

Emergency Motion for Entry of an Order (A) Authorizing the Debtors to Pay or Honor Certain Prepetition Obligations for (I) Wages, Salaries, Bonuses and Other Compensation, (II) Reimbursable Employee Expenses and (III) Employee Medical and Similar Benefits and (B) Authorizing Financial Institutions to Honor All Related Checks and Electronic Payment Requests (the “Wages Motion”).

By the Wages Motion, the Debtors seek entry of an order (i) authorizing, but not directing, the Debtors to continue to pay and honor certain prepetition claims for, among other things, (a) unpaid compensation, (b) bonuses, and (c) commissions and reimbursable employee expenses; (ii) authorizing, but not directing, the Debtors to honor employee medical and other benefits; and (iii) authorizing financial institutions to honor related check and electronic requests.

The Debtors employ approximately 1,422 associates (the “Associates”) in their domestic locations of whom approximately 846 are full-time salaried employees (the “Regular Full-Time Associates”). The Debtors also employ independent contractors (the “Independent Contractors”), sales associates (the “Sales Associates”) and occasional temporary employees (the “Temporary Employees”). The Associates, Independent Contractors, Sales Associates, and Temporary Employees (together, the “Employees”) perform a variety of critical functions, including customer sales and service, land analysis and development, management, accounting, marketing, purchasing and sales, tax, technical services and other tasks. The Debtors assert that without the continued services of the Employees, an effective reorganization will not be possible.

To minimize the hardship that the Employees will suffer if prepetition employee-related obligations are not paid as expected, and to maintain morale, the Wages Motion seeks authority to pay and honor certain prepetition claims for, among other items, (i) wages, (ii) salaries, (iii) commissions, (iv) bonuses and other compensation, (v) federal and state withholding taxes and other amounts withheld (*e.g.*, garnishments, taxes and 401(k) contributions), (vi) Employee health benefits, (vii) insurance benefits, (viii) workers’ compensation benefits, (ix) vacation time, (x) life and accidental death and dismemberment insurance, (xi) short and long-term disability coverage, and (xii) all other Employee benefits that the Debtors have historically provided in the ordinary course of business (collectively, the “Employee Wages and Benefits”) and to pay all costs incident to the foregoing.

With the exception of commissions and bonuses, the Debtors pay Employees on a semi-monthly basis. While the Debtors have paid their Employees for the pay period ending January 31, 2008, some Employees may also be entitled to additional prepetition compensation because of discrepancies between amounts paid and the amounts owed. In addition, some payroll checks issued prepetition may not have cleared the banking system. The Debtors also seek authority to pay (i) builder bonuses in the amount of \$470,000, (ii) merit based bonuses, (iii) unpaid quarterly wages in the amount of \$659,000, and (iv) unpaid commissions. The Debtors maintain that they do not seek to pay any single Employee more than \$10,000, but reserve the right to file a separate motion to pay unpaid annual and quarterly compensation to Employees owed more than \$10,000.

The Wages Motion further seeks authority, in the Debtors’ sole discretion, to reimburse Employees for certain expenses incurred during the scope of their employment. The Debtors assert that Employees incur such expenses on behalf of the Debtors, with the expectation of reimbursement. The Debtors use ADP, through which they withhold the amount necessary to cover payroll taxes, and any other amounts required by law. As of the Petition Date, some of the

funds from the immediately preceding period may not yet have cleared the payroll system. The Wages Motion requests that banks and other financial institutions be authorized and directed to receive, process, honor and pay all checks presented for payment.

Having significantly reduced their workforce over the past year, the Debtors have offered severance payments to Employees based on the Employee's tenure with the Debtors and the Employee's accrued vacation time. The Debtors assert that they will not honor severance payments that give rise to substantial claims.

The Debtors also offer certain Employees a number of insurance and other benefits (the "Benefits Programs") which include: (i) medical and dental insurance; (ii) vision coverage; (iii) workers compensation insurance; (iv) vacation time; (v) sick leave; (vi) leaves of absence; (vii) Employee retirement and savings programs; (viii) life insurance; (ix) long term disability insurance; (x) flexible spending accounts for health care and child care; (xi) discounts and reward programs; (xii) an Employee recognition program; and (xiii) a health care advocacy program. By the Wages Motion, the Debtors also seek authority to honor obligations related to the Benefits Programs in the ordinary course of business. The Debtors believe that these programs are necessary to maintain morale, prevent employee departures, and avoid personal hardship for the Employees.

An interim order approving the Wages Motion was entered on January 31, 2008. A final order approving the Wages Motion was entered on February 28, 2008.