personal injury and property damage claims alleged against the Debtors by third parties and (ii) insurance coverage for "completed operations" which includes construction defects for homes completed or sold during the term of the Policy. The Debtors estimate that the total cost of the Policy (absent deductible expenses) will be \$2,756,799. The material terms of the Policy include:

- One year term from April 15, 2009 through April 15, 2010.
- Limits of Insurance
 - Per Occurrence - \$5,000,000.
 - Personal and Advertising Injury Limit - \$5,000,000.
 - General Aggregate - \$6,000,000.
 - Products/Completed Operations Aggregate Limit - \$6,000,000.
 - Fire Legal Liability (per Premises) - \$100,000.
 - Medical Payments (per Person) - \$5,000.
- A "deductible" of \$10,000 per occurrence.

The Debtors argue that entry into the Policy is an exercise of their business judgment and in the best interests of their estates.

A hearing on the Steadfast Motion has been scheduled for April 14, 2009.