

Debtors' Motion for an Order, Pursuant to Section 1121(D) of the Bankruptcy Code, Extending the Exclusive Periods During Which Only the Debtors May File a Chapter 11 Plan and Solicit Acceptances Thereof (the "Exclusivity Motion").

By the Exclusivity Motion, the Debtors seek authority to extend their exclusive periods to file and solicit acceptances of a plan of reorganization (the "Exclusive Periods") from May 28, 2008 and July 27, 2008 to October 25, 2008 and December 24, 2008, respectively. Pursuant to section 1121(b) of the Bankruptcy Code, a debtor has the exclusive right to file and solicit a plan of reorganization during the first 120 days and 180 days, respectively, following the commencement of a chapter 11 case. The Bankruptcy Code provides, however, that on request of a party in interest, the Bankruptcy Court may, for cause, extend the Exclusive Periods.¹

The Debtors assert that, during the first 100 days of these cases, they have made enormous progress towards successfully restructuring their businesses. The Debtors assert further, however, that, because many challenges remain, the Debtors require an extension of their Exclusive Periods. In support of their request, the Debtors argue that they have made significant advances including:

- negotiating and implementing (on an interim basis) a secured postpetition financing arrangement (the "DIP Financing") that, while never drawn upon, inspired the confidence of the Debtors' customers, vendors, employees and other key constituencies;
- consistently operating ahead of projections with respect to (among other things) home sales, home deliveries and available liquidity;
- completing and filing their tax return for the 2007 tax year, and receiving a tax refund of approximately \$207 million;
- substantially completing a process for reviewing and, where appropriate, paying prepetition lien claims so as to allow sales of homes in the ordinary course of business free and clear of such lien claims;
- establishing a bar date for the filing of prepetition claims and implementing court approved notice procedures with respect thereto;
- working with key constituencies to establish and implement an informal discovery process related to the fraudulent transfer litigation;
- developing a detailed business plan that will form the basis for discussions and negotiations regarding a plan of reorganization (the "Business Plan"); and
- presenting the Business Plan to key creditor constituencies.

¹ Pursuant to Bankruptcy Code section 1121(d), the Exclusive Filing Period and the Exclusive Solicitation Period may not be extended beyond a date that is 18 months and 20 months, respectively, after the petition date.

While the Debtors assert that they are pleased with their progress, they allege that they require additional time to propose and solicit acceptances of a plan. Specifically, the Debtors believe that before they can propose a plan of reorganization, they must:

- implement the Business Plan, including streamlining their business operations, reducing operating costs, evaluating the performance of all divisions and communities and reviewing all contracts;
- reach a longer-term arrangement regarding the use of cash collateral;
- develop and implement a process for review of and, ultimately, allowance or disallowance of creditor claims;
- develop an appropriate process and mechanism for pursuing the fraudulent transfer litigation either during or after these chapter 11 cases;
- use the Business Plan as a basis for negotiations regarding the terms of a plan of reorganization, as well as for discussions regarding exit financing, potential equity investments or other potential transactions; and
- draft the plan, disclosure statement and other supporting documents, which will reflect the results of each of the other identified work streams.

The Debtors assert that it is common for courts to grant extensions of exclusivity where the Debtors' cases are large and complex. Further, the Debtors assert that they have made progress towards a plan, and can demonstrate that they have a reasonable prospect of reorganizing. They Debtors maintain that they have been paying their postpetition bills as they come due and, therefore, are not jeopardizing creditors doing business with the Debtors.

A hearing on the Exclusivity Motion is scheduled for May 22, with a corresponding objection deadline of May 16, 2008.