

**Motion for an Order Pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure Approving Settlement Agreement Among TOUSA Homes, Inc., James G. Postle and Postle Development Company (the “PDC Settlement Motion”).**

By the PDC Settlement Motion, the Debtors seek entry of an order approving and authorizing the Debtors to enter into a settlement agreement and mutual release (the “Settlement Agreement”) by and between TOUSA Homes, Inc. d/b/a James Company (“TOUSA Homes”) and Postle Development Company f/k/a James Company (“PDC”) and its president, James G. Postle (“Postle” and, together with PDC, the “PDC Parties”).

The Settlement Agreement resolves a pending prepetition lawsuit that TOUSA Homes commenced against the PDC Parties in Colorado (the “State Court Action”) pursuant to which TOUSA Homes sought damages of approximately \$1.3 million (including interest and attorneys’ fees) for breach of contract and unjust enrichment.

PDC is a developer and homebuilder located in Denver, Colorado. In February 2003, TOUSA Homes entered into an asset purchase agreement with the PDC Parties to, among other things, purchase land and related assets in Colorado (the “Purchase Agreement”). According to the Debtors, under the Purchase Agreement, TOUSA Homes (i) has the right to use the names “James Construction Company” and “James Company,” (ii) had the option to purchase land and water rights related thereto for a proposed development known as “Sidehill,” (iii) had the right to purchase certain other real property known as “Quail Crossing,” (iv) has the right to royalties from an oil and gas lease related to Quail Crossing, and (v) has the right to seek reimbursement from PDC for certain improvements made by TOUSA Homes to developments known as “Wildflower” and “Fox Meadow,” which were previously owned by PDC.

When TOUSA Homes acquired an interest in Sidehill pursuant to the Purchase Agreement, the project consisted of two phases – Phase I, which was ready for development and use for residential purposes, and Phase II, which required further development before it could be developed. On February 5, 2004, TOUSA Homes exercised its option to purchase Phase I. With respect to Phase II, however, TOUSA Homes assigned its right to purchase the land and water rights to PDC (the “Assignment Agreement”). Pursuant to the Assignment Agreement, PDC agreed to compensate TOUSA Homes for certain improvements to Phase I that would also benefit Phase II, including, for example, the installation of a large sewer line. When TOUSA Homes sought compensation from the PDC Parties for such improvements, the PDC Parties disputed TOUSA Homes’ claims and asserted several significant offsets to the amounts claimed by TOUSA Homes.

Specifically, the PDC Parties dispute TOUSA Homes’ (i) entitlement to receive oil and gas royalty payments related to the Quail Crossing property and (ii) assertion that the Purchase Agreement required the PDC Parties to indemnify TOUSA Homes for the costs of improvements at the Wildflower and Fox Meadow developments. In addition, the PDC Parties asserted the following counterclaims in the State Court Action aggregating \$7,928,485.30 in damages and evidenced by a proof of claim filed against TOUSA Homes’ estate (the “PDC Claim”): (a) \$115,000 for PDC’s construction of a “underdrain system” in Phase II; (ii) \$2 million for dirt allegedly taken from Phase II and used by TOUSA Homes to improve Phase I; and (iii) \$5.5

million in damages for TOUSA Homes' alleged negligent misrepresentation of the costs of developing Sidehill.

Following the commencement of the State Court Action, TOUSA Homes and the PDC Parties began formal mediation proceedings, which were scheduled for June 18, 2008. Prior to such mediation, TOUSA Homes and the PDC Parties were able to reach a settlement of the State Court Action. The salient terms of the Settlement Agreement are as follows:

- Within three days of the Bankruptcy Court's approval of the Settlement Agreement, the PDC Parties, as joint and several obligors, will pay TOUSA Homes \$350,000 (the "Settlement Amount"). The PDC Parties' failure to pay the Settlement Amount permits TOUSA Homes to void the Settlement Agreement.
- The PDC Parties will be permitted to retain any royalties with respect to the Quail Crossing oil and gas lease received to date (estimated by the Debtors to be no more than \$60,000) and all future royalties shall be paid to TOUSA Homes.
- TOUSA Homes and the PDC Parties will execute mutual releases, including (i) a dismissal of the State Court Action with prejudice and (ii) a release and withdrawal, with prejudice, of any claims filed in the Debtors' chapter 11 cases, including the PDC Claim.

Having evaluated the proposed settlement in consideration of the potential for success in the State Court Action, the potential liability for the counterclaims asserted therein and the inherent uncertainty of litigation, the Debtors assert that, in their business judgment, the proposed settlement is in the best interests of their estates and their creditors and should be approved. Further, the Debtors maintain that the proposed settlement is fair and equitable and falls within the range of reasonableness.

***A hearing on the PDC Settlement Motion has been scheduled for July 10, 2008, with an objection deadline of July 3, 2008.***