

Debtors' Motion for Entry of an Order Pursuant to Section 363(b) of the Bankruptcy Code Approving the Entry Into a Sale Agreement with PRN Real Estate & Investments, Ltd. (the "PRN Sale Motion").

By the PRN Sale Motion, the Debtors seek entry of an order authorizing Debtor TOUSA Homes, Inc. ("TOUSA Homes") to enter into a Contract for Sale and Purchase, dated January 28, 2008 (the "Sale Agreement") with PRN Real Estate Investments, Ltd. ("Buyer") to sell a \$16.3 million note for \$13.5 million in cash.

In 2005, TOUSA Homes entered into a contract to purchase land located in Orlando, Florida (the "I-Drive Property") for a total purchase price of \$28 million. The I-Drive Property is a mixed-use commercial property located on Orlando's main tourist strip that features many hotels, resorts and tourist attractions, including Universal Studios Orlando and Sea World.

As the Debtors' core business is the construction and sale of single-family homes, the purchase of the I-Drive Property was intended as an investment opportunity and not for direct development. In fact, the Debtors had already started marketing the I-Drive Property for sale prior to the closing of the Debtors' purchase of the I-Drive Property, and were able to sell a portion of the I-Drive Property for \$7 million in June 2006. Thereafter, the Debtors assert that they continued to market the remaining I-Drive Property unsuccessfully.

In June 2007, however, the Debtors reached an agreement with Cape Light Development International Drive I, LLC ("Cape Light") for the sale of the I-Drive Property for approximately \$8 million in cash and a \$16.3 million promissory note executed by Cape Light in favor of TOUSA Homes (the "Note") and secured by the I-Drive Property. Cape Light subsequently defaulted on the Note by failing to make required interest payments in late 2007.

To recover value under the Note, the Debtors must first foreclose on the I-Drive Property, which could take, by the Debtors' estimate, approximately twelve to fourteen months. As a result, the Debtors determined to market their interest in the Note and thereby monetize the asset without the time and expense required to foreclose on the I-Drive Property. As a result of these marketing efforts, the Debtors received four offers to purchase the Note, including two offers for a purchase price of \$13.5 million. After consultation with their advisors, the Debtors determined to proceed with the sale of the Note to the Buyer for \$13.5 million as the highest and best offer based on the purchase price and its willingness and ability to close the transaction quickly.

Although the face value of the Note is \$16.3 million, the Debtors believe that the \$13.5 million purchase price represents the fair value of the Note because (i) it was extensively marketed and (ii) the discounted purchase price reflects the cost, time, and market risk associated with a foreclosure process. Sale-related expenses and broker fees will net approximately \$13 million.

Some of the other salient terms of the Sale Agreement include the following:

- Closing: On the eleventh day after entry of the order approving the PRN Sale Motion (if no appeal is filed); *provided* TOUSA Homes must provide the Buyer with a closing notice on or before March 20, 2008 and, if not delivered, the Buyer will be permitted to terminate the Sale Agreement.

- Broker Fees: Broker Fees are payable by the Debtors and amount to approximately \$690,000.
- Default: If TOUSA Homes defaults under the Sale Agreement, Buyer is entitled to retain a deposit of \$200,000 as liquidated damages.

An order approving the PRN Motion was entered on March 6, 2008.