

Emergency Motion of the Debtors for Entry of an Order (A) Authorizing the Debtors to Pay Certain Prepetition Lien Claims and Priority Claims in the Ordinary Course of Business and (B) Authorizing Financial Institutions to Honor All Checks and Electronic Payment Requests Made by the Debtors Relating to the Foregoing (the “Mechanics Lien Motion”).

By the Mechanics Lien Motion, the Debtors seek entry of an order authorizing, but not directing, the Debtors to pay Lien Claimants in the ordinary course of business provided that (i) the Debtors will not pay a Mechanics Lien unless the Lien Claimant has perfected or, is capable of perfecting or will be capable of perfecting one or more Liens (that is/are not subject to avoidance); (ii) the payment of such lien claim will be made with a full reservation of rights regarding the extent, validity, perfection or possible avoidance of any Liens; and (iii) the Lien Claimant agrees to promptly release any Liens upon payment in satisfaction thereof.

The Debtors may also condition payment on Lien Claimant’s agreement to continue to provide goods or services on prepetition terms, or if the Debtors choose, upon renegotiated terms upon which the parties have agreed. If a Lien Claimant refuses to honor the prepetition or renegotiated terms, any payment to the Lien Claimant will be deemed to cover only postpetition obligations, and the Lien Claimant will be required to repay the amount in excess of such postpetition obligations. The Debtors also propose to keep a list of payments and share the list with the U.S. Trustee, the DIP Agent, the prepetition secured lenders, and the Committee.

Lastly, the Mechanics Lien Motion requests that all banks or financial institutions be required to receive, process, honor and pay all checks presented for payment and honor all electronic requests of the Debtors related to these prepetition obligations.

The Debtors assert that although they ordinarily pay their creditors on time, there are certain Lien Claimants who may be able to assert Mechanics Liens in the absence of prompt payment. Under the Bankruptcy Code, perfection of a lien, consistent with section 546(b) of the Bankruptcy Code, is not a violation of the automatic stay. Therefore, property of the Debtors could become encumbered after the Petition Date and could interfere with the Debtors’ ability to sell inventory.

The Debtors further assert that the Lien Claimants are often under contract with the Debtors for multiple projects. Thus, the Debtors are concerned that certain Lien Claimants may refuse to work on other projects until their Lien claims are satisfied. This would slow production and inhibit the Debtors’ ability to deliver homes on schedule. The Debtors believe that the outstanding amount secured by Mechanics Liens is approximately \$47 million.

An interim order approving the Mechanics Lien Motion was entered on January 31, 2008. An amended order approving the Mechanics Lien Motion was entered on March 6, 2008.