

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re)	
)	Chapter 11
)	
WCI COMMUNITIES, INC., <u>et al.</u> , ¹)	Case No. 08 - 11643 (KJC)
)	
)	Jointly Administered
Debtors.)	

**DISCLOSURE STATEMENT RELATING TO THE FIRST
AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION
FOR WCI COMMUNITIES, INC. AND ITS AFFILIATED DEBTORS**

Dated: July 1, 2009

WHITE & CASE LLP
Thomas E Lauria
Craig H. Averch
Matthew C. Brown
Wachovia Financial Center
200 South Biscayne Boulevard, 49th Floor
Miami, Florida 33131
(305) 371-2700

FOX ROTHSCHILD LLP
Jeffrey M. Schlerf (No. 3047)
Eric M. Suttly (No. 4007)
919 Market Street, Suite 1600
Wilmington, Delaware 19801
(302) 654-7444

ATTORNEYS FOR THE DEBTORS
AND DEBTORS IN POSSESSION

¹ The List of the Debtors and Tax Identification Numbers is located on the docket for Case No. 08-11643 (KJC) [Docket No. 64] and <http://chapter11.epiqsystems.com/wcicomunities>.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. NOTICE TO HOLDERS OF CLAIMS	2
III. EXPLANATION OF CHAPTER 11	4
A. Overview of Chapter 11.....	4
B. Plan of Reorganization.....	5
C. Confirmation of a Plan of Reorganization.....	5
IV. OVERVIEW OF THE PLAN.....	6
A. Summary of the Terms of the Plan.	6
B. Summary of Distributions Under the Plan.....	8
V. GENERAL INFORMATION	11
A. Overview of the Debtors.....	11
B. Business and Properties of the Debtors.	12
1. Core Business Operations.....	12
2. Debtors' Future Plans for Continuing Business Operations.....	15
3. Employees.....	15
4. Management.....	16
C. Prepetition Capital Structure.....	18
D. Events Leading to the Commencement of the Chapter 11 Cases.....	20
VI. CERTAIN AFFILIATE TRANSACTIONS	22
A. Overview.....	22
B. Centralized Cash Management.	22
C. Corporate Overhead.....	23
D. Treatment of Intercompany Claims under the Plan.	23
VII. SELECTED FINANCIAL INFORMATION	24
A. Annual Financial Information for WCI.....	24

B.	Financial Statements for WCI.....	24
VIII.	FINANCIAL PROJECTIONS AND ASSUMPTIONS	28
A.	Purpose and Objectives.....	28
B.	Projected Consolidated Financial Statements.....	28
IX.	VALUATION	29
X.	THE REORGANIZATION CASES.....	30
A.	Commencement of the Chapter 11 Cases.....	30
B.	Procedural Orders.....	30
1.	Joint Administration.....	30
2.	Interim Compensation and Reimbursement of Professional Persons and Committee Members.....	30
C.	Continuation of Business After the Petition Date.....	31
1.	Cash Collateral.....	31
2.	Debtor-in-Possession Financing.....	32
3.	Business Operations.....	33
4.	Employee-Related Matters.....	39
D.	Representation of the Debtors.....	39
E.	Formation and Representation of the Creditors' Committee.....	40
F.	Matters Relating to Unexpired Leases and Executory Contracts.....	40
G.	Exclusive Periods.....	42
H.	Asset Dispositions.....	42
I.	Key Employee Incentive Plan.....	44
J.	The Automatic Stay.....	44
K.	Alternative Dispute Resolution.....	45
L.	Debtors' Schedules; Bar Date; Claims Objections and Estimated Amount of Claims.....	46
1.	Debtors' Schedules and Bar Date.....	46
2.	Claims Objections.....	46

3.	Estimation of Claims.....	47
XI.	MATERIAL CLAIMS AND LITIGATION	47
A.	Safeco Litigation and Settlement.....	47
B.	Chinese Drywall.....	48
XII.	THE CHAPTER 11 PLAN.....	49
A.	Resolution of Certain Inter-Debtor Issues.....	49
1.	Intercompany Claims and Equity Interests.....	49
2.	Treatment of Guaranty Claims Against a Debtor.....	50
B.	Classification and Treatment of Claims and Equity Interests.....	50
1.	Treatment of Unclassified Claims.....	50
2.	Treatment of Classified Claims and Equity Interests.....	52
C.	Means for Implementation of the Plan.....	53
1.	Organization of New WCI.....	53
2.	Operations Between the Confirmation Date and the Effective Date.....	54
3.	Implementing Transactions on or Prior to the Effective Date.....	54
4.	Corporate Action.....	56
5.	Re-Vesting of Assets.....	57
6.	Initial Boards of Directors.....	57
7.	Management Agreement.....	57
8.	Management and Officers.....	57
9.	Director and Officer Liability Insurance.....	58
10.	Causes of Action.....	58
11.	Appointment of the Disbursing Agent.....	58
12.	Sources of Cash for Plan Distributions.....	58
13.	Investment of Funds Held by the Disbursing Agent; Tax Reporting by the Disbursing Agent.....	59
14.	New WCI Employee Incentive Programs.....	59

15.	Releases by the Debtors.....	59
16.	Releases by Creditors and Equity Security Holders.....	60
D.	Description of Certain Securities to be Issued Pursuant to the Plan.....	60
1.	New WCI Common Stock.....	60
2.	New WCI Senior Term Notes.....	61
3.	New WCI Senior Subordinated PIK Notes.....	61
4.	New WCI Preferred Stock.....	62
5.	Issuance of the New WCI Securities.....	62
E.	The Plan Trust.....	63
1.	Creation of the Plan Trust and the Appointment of the Plan Trustee.....	63
2.	Property of the Plan Trust.....	63
3.	Powers and Duties of the Plan Trustee.....	63
F.	The Creditor Trust.....	64
1.	Creation of the Creditor Trust and Appointment of the Creditor Trustee.....	64
2.	Property of the Creditor Trust.....	64
3.	Purpose of the Creditor Trust.....	65
4.	Powers of the Creditor Trustee.....	65
5.	Creditors' Trust Advisory Board.....	65
6.	Cooperation Between Creditor Trustee and Disbursing Agent.....	66
7.	Termination of the Creditor Trust.....	66
G.	Plan Distribution Provisions.....	66
1.	Plan Distributions.....	66
2.	Timing of Plan Distributions.....	66
3.	Address for Delivery of Plan Distributions/Unclaimed Plan Distributions.....	67
4.	De Minimis Plan Distributions.....	67
5.	Time Bar to Cash Payments.....	67

6.	Manner of Payment under the Plan.....	67
7.	Expenses Incurred on or after the Effective Date and Claims of the Disbursing Agent.	67
8.	Fractional Plan Distributions.	68
9.	Special Distribution Provisions Concerning the Prepetition Credit Facilities.....	68
10.	Special Distribution Provisions Concerning the Prepetition Note Claims.	69
11.	Surrender and Cancellation of Instruments.....	70
H.	Procedures for Resolving and Treating Contested Claims.	70
1.	Continuation of ADR.....	70
2.	Objection Deadline.	70
3.	Prosecution of Contested Claims.	70
4.	Claims Settlement.	71
5.	Entitlement to Plan Distributions upon Allowance.	71
6.	Estimation of Claims.....	71
I.	Conditions Precedent to Confirmation of the Plan and the Occurrence of the Effective Date.	71
1.	Conditions Precedent to Confirmation.....	71
2.	Conditions Precedent to the Occurrence of the Effective Date.	72
3.	Waiver of Conditions.....	72
4.	Effect of Non-Occurrence of the Effective Date.	72
J.	The Disbursing Agent.....	73
1.	Powers and Duties.....	73
2.	Plan Distributions.....	73
3.	Exculpation.	73
K.	Treatment of Executory Contracts and Unexpired Leases.	73
1.	Assumption and Rejection of Executory Contracts and Unexpired Leases.....	73

2.	Cure.....	75
3.	Claims Arising from Rejection, Expiration or Termination.	76
L.	Retention of Jurisdiction.	76
M.	Other Material Provisions of the Plan.....	78
1.	Payment of Statutory Fees.	78
2.	Satisfaction of Claims.	78
3.	Special Provisions Regarding Insured Claims.	78
4.	Third Party Agreements; Subordination.	78
5.	Exculpation.	79
6.	Discharge of Liabilities.....	79
7.	Discharge of Debtors.	80
8.	Governing Law.	80
9.	Exemption From Transfer Taxes.	80
10.	Interest and Attorneys' Fees.	81
11.	Modification of the Plan.	81
12.	Consultation and Agreement.....	81
13.	Revocation of Plan.....	82
14.	Setoff Rights.	82
15.	Rates.....	82
16.	Dissolution of the Creditors' Committee.....	82
17.	Injunctions.....	83
18.	Binding Effect.....	83
19.	Severability.	83
20.	No Admissions.....	84
21.	Plan Controls.....	84
	XIII. RISK FACTORS.....	84
A.	General Considerations.....	84

B.	Certain Bankruptcy Considerations.....	84
C.	Inherent Uncertainty of Financial Projections.....	85
D.	Claims Estimations.....	85
XIV.	CONFIRMATION AND CONSUMMATION PROCEDURES.....	86
A.	Overview.....	86
B.	Confirmation of the Plan.....	87
1.	Elements of Section 1129 of the Bankruptcy Code.....	87
2.	Acceptance.....	89
3.	Best Interests of Creditors Test.....	89
4.	Feasibility.....	90
C.	Cramdown.....	90
1.	No Unfair Discrimination.....	91
2.	Fair and Equitable Test.....	91
D.	Effect of Confirmation.....	91
XV.	MANAGEMENT OF NEW WCI.....	92
XVI.	CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES.....	92
A.	U.S. Federal Income Tax Consequences to the Debtors.....	93
1.	Cancellation of Debt Income.....	94
2.	Accrued Interest.....	96
3.	Gain or Loss on Sale of Assets.....	96
4.	Utilization of Debtors' Net Operating Loss Carryforwards.....	96
5.	Transfer of Assets to New WCI.....	98
B.	U.S. Federal Income Tax Consequences of Receipt of Plan Consideration to Holders of Allowed Claims.....	99
1.	General Tax Considerations for Holders of Allowed Claims.....	99
2.	Certain Other Tax Considerations for Holders of Allowed Claims.....	100
3.	Tax Consequences to Certain Holders of Allowed Claims.....	102

C.	U.S. Federal Income Tax Consequences to Holders of Contested Claims.....	104
D.	U.S. Federal Income Tax Consequences of Ownership of New WCI Common Stock and Notes.	104
1.	U.S. Holders.....	104
2.	U.S. Federal Income Tax Consequences of Ownership of New WCI Common Stock.....	105
3.	U.S. Federal Income Tax Consequences of Ownership of Notes.....	107
E.	Backup Withholding Tax and Information Reporting Requirements.....	110
F.	Consequences to Pre-Bankruptcy Holders of Equity Interests.....	111
G.	Tax Classification of New WCI.....	111
XVII.	ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	112
A.	Liquidation Under Chapter 7 of the Bankruptcy Code.....	112
B.	Alternative Plans of Reorganization.	112
XVIII.	CONCLUSION.....	114

SCHEDULES AND EXHIBITS

List of Defined Terms Schedule 1

List of the Debtors Schedule 2

Schedule of Rejected Executory Contracts and Unexpired Leases Schedule 3

Schedule of Assumed and Assumed and Assigned Executory Contracts and
Unexpired Leases..... Schedule 4

Joint Chapter 11 Plan of Reorganization..... Exhibit "A"

Disclosure Statement OrderExhibit "B"

Liquidation AnalysisExhibit "C"

Projections Exhibit "D"

Valuation Exhibit "E"

Company Orgizational Charts (as of Petition Date)..... Exhibit "F"

I.

INTRODUCTION

All capitalized terms used in the Disclosure Statement and not defined herein shall have the meanings ascribed thereto in the Plan (see Exhibit "A" to the Plan, Glossary of Defined Terms). For ease of reference, all defined terms used in the Disclosure Statement that are not defined in the Plan are listed on Schedule 1 to this Disclosure Statement with reference to the page number where the term is defined. Unless otherwise stated, all references herein to "Schedules" and "Exhibits" are references to schedules and exhibits to this Disclosure Statement, respectively.

BY ORDER DATED JULY __, 2009 (THE "DISCLOSURE STATEMENT ORDER"), THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE (THE "BANKRUPTCY COURT") APPROVED THE DISCLOSURE STATEMENT RELATING TO THE FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR WCI COMMUNITIES, INC. AND ITS AFFILIATED DEBTORS (THE "DISCLOSURE STATEMENT") FILED BY AND WITH RESPECT TO THE CHAPTER 11 DEBTORS LISTED IN SCHEDULE 2 HERETO (THE "DEBTORS").² THE DISCLOSURE STATEMENT INCLUDES AND DESCRIBES THE FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION FOR WCI COMMUNITIES, INC. AND ITS AFFILIATED DEBTORS, DATED JULY 1, 2009 (THE "PLAN"), A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT "A". OTHER THAN (I) CLASS 1 – PRIORITY CLAIMS AND CLASS 7 – OTHER EQUITY INTERESTS, WHICH ARE UNIMPAIRED UNDER THE PLAN AND ARE THEREFORE DEEMED TO HAVE ACCEPTED THE PLAN, AND (II) CLASS 6 – WCI EQUITY INTERESTS, WHICH ARE NOT ENTITLED TO A DISTRIBUTION UNDER THE PLAN AND ARE THEREFORE DEEMED TO HAVE REJECTED THE PLAN, ALL CLASSES ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ACCORDINGLY, EXCEPT FOR THE FOREGOING CLASSES OF CLAIMS OR INTERESTS THAT ARE ALREADY DEEMED TO HAVE ACCEPTED OR REJECTED THE PLAN, THE DEBTORS ARE SOLICITING ACCEPTANCES OF THE PLAN FROM ALL OTHER HOLDERS OF CLAIMS.

THE DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTEREST OF AND PROVIDES THE HIGHEST AND MOST EXPEDITIOUS RECOVERIES TO HOLDERS OF CLAIMS. ALL HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN ARE URGED TO VOTE IN FAVOR OF THE PLAN.

VOTING INSTRUCTIONS ARE CONTAINED IN THE DISCLOSURE STATEMENT ORDER, A TRUE AND CORRECT COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT "B". IN ADDITION, THE SOLICITATION PACKAGE ACCOMPANYING EACH OF THE BALLOTS CONTAINS APPLICABLE VOTING INSTRUCTIONS. **TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND**

² Schedule 2, attached hereto, lists the Debtors whose cases are being jointly administered under Case No. 08-11643. Schedule 2 also includes the tax identification number for each Debtor.

ACTUALLY RECEIVED BY 4:00 P.M. (PREVAILING EASTERN TIME), ON AUGUST __, 2009 (THE "VOTING DEADLINE").

FOR YOUR ESTIMATED PERCENTAGE RECOVERY UNDER THE PLAN, PLEASE SEE THE CHART SET OUT IN "OVERVIEW OF THE PLAN – SUMMARY OF DISTRIBUTIONS UNDER THE PLAN," BELOW.

II.

NOTICE TO HOLDERS OF CLAIMS

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan. See "Confirmation and Consummation Procedures."

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN AND TO THE EXHIBITS AND SCHEDULES ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. IN THE EVENT OF ANY CONFLICT BETWEEN THE DESCRIPTION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES") AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF WCI OR ANY OF ITS SUBSIDIARIES AND AFFILIATES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR

LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, WCI OR ANY OF ITS SUBSIDIARIES AND AFFILIATES.

On July __, 2009, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order pursuant to section 1125 of the Bankruptcy Code, finding that the Disclosure Statement contains information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor typical of the solicited classes of Claims of the Debtors to make an informed judgment with respect to the acceptance or rejection of the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.**

Each holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtors and certain of the professionals they have retained, no person has been authorized to use or promulgate any information concerning the Debtors, their businesses, or the Plan other than the information contained in this Disclosure Statement, and if other information is given or made, such information may not be relied upon as having been authorized by the Debtors. You should not rely on any information relating to the Debtors, their businesses or the Plan other than that contained in this Disclosure Statement and the Schedules and Exhibits hereto.

After carefully reviewing this Disclosure Statement, including the attached Schedules and Exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot, and return the same to the address set forth on the ballot, in the enclosed, postage prepaid, return envelope so that it will be actually received by Epiq Bankruptcy Solutions LLC (the "Solicitation Agent" or "Claims Agent," as applicable), no later than the Voting Deadline. All votes to accept or reject the Plan must be cast by using the appropriate ballot. Votes which are cast in any other manner will not be counted. **All ballots must be actually received by the Solicitation Agent no later than August __, 2009 at 4:00 p.m., Prevailing Eastern Time. For detailed voting instructions and the name, address and phone number of the person you may contact if you have questions regarding the voting procedures, see the Disclosure Statement Order attached hereto as Exhibit "B".**

DO NOT RETURN ANY OTHER DOCUMENTS WITH YOUR BALLOT.

You will be bound by the Plan if it is accepted by the requisite holders of Claims and confirmed by the Bankruptcy Court, even if you do not vote to accept the Plan or if you are the holder of an unimpaired Claim. See "Confirmation and Consummation Procedures."

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing") on August __, 2009, at _____.m., Prevailing Eastern Time, before the Honorable Kevin J. Carey, United States Bankruptcy Judge. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before August __, 2009, in the manner described in the Disclosure Statement Order attached hereto as Exhibit "B".

THE DEBTORS URGE ALL HOLDERS OF IMPAIRED CLAIMS TO ACCEPT THE PLAN.

III.

EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11.

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code pursuant to which a debtor may reorganize its business for the benefit of its creditors, equity holders, and other parties in interest. The Debtors commenced chapter 11 cases (the "Chapter 11 Cases") with the filing by the Debtors of petitions for voluntary protection under chapter 11 of the Bankruptcy Code on August 4, 2008 (the "Petition Date"). By order of the Bankruptcy Court, the Chapter 11 Cases have been consolidated for administrative purposes and are jointly administered under Case No. 08-11643 (KJC).

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of a debtor as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the Chapter 11 Cases, each Debtor remains in possession of its property and continues to operate its business as a debtor in possession. See "The Reorganization Cases – Continuation of Business after the Petition Date."

The filing of a chapter 11 petition triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, among other things, for an automatic stay of all attempts by creditors or other third parties to collect prepetition claims from the debtor or otherwise interfere with its property or business. Exempted from the automatic stay are governmental authorities seeking to exercise regulatory or policing powers. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization. In the Chapter 11 Cases, several creditors have obtained relief from the automatic stay, some by consent of the Debtors. See "The Reorganization Cases – The Automatic Stay."

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying claims against and interests in a debtor's estate. Unless a trustee is appointed, only a debtor may file a plan during the first 120 days of a chapter 11 case (the "Filing Period"), and the debtor will have 180 days to solicit acceptance of such plan

(the “Solicitation Period”). However, section 1121(d) of the Bankruptcy Code permits the bankruptcy court to extend or reduce the Filing Period and Solicitation Period upon a showing of “cause.” The Filing Period and Solicitation Period may not be extended beyond 18 months and 20 months, respectively, from the Petition Date. As set forth below in “The Reorganization Cases – Exclusivity Periods,” the Debtors’ Filing Period and Solicitation Period were extended to June 30, 2009 and August 31, 2009, respectively, and the Debtors filed the Plan within the applicable Filing Period. As the Debtors filed the Plan during the Filing Period, no other creditor or party in interest may file a plan until the expiration of the Solicitation Period. See “The Reorganization Cases – Exclusivity Periods.”

B. Plan of Reorganization.

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor’s business and its related obligations to a simple liquidation of a debtor’s assets. In either event, upon confirmation of the plan, the plan becomes binding on a debtor and all of its creditors and equity holders, and the prior obligations owed by the debtor to such parties are compromised and exchanged for the obligations specified in the plan. For a description of key components of the Plan, see “Overview of the Plan,” below.

After a plan of reorganization has been filed, the holders of impaired claims against and equity interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare and file a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. **This Disclosure Statement is presented to holders of Claims against the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code in connection with the Debtors’ solicitation of votes on the Plan.**

C. Confirmation of a Plan of Reorganization.

If all classes of claims and equity interests accept a plan of reorganization, the bankruptcy court may confirm the plan if the bankruptcy court independently determines that the requirements of section 1129(a) of the Bankruptcy Code have been satisfied. See “Confirmation and Consummation Procedures – Confirmation of the Plan.” **The Debtors believe that the Plan satisfies all the applicable requirements of section 1129(a) of the Bankruptcy Code.**

Chapter 11 of the Bankruptcy Code does not require that each holder of a claim or interest in a particular class vote in favor of a plan for the bankruptcy court to determine that the class has accepted the plan. See “Confirmation and Consummation Procedures.”

In addition, classes of claims or equity interests that are not “impaired” under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Furthermore, classes that are to receive no distribution under the plan are conclusively deemed to have rejected the plan. See “Confirmation and Consummation Procedures.” Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. **Except for Class 1 – Priority Claims and Class 7 – Other Equity Interests, which are unimpaired under the Plan, and Class 6 – WCI**

Equity Interests, which will not receive a distribution under the Plan, all classes of Claims are entitled to vote on the Plan.

In general, a bankruptcy court also may confirm a plan of reorganization even though fewer than all the classes of impaired claims against and equity interests in a debtor accept such plan. For a plan of reorganization to be confirmed, despite its rejection by a class of impaired claims or equity interests, the plan must be accepted by at least one class of impaired claims (determined without counting the vote of insiders) and the proponent of the plan must show, among other things, that the plan does not “discriminate unfairly” and that the plan is “fair and equitable” with respect to each impaired class of claims or equity interests that has not accepted the plan. See “Confirmation and Consummation Procedures – Cramdown.” **The Plan has been structured so that it will satisfy the foregoing requirements for each of the Debtors as to any rejecting class of Claims or Equity Interests, and can therefore be confirmed, if necessary, over the objection of any (but not all) classes of Claims or Equity Interests.**

IV.

OVERVIEW OF THE PLAN

The Plan provides for the treatment of Claims against and Equity Interests in all of the Debtors in Jointly Administered Case Nos. 08-11643 (KJC) through 08-11770 (KJC).

A. Summary of the Terms of the Plan.

The Plan is built around the following key elements:

- Except as provided below, the Debtors’ businesses will continue to be operated in substantially their current form as of the Effective Date.
- On the Effective Date, New WCI shall issue the following securities:
 - New WCI Common Stock.
 - New WCI Senior Term Notes, which shall be in the aggregate principal amount of \$310 million *minus* the initial principal amount of the Exit Facility, and which shall be secured by a first priority lien on and security interest in substantially all of the assets of New WCI and its subsidiaries.
 - New WCI Senior Subordinated PIK Notes, which shall be in the aggregate principal amount of \$216 million, and which shall be secured by a priority lien on and security interest in, substantially all of the assets of New WCI and its subsidiaries. To the extent that the Exit Facility is issued in an initial principal amount less than \$110 million, then the initial principal amount of the New WCI Senior Subordinated PIK Notes will be reduced by an amount equal to \$110 million *minus* the initial principal amount of the Exit Facility. In no event shall the debt issued under the Exit Facility, the New WCI Senior Term Notes and the New WCI Senior Subordinated PIK Notes be less than \$450 million in the aggregate.

- New WCI Preferred Stock, which shall permit the holder thereof to receive additional New WCI Common Stock upon the occurrence of certain events, as discussed below.
- The Claims of the Term Lenders and the Revolver Lenders shall be Allowed in the approximate aggregate amount of \$770 million. In full satisfaction of such Claims, the Term Lenders and the Revolver Lenders shall receive (i) 100% of the (a) New WCI Senior Term Notes and (b) New WCI Senior Subordinated PIK Notes, and (ii) 95% of the New WCI Common Stock, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares.
- On the Effective Date, a Creditor Trust shall be established for the benefit of holders of Allowed Unsecured Claims against the Debtors, and the following Assets shall be transferred to the Creditor Trust: (i) \$1,000,000 cash [plus an appropriate amount to cover prosecution of Contested Claims], to be used for the administration of the trust; (ii) 5% of the New WCI Common Stock, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares; (iii) the New WCI Preferred Stock; and (iv) Avoidance Actions that have not been otherwise released under the Plan. The New WCI Preferred Stock shall provide for dividends as follows: (i) at \$525 million in Prepetition Lender Recovery the Creditor Trust shall receive a dividend of an additional 5% of the issued shares of New WCI Common Stock, (ii) at \$650 million in Prepetition Lender Recovery the Creditor Trust shall receive a dividend of an additional 5% of the issued shares of New WCI Common Stock, (iii) at \$700 million in Prepetition Lender Recovery the Creditor Trust shall receive a dividend of an additional 5% of the issued shares of New WCI Common Stock, and (iii) at \$770 million in Prepetition Lender Recovery the Creditor Trust shall receive a final dividend of an additional 15% of the issued shares of New WCI Common Stock. In full satisfaction of Allowed Unsecured Claims, each holder of an Allowed Unsecured Claim shall receive a Pro Rata Share of the uncertificated, non-transferable beneficial interests in the Creditor Trust.
- On the Effective Date, New WCI may, in the business judgment of management, enter into the Exit Facility, which is generally expected to be a new term loan facility with certain of the Prepetition Lenders who agree to participate and shall provide for borrowings not to exceed \$110 million and have a term of one year. The proceeds of the Exit Facility, if any, shall be available for use by New WCI to make Plan Distributions to the holders of certain Allowed Claims against the Debtors and to satisfy general working capital requirements of the New WCI Group on and after the Effective Date.
- As set forth in “Certain Affiliate Transactions” below, WCI and its Debtor and non-Debtor affiliates have utilized a centralized cash management system whereby cash received by WCI’s operating subsidiaries is transferred to WCI’s cash accounts and subsequently transferred from WCI to its subsidiaries to meet operating needs. WCI has also maintained a corporate overhead function through which it has provided shared services to its subsidiaries. Pursuant to the Plan, any

and all Intercompany Claims by and between the Debtors and by and between the Debtors and their non-Debtor subsidiaries as of the Effective Date shall be forever waived, discharged, released and enjoined.

- The Plan treats the Estates of the Debtors as comprising a single Estate solely for purposes of voting on the Plan, confirmation of the Plan and making Plan Distributions in respect of Claims against and Equity Interests in such Debtors under the Plan.
- On or prior to the Effective Date, substantially all of the Assets of the Debtors will be transferred to the New WCI Group, which shall be the reorganized Debtors' business enterprise on and after the Effective Date and which shall have NO SUCCESSOR LIABILITY FOR ANY UNASSUMED OBLIGATIONS OF THE DEBTORS.
- After the transfers of Assets described above, all Equity Interests in WCI will be cancelled and WCI will issue new Equity Interests to a trust created under the Plan, and ANY AND ALL NON-DISCHARGEABLE OBLIGATIONS OR CLAIMS NEITHER TREATED NOR PROVIDED FOR UNDER THE PLAN WILL RIDE THROUGH THE PLAN AND THE CHAPTER 11 CASES. SUCH OBLIGATIONS AND CLAIMS WILL REMAIN CONTINGENT LIABILITIES OF WCI, WHICH WILL BE OWNED BY THE TRUST.

B. Summary of Distributions Under the Plan.

The following is a summary of the distributions under the Plan. It is qualified in its entirety by reference to the full text of the Plan, which is attached to this Disclosure Statement as Exhibit "A". In addition, for a more detailed description of the terms and provisions of the Plan, see "The Chapter 11 Plan" section of this Disclosure Statement.

The claim amounts set forth below are based on information contained in the Debtors' Schedules and filed proofs of claim, and reflect what the Debtors believe to be reasonable estimates of the likely resolution of currently outstanding disputed Claims. The amounts utilized may differ materially from the outstanding filed Claim amounts. As discussed below, the Debtors have filed a number of objections to disputed Claims. See "The Reorganization Cases – Debtors' Schedules; Bar Date; Claims Objection and Estimation Procedure."

The following chart summarizes the estimated Plan Distributions to each class on the Plan Distribution Date (unless otherwise provided).³

³ There can be no assurance that the estimated Claim amounts set forth herein are correct, and the actual amount of Allowed Claims may differ from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein.

Administrative and Tax Claims

Classes of Claims ⁴	Treatment of Classes of Claims
Administrative Claims Estimated Allowed Claims: \$[200,000]	<p>On the Plan Distribution Date, each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim in one Cash payment, or (ii) such other treatment as may be agreed upon in writing by the Debtors and such holder; <u>provided</u>, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; <u>provided</u>, <u>further</u>, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid at the Debtors' election in the ordinary course of business.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
Tax Claims Estimated Allowed Claims: \$[7.2 million]	<p>At the election of the Debtors, each holder of an Allowed Tax Claim will receive in full satisfaction of such Allowed Tax Claim (i) payments in Cash, in regular installments over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (ii) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (iii) such other treatment as may be agreed upon in writing by such holder; <u>provided</u>, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Tax Claim or that is less favorable than the treatment provided to the most favored nonpriority Unsecured Claims under the Plan.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>

Claims and Equity Interests

Classes of Claims	Treatment of Classes of Claims
Class 1 – Priority Claims Estimated Allowed Claims: \$[500,000] Unimpaired	<p>Each holder of an Allowed Priority Claim against any of the Debtors shall be unimpaired under the Plan and, pursuant to section 1124 of the Bankruptcy Code, all legal, equitable, and contractual rights of each holder of an Allowed Priority Claim in respect of such Claim shall be fully reinstated and retained, and such holder of an Allowed Priority Claim shall</p>

⁴ Administrative Claims and Tax Claims are treated in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of this Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

	<p>be paid on the Plan Distribution Date in full and in Cash.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 2 – Prepetition Lender Claims Estimated Allowed Claims: \$[770.7 million]</p> <p>Impaired</p>	<p>Each holder of an Allowed Prepetition Lender Claim against any of the Debtors shall receive, on the Effective Date, (i) its Pro Rata Share of (A) New WCI Senior Term Notes, (B) New WCI Senior Subordinated PIK Notes, and (C) 95% of the shares of New WCI Common Stock issued under the Plan <u>except</u> for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares and (ii) the Prepetition Lender Release. The shares of New WCI Common Stock issued to holders of an Allowed Prepetition Lender Claims shall be structured so that they are attached for trading purposes to the New WCI Senior Subordinated PIK Notes until the New WCI Senior Subordinated PIK Notes are paid in full.</p> <p>Estimated Recovery: Undetermined</p>
<p>Class 3 – Secured Claims Estimated Allowed Claims: \$[28.6 million]</p> <p>Impaired</p>	<p>Each holder of an Allowed Secured Claim, other than a DIP Claim or Prepetition Lender Claim, against any of the Debtors shall receive on the Plan Distribution Date, in full satisfaction of its Allowed Secured Claim, (i) a single Cash payment equal to the sum of (A) the Allowed Secured Claim and (B) accrued postpetition interest through the Effective Date, at an interest rate agreed to by the parties, or, if no agreement can be reached, as determined by the Bankruptcy Court after notice and a hearing, or (ii) if such Allowed Secured Claim is subject to a valid right of recoupment or setoff, such Claim shall be setoff to the extent of the amount subject to setoff in accordance with sections 506(a) and 553 of the Bankruptcy Code. Notwithstanding any of the foregoing, the Debtors and any holder of an Allowed Secured Claim may agree to any alternate treatment for such Secured Claim; <u>except</u> that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of the amount of such holder's Allowed Secured Claim.</p> <p>Estimated Recovery: 100% of Allowed Claim</p>
<p>Class 4 – Unsecured Claims Estimated Allowed Claims: \$[983.2 million]</p> <p>Impaired</p>	<p>Each holder of an Allowed Unsecured Claim against any of the Debtors will receive, on the Plan Distribution Date its Pro Rata Share of 100% of the Creditor Trust Interests. The Creditor Trust shall receive (i) \$1,000,000 cash [plus an appropriate amount to cover prosecution of Contested Claims], to be used for the administration of the trust; (ii) 5%</p>

	of the New WCI Common Stock, <u>except</u> for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs; (iii) the New WCI Preferred Stock; and (iv) Avoidance Actions that have not been otherwise released under the Plan. Estimated Recovery: Undetermined
Class 5 – Convenience Claims Estimated Allowed Claims: \$[23.1 million] ⁵ Impaired	Each holder of an Allowed Convenience Claim shall receive on the Plan Distribution Date a single Cash payment in an amount equal to 2% of the amount of such holder’s Allowed Convenience Claim. Estimated Recovery: 2% of Allowed Claim
Class 6 – WCI Equity Interests Estimated Allowed WCI Equity Interests: N/A Impaired	On the Effective Date, all Equity Interests in WCI shall be cancelled, and each holder of an Equity Interest in WCI shall not be entitled to any distribution under the Plan. Estimated Recovery: None
Class 7 – Other Equity Interests Estimated Allowed Other Equity Interests: N/A Unimpaired	Each holder of an Allowed Equity Interest in the Debtors, other than in WCI, shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable, and contractual rights to which such Equity Interests entitle such holder in respect of such Equity Interests shall be fully reinstated and retained on and after the Effective Date. Estimated Recovery: 100% of Allowed Equity Interest

V.

GENERAL INFORMATION

The discussion below briefly describes the Debtors and their businesses as they exist as of the date of this Disclosure Statement.

A. Overview of the Debtors.

WCI, together with its Debtor and non-Debtor affiliates (collectively, the “Company”), is a fully integrated homebuilding and real estate services company with over 50 years of experience in the design, construction and operation of leisure-oriented, amenity-rich master-planned communities. The organizational charts attached hereto as Exhibit “F” illustrate the structure of WCI and its subsidiaries as of the Petition Date.

⁵ Pursuant to the Convenience Class Election, holders of Unsecured Claims other than Prepetition Note Claims may elect to reduce their Allowed Claims, in their entirety, to \$135,000, and thereby receive treatment in Class 5 – Convenience Claims in full satisfaction of all of their Allowed Claims. As such, the estimated amount of Allowed Convenience Claims may increase based on the number of creditors electing the Convenience Class Election.

The Company master plans, designs, builds and sells in residential communities consisting of single- and multi-family homes, as well as luxury residential tower units. With respect to the development of each community, the Company starts with the acquisition of raw land; designs and obtains the necessary approvals for the land's development; prepares the land for construction; installs the necessary infrastructure; constructs the residences; markets and sells the individual homes, units or properties (as applicable); designs, builds and, in many cases, operates and manages the amenities associated with the project (such as golf courses and health clubs); and otherwise controls most aspects of the community's planning, design, development, construction and operation. In certain situations, the Company also sells parcels and lots to other builders, developers and end-users.

The Company's corporate headquarters are located in Bonita Springs, Florida. The Company conducts development and homebuilding operations in the following markets:

- Florida
 - East Coast — Fort Lauderdale, Miami Beach, West Palm Beach, Palm Coast, Daytona Beach and Jacksonville; and
 - West Coast — Naples, Fort Myers, Sarasota/Bradenton/Venice, Tampa and Pensacola;
- New York — Dutchess and Suffolk Counties;
- New Jersey — Hudson County;
- Connecticut — Fairfield County;
- Virginia — Arlington, Fairfax and Loudoun Counties; and
- Maryland — Howard County.

As of December 31, 2008, the Company had approximately 54 locations at which it was building or selling single- and multi-family homes or mid- and high-rise residential units.

B. Business and Properties of the Debtors.

1. Core Business Operations.

The Company's principal business segments include single- and multi-family (traditional) homebuilding, mid- and high-rise (tower) homebuilding, and real estate services. The Company also develops and operates amenity facilities, sells selected land parcels, and enters into real estate joint ventures, generally within its own communities. Each of these business components is described below.

a. *Traditional Homebuilding*

The Company designs, builds and sells traditional homes (“Homes”) to primary, second-home, move-up and retirement home buyers, which range from approximately 1,000 square feet to over 6,000 square feet in living space and which had an average selling price for the year ended 2008 of \$491,000. During the first quarter of 2009, the Company suspended new home construction activities pending a market recovery. The Company normally serves as the general contractor in the construction of its traditional Homes and constructs most of these Homes within its master-planned communities, which often feature upscale amenities, including hotels, such as Ritz-Carlton and Hyatt, as well as golf courses designed by Raymond Floyd, Peter Jacobson, Greg Norman and other notable golf course architects.

Additionally, the Company sells selected lots directly to other builders or consumers for the design and construction of custom homes. The Company also historically built speculative Homes to enhance its marketing and sales efforts to prospective homebuyers and independent brokers.

The declining real estate market and related high cancellation and default rates that have negatively impacted homebuilders nationwide have increased the Company’s inventory of unsold completed single- and multi-family Homes. As of the date of this Disclosure Statement, the Company has approximately 180 unsold Homes in inventory.

b. *Tower Homebuilding*

The Company manages the design and build process and sells luxury residential tower units (“Tower Residences”) and condominium hotels, including two managed and operated under the Regent International and Starwood Luxury Collection brands, targeting primary and affluent, leisure-oriented home purchasers. Tower Residences range in size from approximately 500 square feet to over 11,000 square feet in living space and had an average selling price for the year ended 2008 of \$833,000. As the developer of these towers, the Company manages the entire process. The Company (a) hires experienced and bonded third-party general contractors specializing in the construction of residential towers to build the structures, (b) plans and designs the towers by directly retaining the services of architects and engineers and, ultimately, (c) delivers the condominium association to residents. Among other locations, the Company develops Tower Residences primarily on the east and west coasts of Florida, but also in Virginia, Maryland and New Jersey.

Currently, the Company does not have any new Tower Residences under construction and has no plans to commence new tower development and construction until a market recovery occurs. The Company continues to maintain sales staff or resale Realtors at its towers to sell Tower Residences that have been constructed but not yet sold. As of the date of this Disclosure Statement, the Company had approximately 340 Tower Residences in inventory.

c. *Marketing and Sales*

The Company’s marketing programs reach prospective purchasers through a targeted strategy that includes print media, direct mail, newsletters, internet marketing, on-site community events and Realtor outreach. All production, graphics, web design and e-marketing

is provided by the Company's in-house marketing department. The Company's database marketing program is one of the most in-depth for builders and developers, focusing on a variety of information that provides the on-site sales teams with pertinent data to their customers' buying decision. This data is entered within 24 hours to further assist the on-site team with detailed traffic reports. In addition, the Company's contact center originates the prospecting process to properly qualify a customer for the appropriate communities, including setting up visits, Preferred Guest Getaway stays and follow-up schedules. The Company also maintains sales centers in many communities with sales staff, complemented by on-site model homes and tower residences. Typically, to reserve a Home or Tower Residence, a purchaser will enter into a sales agreement and provide the Company with a refundable cash payment. The sales agreement normally involves a short rescission period depending on the jurisdiction, after which the agreement becomes binding on both parties and the deposit becomes partially or entirely non-refundable, subject to any applicable Housing and Urban Development regulations. The non-refundable deposit requirements generally approximate 10% of the purchase price for Homes and 10% to 20% of the total purchase price for Tower Residences.

d. *Real Estate Services*

The Company has a franchise agreement with Prudential Real Estates Affiliates, Inc. ("Prudential"), providing the Company with the exclusive right to offer residential brokerage services as Watermark Realty Inc. d/b/a Prudential Florida WCI Realty ("Watermark Realty") in Lee, Collier, Martin, Palm Beach, Broward, Charlotte, and Miami-Dade counties, and in portions of Hillsborough and Manatee Counties. Under this agreement, the Company pays Prudential a monthly royalty based on gross commission revenue. Additionally, Watermark Realty provides brokerage services for new homes and certain resales. In communities where low inventory levels have been achieved, Watermark Realty agents handle sales functions as opposed to fixed overhead sales-staff employees. Watermark Realty is not a Debtor in these Chapter 11 Cases.

The Company provides title insurance and closing services through First Fidelity Title, Inc. ("First Fidelity"), which conducts business under the trade names WCI Title and Florida Title & Settlement. First Fidelity underwrites its policies on behalf of large national title insurers and derives its revenues from commissions on title insurance premiums and closing services provided to its customers, third-party residential closings and commercial closings.

Prior to June 2006, the Company provided residential mortgage banking services to its buyers, as well as third-party purchasers. In June 2006, the Company formed WCI Mortgage LLC ("WCI Mortgage"), a joint venture with an affiliate of Wells Fargo Bank, as its exclusive provider of residential mortgage banking services. WCI Mortgage originates home mortgages which are subsequently sold to mortgage investors. WCI Mortgage is not a Debtor in these Chapter 11 Cases.

e. *Amenity Membership and Joint Venture/Partnership Operations*

The Company designs, builds and operates, and sells memberships concerning community amenities, which include championship golf courses with clubhouses, fitness, tennis and recreational facilities, guest lodging, marinas and a variety of restaurants, which are central to its mission to deliver high-quality residential lifestyles. These community amenities are

owned by community residents or non-residents through equity club membership programs, community residents through their homeowners' or condominium association, unaffiliated third-parties, or by the Company directly.

The Company also has seven (7) active real estate joint ventures with third parties that are engaged in mortgage banking (as described above), land development and golf course operations. These joint ventures are utilized to acquire, develop, market and operate homebuilding, timeshare, amenities and/or real estate services activities. None of the equity club entities, homeowners' or condominium associations, or joint venture entities are Debtors in these Chapter 11 Cases.

2. Debtors' Future Plans for Continuing Business Operations.

The Company has developed a five-year business plan for its continuing business operations upon emergence from chapter 11. In general, this business plan calls for the generation of cash-flow by the Company through the sale of spec inventory, through a retail and builder lot sale program, as well as through the sale of certain non-core bulk assets. These activities provide the Company the option during or after the end of the five-year plan period to recommence land acquisition, new land development and/or home building and tower activities, or alternatively to sell all remaining core assets as the macro-economic situation evolves and changes. The business plan also calls for the continuing operation of clubs and amenities not otherwise identified as non-core assets.

The Company's five-year business plan contemplates selling all spec inventory and certain non-core assets during 2009–2010. The plan further provides that the Company will continue to sell non-core bulk assets and to sell lots, both retail and to builders, and to operate as a land holding and development company during 2010–2013. Specific activities during this period will include maintaining entitlements, selling individual custom lots, selling pods within communities or bulk sales of entire communities, continued operation of any remaining community amenities businesses and continued operation of the Company's real estate services businesses. Once again, during and after the five-year business plan period, the Company will have the option to recommence business as a land acquirer, developer and/or a home builder with the remaining core assets or sell the remaining assets at higher valuations due to expected market recovery over the five-year period.

3. Employees.

As of May 31, 2009, the Company employs approximately 1,200 total non-union employees nationally, including approximately: 264 core employees, 160 real estate services employees and 783 amenities employees. As the Company reduces its spec inventory and, subsequently, lot inventory levels, employee headcounts will be adjusted accordingly. Among other things, the Company's employees (a) manage and monitor construction of new homes that are currently underway and will do so until these remaining new construction homes are completed, (b) participate in major design and building decisions, (c) coordinate the activities of subcontractors and suppliers, (d) review the work of subcontractors for quality and cost controls, (e) monitor compliance with zoning and building codes, (f) maintain entitlements, (g) manage and operate amenities and golf clubs and courses, (h) carry out home warranty obligations and (i)

play a significant role in working with the Debtors' homebuyers by assisting with option selection and home modification decisions, educating buyers on the construction process and instructing buyers on post-closing home maintenance.

In the ordinary course of business, the Debtors have established various employee benefit plans and policies for the benefit of their employees, which include medical and health insurance, life insurance, disability benefits, dental insurance, disability coverage, vacation pay, a 401(k) plan, and other similar benefits. In addition, as described in "The Reorganization Cases – Key Employee Incentive Plan," below, the Debtors have implemented a comprehensive key employee incentive plan to incent their key executives and managers to achieve certain performance and operational goals during the Chapter 11 Cases.

4. Management.

It is anticipated that the members of the board of directors and the officers of each of the Debtors who are serving as of the Confirmation Date will continue to serve in such capacities until the Effective Date. Entry of the Confirmation Order shall ratify and approve all actions taken by the board of directors and the officers of the Debtors from the Petition Date through and until the Effective Date. Below is a list of the executive officers of the Company, along with a brief biography of each officer.

Name	Position(s)	Position Commencement Date
David L. Fry	Interim President & Chief Executive Officer	8/4/2008
Jonathan M. Pertchik	Chief Restructuring Officer	8/26/2008
Russell Devendorf	Senior Vice President & Chief Financial Officer	11/22/2008
Vivien N. Hastings	Senior Vice President & General Counsel	2/24/1999
Timothy J. Oak	Regional President - Florida Home Building & Towers	12/12/2008
Paul D. Appolonia	Senior Vice President - Human Resources	5/28/2002
Reinaldo L. Mesa	Division President - Real Estate Services	2/1/2006

David L. Fry. Mr. Fry currently has served as WCI's Interim President and Chief Executive Officer since August 2008. Mr. Fry joined WCI in 1995 as Vice President of Amenities, and has subsequently served in several other senior roles, including WCI's Traditional Homebuilding Division West Central Florida Region President and Senior Vice President of the Real Estate Services and Amenities Divisions. He was named Chief Operating Officer in 2006. Prior to 1995, Mr. Fry served as the Golf Operations Director of the South Seas Resort Company.

Jonathan M. Pertchik. Mr. Pertchik has served as WCI's Chief Restructuring Officer since August 2008. He is responsible for managing the Company's reorganization through the chapter 11 process. Previously, Mr. Pertchik served WCI in the capacity as Division President Florida East Coast as well as Vice President of Operations - Tower Division. Prior to joining WCI in 2005, Mr. Pertchik served as Senior Vice President and Managing Principal of The Staubach Company. Mr. Pertchik is a former practicing attorney and is a member of the Florida Bar.

Russell Devendorf. Mr. Devendorf joined WCI in November 2008 as Senior Vice President and Chief Financial Officer. Mr. Devendorf previously served as Vice President – Finance for homebuilder Meritage Homes Corporation since May 2008, prior to which he was employed by homebuilder TOUSA, Inc., where he held several financial and accounting management positions over a six year period, most recently Vice President and Treasurer. Mr. Devendorf also served as a senior auditor at Ernst & Young, LLP in their real estate practice and is a Certified Public Accountant and Certified Treasury Professional.

Vivien N. Hastings. Ms. Hastings is the Senior Vice President and General Counsel for WCI and has held the position since 1998. In 1995, Ms. Hastings was Senior Vice President and General Counsel of WCI Communities Limited Partnership. Prior to her role as General Counsel, she held various positions in WCI Communities Limited Partnership's legal department. From 1982 to 1989, Ms. Hastings served as Vice President and Co-General Counsel of Merrill Lynch Hubbard, Inc., a real estate division of Merrill Lynch & Co. Prior to her tenure with Merrill Lynch, she was an associate with the law firm of Winston & Strawn LLP.

Timothy J. Oak. Timothy J. Oak is the Regional President of all Florida Home Building and Towers operations and sales activities. Mr. Oak was promoted to this role in December 2008. Previously, he served as Regional President for all Florida Home Building and in 2007 he was given responsibility for both the Home Building and Tower operations for the Florida West Coast region. Mr. Oak joined WCI in 1995 with the merger of Florida Design Communities as the Vice President of Construction and has served in several progressive executive level positions within the Home Building business line since then. Mr. Oak was promoted to Division President in 2001 and assumed the responsibilities of Regional President in 2006. Mr. Oak has over 23 years experience in construction and real estate development.

Paul D. Appolonia. Mr. Appolonia has served as WCI's Senior Vice President of Human Resources since May 2002 and is responsible for the recruitment, training and development, retention, employee benefits and compensation of thousands of WCI professionals and employees. During his tenure at WCI, the company has expanded into several new markets in Florida, as well as the Northeast and Mid-Atlantic, adding staff in each of the new areas. Prior to

joining WCI in 2002, Mr. Appolonia was the Vice President of Human Resources and Corporate Services for Orius Corporation. He also led Human Resources and Corporate Services for Ocwen Financial Corporation, Inc. as a Vice President. Mr. Appolonia brings 31 years of human resources and personnel management experience to WCI.

Reinaldo L. Mesa. Mr. Mesa has served as the Division President of WCI's Real Estate Services business segment since February 2006. He also serves as President and Chief Operating Officer of Prudential Florida Realty. Real Estate Services encompasses the operating business units of Florida Title & Guarantee, Florida Home & General Lines Insurance, Florida Home Finance Group (an affiliate of Wells Fargo Home Mortgage), and Prudential Florida Realty. Mr. Mesa joined Prudential Florida Realty's management team in 1999 and was promoted to President and Chief Operating Officer in 2004. Prior to joining WCI, Mr. Mesa had owned his own real estate brokerage firm in Florida, which he sold to Coldwell Banker Residential Real Estate. Mr. Mesa then served as Miami-Dade District Manager with Coldwell Banker. Mr. Mesa has more than 27 years of experience in the real estate industry and holds Florida & Alabama Real Estate Broker licenses and several industry designations.

C. Prepetition Capital Structure.

As of June 30, 2008, the Company's consolidated balance sheet reflected total assets of approximately \$2,178,179,000. Of this amount, approximately \$61,130,000 was comprised of cash and cash equivalents, \$227,983,000 was comprised of property and equipment, \$1,655,434,000 was comprised of real estate inventories, \$58,841,000 was comprised of contracts receivables, and approximately \$174,791,000 was comprised of other assets. The Company's consolidated balance sheet also reflected total liabilities of approximately \$1,915,034,000.

As of the Petition Date, the Company had unrestricted cash or cash equivalents of approximately \$50 million and approximately \$10 million in cash collateral accounts with Bank of America, N.A.

Senior Debt. As of the Petition Date, the Company was party to various financing facilities, including (a) the Senior Term Loan Agreement with Keybank, National Association, as administrative agent, and the other lenders party thereto (the "Term Lenders"), dated as of December 23, 2005 (as amended, supplemented, modified or otherwise in effect from time to time, the "Term Facility"), (b) the Revolving Credit Agreement with Bank of America, N.A., as administrative agent (the "Revolver Agent"), and the other lenders party thereto ("Revolver Lenders"), dated as of June 13, 2006 (as amended, supplemented, modified or otherwise in effect from time to time, the "Revolving Facility"), and (c) the Amended and Restated Revolving Credit Construction Loan Agreement with Wachovia Bank, National Association, as administrative agent, and other lenders party thereto (the "Tower Lenders," and together with the Term Lenders and Revolver Lenders, the "Prepetition Lenders"), dated as of September 22, 2005 (as amended, supplemented, modified or otherwise in effect from time to time, the "Tower Facility" and, together with the Term Facility and the Revolving Facility, the "Prepetition Credit Facilities"). The Prepetition Credit Facilities have been amended a number of times to address specifically the downturn in the Company's financial condition.

Pursuant to the terms of the Prepetition Credit Facilities, the obligations under the Tower Facility, the Term Facility and the Revolving Facility (together with all accrued and unpaid interest, fees and other amounts outstanding under the Prepetition Credit Facilities, the “Prepetition Obligations”) were guaranteed by substantially all of WCI’s direct and indirect wholly-owned subsidiaries (the “Guarantors”) and secured by substantially all of the Company’s assets (the “Prepetition Collateral”). Pursuant to the terms of an intercreditor agreement between and among the Tower Lenders, on the one hand, and the Term Lenders and the Revolver Lenders, on the other hand, the Tower Lenders had priority to, and their agent controlled enforcement of lien rights in, the tower-related assets, and the Term and Revolver Lenders had priority to, and the Revolver Agent controlled enforcement of lien rights in, all other Prepetition Collateral.

As of the Petition Date, the aggregate indebtedness under the Prepetition Credit Facilities was approximately \$772,809,000, with approximately \$224,830,000 being owed under the Term Facility, approximately \$498,924,000 (not including approximately \$36,000,000 of outstanding, but undrawn, letters of credit) being owed under the Revolving Facility and approximately \$49,055,000 being owed under the Tower Facility.⁶

Senior Subordinated Notes. In March 2005, WCI issued \$200 million of 6-5/8% senior subordinated notes due March 15, 2015 (the “2015 Notes”). In September 2003, WCI issued \$125 million of 7-7/8% senior subordinated notes due October 1, 2013 (the “2013 Notes”). In April 2002, WCI issued \$200 million of 9-1/8% senior subordinated notes due May 1, 2012 (together with the 2015 Notes and the 2013 Notes, the “Senior Subordinated Notes”).⁷ The Senior Subordinated Notes are guaranteed by substantially all of WCI’s direct and indirect wholly-owned subsidiaries; payment is subordinated to the payment in full of all “senior debt,” which includes the Prepetition Obligations but excludes trade claims. As of the Petition Date, the full face amount of the Senior Subordinated Notes was outstanding.

Junior Subordinated Notes. In February 2006, WCI issued \$65 million of 7.54% junior subordinated notes payable quarterly through April 30, 2016, and thereafter at a variable rate maturing April 30, 2036 (the “7.54% Notes”). In September 2005, WCI issued \$100 million of 7.25% junior subordinated notes in a private placement payable quarterly through October 30, 2015, and thereafter at a variable rate maturing October 30, 2035 (the “7.25% Notes,” and together with the 7.54% Notes, the “Junior Subordinated Notes”). The Junior Subordinated Notes are guaranteed by substantially all of WCI’s direct and indirect wholly owned subsidiaries; payment is subordinated to all Senior Debt. As of the Petition Date, the full face amount of the Junior Subordinated Notes was outstanding.

⁶ As discussed below, proceeds from the Debtors’ postpetition debtor-in-possession financing were used to repay the Tower Lenders the outstanding balance under the Tower Facility.

⁷ In February 2001, WCI issued \$250 million of 10-5/8% senior subordinated notes due February 15, 2011 and, in June 2001, WCI issued an additional \$100 million of 10-5/8% senior subordinated notes due February 15, 2011. As of December 31, 2006, however, WCI had repurchased the entire \$350 million principal amount of the 10-5/8% notes.

Contingent Convertible Senior Subordinated Notes. In August 2003, WCI issued \$125 million of 4.0% contingent convertible senior subordinated notes due 2023 (the “Convertible Notes”). The Convertible Notes are guaranteed by substantially all direct and indirect wholly owned subsidiaries of WCI; payment is subordinated to all Senior Debt.

D. Events Leading to the Commencement of the Chapter 11 Cases.

In 2007 and 2008, WCI and other homebuilders were hit with the perfect storm of economic events following a rapid run-up in values that proved to be unsustainable. In the summer of 2007, the homebuilding industry was rocked by the collapse of the sub-prime mortgage industry, which placed a stranglehold on the ability of many borrowers to obtain financing to purchase new homes. Then, in the fall of 2007, a broad dislocation occurred in the credit markets which further constricted the availability of home credit in general and home mortgage financing in particular. The resulting absence of available financing for homebuyers, both existing and future, combined with the unavailability of commercial credit, has severely and negatively impacted the homebuilding industry and pushed a number of other homebuilders to seek relief under chapter 11 of the Bankruptcy Code. This material downturn in the residential real estate business occurred nationally, with Florida being hit particularly hard. According to the U.S. Census Bureau, sales of new homes in the United States declined from 1,073,000 in June of 2006 to 793,000 in June of 2007 and, again, to 530,000 in June of 2008.⁸ In Florida, sales of single-family homes, both new and existing, declined by 24.46% from 2005 to 2006 (from 444,916 total sales to 336,093 total sales), after six years of continuous growth.⁹

Along with declining sales, prices of homes also sharply declined as a result of the sub-prime mortgage crisis and the credit market dislocation, making it unfeasible for homebuilders to continue development and building activities in many markets. As compared to net sales of 65 Tower Residences and 750 single-family Homes in 2006, the Company had negative net sales of Tower Residences due to defaults and sold 439 net single-family Homes in 2007 and had negative net sales of Tower Residences due to defaults and sold 273 net single-family Homes in 2008. The average price for single-family Homes sold likewise declined from \$738,000 in 2006 to \$439,000 in 2007 and increased to \$454,000 in 2008.

As a result of the decline in its business, the Company was forced to amend the Prepetition Credit Facilities several times, most recently in January and March of 2008. First, on January 16, 2008, the Company obtained amendments to the Term Facility and the Revolving Facility, which extended through June 30, 2009, modified, suspended, or waived certain covenants, thereby providing the Company with improved operating and financial flexibility. These amendments also reduced the total commitment available under the Revolving Facility

⁸ See U.S. Census Bureau, New Residential Sales in June 2007, dated July 26, 2007, http://www.census.gov/const/newressales_200706.pdf; U.S. Census Bureau, New Residential Sales in June 2008, dated July 25, 2008, http://www.census.gov/const/newressales_200806.pdf.

⁹ See Florida Housing Data Clearinghouse, Construction and Sales: Results, http://flhousingdata.shimberg.ufl.edu/a/construction_sales?report=a2_year_built&report=a_11_sales_sf&report=a_14_mean_sales_price_sf&report=a_17_median_sales_price_sf&report=a_20_sales_price_increment_sf&report=a_23_sales_homestead_sf&action=results&nid=1&go.x=9&go.y=5.

and the outstanding amount due under the Term Facility, converted a portion of the Revolving Facility to non-revolving status and increased the pricing on the loans.

Second, on March 17, 2008, the Company was able to obtain a waiver of the requirement under its Prepetition Credit Facilities to submit annual consolidated financial statements accompanied by a report and opinion that was not subject to a “going concern” qualification or exception from its lenders under the Prepetition Credit Facilities. In addition to the waiver, on March 17, 2008, the Company negotiated for and received certain amendments to the Tower Facility. These amendments (a) provided for consistencies with the governing provisions of, as well as cross collateralization on a subordinate basis with, the Term Facility and Revolving Facility and (b) limited the Tower Facility to one further advance on March 31, 2008 if certain financial criteria were met, which advance was not funded. As part of these amendments, the Term and Revolver Lenders agreed not to declare the Company in default.

The holders of the Convertible Notes (the “Convertible Noteholders”) had an option which, if exercised, would have required WCI to repurchase 100 percent of the aggregate principal amount of the outstanding Convertible Notes plus accrued but unpaid interest on August 5, 2008. On June 25, 2008, WCI received notice that certain of the Convertible Noteholders intended to exercise this right. The Company anticipated that it would not have sufficient liquidity to satisfy its obligation to repurchase the outstanding Convertible Notes, and that the failure to satisfy such obligation could trigger the rights of the Convertible Noteholders to exercise remedies specified in the governing indenture, including accelerating the maturity of the notes, which could result in the acceleration of substantially all of the Company’s other outstanding indebtedness.

In an attempt to avoid the impending default under the Convertible Notes, WCI undertook to exchange, prior to August 5, 2008, all \$125 million of the Convertible Notes for new notes maturing on April 1, 2012. Specifically, on July 8, 2008, WCI issued an offering memorandum which was amended on July 22, 2008 (as amended, the “Exchange Offer”) to exchange \$1,000 principal amount of new 17.5% senior secured notes due 2012 and a warrant to purchase 33.7392 shares of common stock of WCI for each \$1,000 principal amount of WCI outstanding Convertible Notes validly tendered and accepted. Interest under the new 17.5% senior secured notes due 2012 was to be paid entirely in cash, in kind, or in a combination thereof. The new 17.5% senior secured notes due 2012 were to be secured by third priority liens in substantially all the tangible and intangible assets of the Company and have priority over the Senior Subordinated Notes and the Junior Subordinated Notes.

The Exchange Offer was to expire at midnight on August 4, 2008, and was conditioned upon a 90% minimum tender and consummation of the amendment and restatement of the Company’s existing credit facilities and the issuance of certain new second lien notes, the proceeds of which would be used to pay down a portion of the Company’s Prepetition Obligations. In the event the necessary minimum tender was not achieved, WCI could terminate the Exchange Offer at any time prior to acceptance of the Convertible Notes tendered.

In addition, the Company was required to deliver a certificate, ten business days prior to the August 5, 2008 deadline to repurchase the Convertible Notes, certifying that no default or event of default under the Term Facility and Revolving Facility would exist before or after

giving effect to, on a pro forma basis, the repurchase of the Convertible Notes. The Company was unable to deliver such certificate and, accordingly, provided notice on July 22, 2008 to the administrative agents under the Revolving Facility and Term Facility of the occurrence of a default. As a result, the Company was at risk of the Term and Revolver Lenders exercising remedies specified in the Revolving Facility or the Term Facility, including accelerating the maturity of the loans, which in turn could have resulted in the acceleration of substantially all of Company's other outstanding indebtedness.

Prior to the Petition Date, WCI was informed that various conditions of its proposed restructuring would not be satisfied. In order to prevent the consequences of the existing default under the Term Facility and Revolving Facility and the impending default under the Convertible Notes indenture, and in order to restructure the capital of the Company, WCI and the other Debtors commenced these cases under chapter 11 of the Bankruptcy Code.

VI.

CERTAIN AFFILIATE TRANSACTIONS

A. Overview.

As part of the business of the Debtors, WCI and its subsidiaries have entered into a variety of intercompany relationships and transactions. Specifically, since its formation, the Company has, in large part, utilized an integrated cash management system that provides mechanisms for the collection, concentration, management and disbursement of funds used in the Debtors' and their non-Debtor affiliates' business operations. Also since its formation, WCI has maintained a corporate overhead function through which it has provided shared services to its subsidiaries in a number of areas, as discussed further below.

The discussion that follows provides an overview of the aforementioned intercompany relationships and transactions.

B. Centralized Cash Management.

Since its inception, in the ordinary course of business, the Company utilized, with certain limited exceptions, a centralized cash management system whereby cash received by its operating subsidiaries and amenities clubs is swept to WCI's cash accounts either through an automated sweep process or periodic manual sweeps. Similarly, as these operating subsidiaries and clubs required cash to cover presentments of operating disbursements, WCI would fund the subsidiaries and clubs from its centralized cash management pool. To account for the transfers of cash and non-cash transactions, WCI typically established intercompany accounts maintained on the WCI general ledger and correspondingly the operating subsidiaries and clubs maintained intercompany accounts to track transactions with WCI.

Specifically, with certain exceptions, the Debtors' cash management system primarily revolves around the master account held by WCI, into which substantially all of the funds received by the Debtors and their affiliates are either directly deposited or automatically swept nightly from various zero-balance accounts. The funds deposited historically included, among other things, revenues from (a) the Debtors' homebuilding operations, (b) the sale of equity

memberships and marina slips, non-equity memberships, billed membership dues and fees for services provided with respect to the Debtors' amenities operations and (c) other miscellaneous revenues generated from ancillary business operations.

Daily disbursements are generally made from controlled disbursement accounts held in the name of WCI or one of its affiliates. Disbursements from these accounts are funded through manual transfers from the WCI's master account and typically include disbursements for the payment of (a) operating expenses and other accounts payable, (b) taxes, (c) certain employee payroll direct deposits and (d) other employee-related expenses. The Debtors' payroll is handled through Automatic Data Processing, Inc. ("ADP") and funded pursuant to automated clearing house transfers from WCI's master account to ADP.

The Debtors' various amenity clubs also maintain numerous operating and merchant accounts at various banks. Through these club accounts, funds received from the operation of the various recreational amenities offered by the Debtors are processed and swept daily either directly into the WCI's master account or through other concentration accounts.

C. Corporate Overhead.

Since its formation, WCI has maintained a corporate overhead function through which it has provided a number of shared services to its subsidiaries in a number of areas, including, but not limited to, executive management, legal, treasury, accounting, tax, finance, risk management, information technology and human resources.

D. Treatment of Intercompany Claims under the Plan.

Except as otherwise provided in the Plan, Intercompany Claims and Administrative Claims between and among the Debtors shall, solely for purposes of receiving Plan Distributions, be deemed resolved as a result of the settlement and compromise described in Section 2.1 of the Plan and therefore not entitled to any Plan Distribution and shall not be entitled to vote on the Plan.

VII.

SELECTED FINANCIAL INFORMATION

A. Annual Financial Information for WCI.

For the year ended December 31, 2008, WCI reported a \$936,796,000 net loss on a consolidated basis. The total cash and cash equivalents of WCI and its subsidiaries, on a consolidated basis, as of December 31, 2008 was approximately \$113,210,000.

For the year ended December 31, 2007, WCI reported a \$578,531,000 net loss on a consolidated basis. The total cash and cash equivalents of WCI and its subsidiaries, on a consolidated basis, as of December 31, 2007 was approximately \$188,821,000.

For the year ended December 31, 2006, WCI reported net income of \$9,014,000 on a consolidated basis.

B. Financial Statements for WCI.

The annual financial statements should be read in conjunction with the financial statements and notes thereto included in WCI's Annual Report on Form 10-K for the year ended December 31, 2008 that was filed on May 8, 2009, which is available at the SEC's website at www.sec.gov and on WCI's website at www.wcicomunities.com/investors. The March 31, 2009 financial statements should be read in conjunction with the financial statements and notes thereto available on WCI's website at www.wcicomunities.com/investors.

WCI Communities, Inc.
Debtor-in-Possession
Condensed Consolidated Balance Sheets
(In thousands)

	<u>March 31</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2008 (1)</u>	<u>2007(1)</u>
	<u>(Unaudited)</u>		
Assets			
Cash and cash equivalents	\$123,919	\$113,210	\$188,821
Restricted cash	12,830	12,258	20,360
Contracts receivable	-	-	358,327
Mortgage notes and accounts receivable	13,298	13,781	19,138
Real estate inventories	972,086	1,021,959	1,848,309
Property and equipment, net	180,409	183,629	236,429
Other assets	129,154	133,123	219,847
Total assets	<u>\$ 1,431,696</u>	<u>\$ 1,477,960</u>	<u>\$ 2,891,231</u>
Liabilities and Shareholders' Equity			
Accounts payable and other liabilities	113,781	102,773	241,990
Customer deposits	26,417	26,343	188,060
Community development district obligations	55,119	54,694	87,870
Senior secured revolving credit facility	498,924	498,924	545,975
Senior secured term note	224,829	224,829	262,500
Debtor-in-possession term note	72,918	77,081	-
Mortgages and notes payable	1,775	1,775	300,125
Senior subordinated notes	-	-	525,000
Junior subordinated notes	-	-	165,000
Contingent convertible senior subordinated notes	-	-	125,000
	<u>993,763</u>	<u>986,419</u>	<u>2,441,520</u>
Liabilities subject to compromise	977,110	979,527	-
Minority Interests	-	26,600	29,677
Commitments and contingencies	-	-	-
Shareholders' (deficit) equity:			
Common stock, \$.01 par value, per share	470	469	468
Additional paid-in capital	309,481	299,824	297,714
(Accumulated deficit) retained earnings	(768,056)	(706,737)	230,059
Treasury stock, at cost	(108,144)	(108,142)	(108,090)
Accumulated other comprehensive loss	-	-	(117)
Total WCI Communities, Inc. shareholders' (deficit) equity	<u>(566,249)</u>	<u>(514,586)</u>	<u>420,034</u>
Noncontrolling interests	27,072	-	-
Total shareholders' (deficit) equity	<u>(539,177)</u>	<u>(514,586)</u>	<u>420,034</u>
Total liabilities and shareholders' (deficit) equity	<u>\$ 1,431,696</u>	<u>\$ 1,477,960</u>	<u>\$ 2,891,231</u>

(1)The financial data for the periods ended December 31, 2008 and 2007 have been derived from the Company's audited consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

WCI Communities, Inc.
Debtor-in-Possession
Condensed Consolidated Statements of Operations
(In thousands)

	For the three months ended March 31	For the years ended December 31,	
	2009	2008(1)	2007(1)
Revenues			
Homebuilding	73,100	328,826	747,765
Real estate services	15,104	72,477	91,840
Other	18,251	154,774	96,771
Total revenues	<u>\$ 106,455</u>	<u>\$ 556,077</u>	<u>\$ 936,376</u>
Cost of Sales			
Homebuilding	68,107	913,360	1,036,414
Real estate services	15,241	71,571	89,436
Other	15,557	188,655	116,360
Total costs of sales	<u>98,905</u>	<u>1,173,586</u>	<u>1,242,210</u>
Gross margin	<u>7,550</u>	<u>(617,509)</u>	<u>(305,834)</u>
Other Income and Expenses			
Equity in (earnings) losses from joint ventures	5	(514)	(488)
Other expense (income)	240	18,123	(219)
Impairment of investments in joint ventures	-	4,480	10,748
Impairment of property and equipment	-	36,616	-
Market valuation on interest rate swap	-	929	8,756
Hurricane recoveries	-	-	(7,759)
Selling, general, administrative and other	20,385	107,959	162,208
Interest expense, net	19,878	112,462	90,982
Real estate taxes, net	5,671	23,353	24,778
Depreciation and amortization	3,897	18,544	22,011
Goodwill impairments	-	1,343	59,534
Expenses related to debt amendments and early repayment of debt	-	1,343	7,705
(Loss) from continuing operations before reorganization items, minority interests and income taxes	<u>(42,526)</u>	<u>(942,147)</u>	<u>(684,090)</u>
Reorganization items, net	9,502	27,792	-
Minority interests	(10)	14,428	8,345
(Loss) from continuing operations before income taxes	<u>(52,038)</u>	<u>(955,511)</u>	<u>(675,745)</u>
Income tax benefit from continuing operations	-	(18,715)	(81,235)
(Loss) from continuing operations	<u>(52,038)</u>	<u>(936,796)</u>	<u>(594,510)</u>
Income from discontinued operations, net of tax	-	-	1,191
Gain on sale of discontinued operations, net of tax	-	-	14,788
Net (loss)	<u>\$ (52,038)</u>	<u>\$ (936,796)</u>	<u>\$ (578,531)</u>

(1)The financial data for the periods ended December 31, 2008 and 2007 have been derived from the Company's audited consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

WCI Communities, Inc.
Debtor-in-Possession
Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three months ended March 31	For the years ended December 31,	
	2009	2008(1)	2007(1)
Cash flows from operating activities:			
Net (loss)	\$ (52,038)	\$ (936,796)	\$ (578,531)
Adjustments to reconcile net (loss) to net cash provided by operating activities:			
Depreciation and amortization	7,468	28,841	28,422
Other	462	10,751	(32,644)
Gain on sale of property and equipment	-	-	(22,422)
(Earnings) losses from investment in joint ventures	5	(514)	(488)
Minority interests	10	(14,428)	(8,345)
Stock-based compensation expense	375	2,059	6,624
Asset impairment losses and land acquisition termination costs	88	659,466	412,186
Changes in assets and liabilities:			
Restricted cash	(572)	8,102	21,675
Contracts receivable	-	358,327	911,222
Real estate inventories	49,785	196,514	(210,113)
Distributions of earnings from joint ventures	163	1,388	1,043
Other assets	715	62,197	(36,468)
Accounts payable and other liabilities	8,591	(24,111)	(121,232)
Customer deposits	74	(131,236)	(173,949)
Income taxes payable	-	33,295	906
Net cash provided by operating activities	<u>15,126</u>	<u>253,855</u>	<u>197,886</u>
Cash flows from investing activities:			
Additions to property and equipment, net	(579)	(2,536)	(24,481)
Proceeds from sale of property and equipment	-	-	55,160
Contributions to joint ventures	-	(141)	(134)
Distributions of capital from joint ventures	-	-	510
Net cash (used in) provided by investing activities	<u>(579)</u>	<u>(2,677)</u>	<u>31,055</u>
Cash flows from financing activities:			
Net (repayments) borrowings on senior secured revolving credit facility	-	(47,051)	42,129
Repayment on senior secured term note	-	(37,671)	(37,500)
Proceeds from debtor-in-possession term note	-	80,000	-
Repayment on debtor-in-possession term note	(4,163)	(2,919)	-
Proceeds from borrowings on mortgages and notes payable	-	32,378	526,327
Repayment of mortgages and notes payable	-	(330,742)	(590,490)
Debt amendment and/or issue costs	(100)	(15,513)	(16,379)
Payments to community development districts	425	(2,008)	(6,161)
Distributions to minority interests	-	(3,263)	(1,728)
Proceeds from exercise of stock options	-	-	1,806
Net cash (used in) financing activities	<u>(3,838)</u>	<u>(326,789)</u>	<u>(81,996)</u>
Net (decrease) increase in cash and cash equivalents	10,709	(75,611)	146,945
Cash and cash equivalents at beginning of period	<u>113,210</u>	<u>188,821</u>	<u>41,876</u>
Cash and cash equivalents at end of year	<u>\$ 123,919</u>	<u>\$ 113,210</u>	<u>\$ 188,821</u>

(1)The financial data for the periods ended December 31, 2008 and 2007 have been derived from the Company's audited consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

VIII.

FINANCIAL PROJECTIONS AND ASSUMPTIONS

A. Purpose and Objectives.

The value of the securities to be issued pursuant to the Plan and the estimated recoveries by holders of Allowed Claims who receive such securities depend in part upon the ability of the Debtors to achieve the financial results projected on the basis of their assumptions.

In order to maximize creditor recoveries, the Debtors must seek to maximize the value of their businesses. Additionally, for the Plan to meet the feasibility test of section 1129(a)(11) of the Bankruptcy Code, the Bankruptcy Court must conclude that confirmation of the Plan is not reasonably likely to lead to the liquidation or further reorganization of the Debtors.

With these considerations in mind, the Debtors formulated their projections and assumptions, which in turn served as the basis for the Plan. The Debtors believe that the assumptions that serve as the basis for the projections are reasonable under the circumstances and that achieving the projections set forth in the Disclosure Statement will maximize the value of the Debtors' businesses.

B. Projected Consolidated Financial Statements.

The Debtors have prepared the projected operating and financial results (the "Projections") for WCI and its subsidiaries, on a consolidated basis, through the period ending December 31, 2013 (the "Projections Period"). The Projections are attached to this Disclosure Statement as Exhibit "D."

The Projections should be read in conjunction with the assumptions, qualifications, and the footnotes to the tables containing the Projections as well as the "Risk Factors" section of this Disclosure Statement.

THE PROJECTIONS ARE PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING "ADEQUATE INFORMATION" UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF SECURITIES OF, OR CLAIMS OR EQUITY INTERESTS IN, THE DEBTORS OR ANY OF THEIR AFFILIATES.

THE ASSUMPTIONS AND RESULTANT PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE PROJECTIONS HAVE BEEN PREPARED BY THE DEBTORS' MANAGEMENT AND PROFESSIONALS. THESE PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY

MANAGEMENT, MAY NOT BE REALIZED OR MAY BE UNDERSTATED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO ASSURANCES CAN BE MADE AS TO THE ACCURACY OF THE ASSUMPTIONS AND RESULTANT PROJECTIONS OR THE ABILITY OF THE DEBTORS AND NEW WCI TO ACHIEVE THE PROJECTED RESULTS FOLLOWING THE EFFECTIVE DATE. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS NOR IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH THEIR BUSINESS PLANS AND STRATEGIES OR PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. ACCORDINGLY, THE DEBTORS DO NOT INTEND, AND DISCLAIM ANY OBLIGATION, TO: (1) FURNISH UPDATED BUSINESS PLANS OR PROJECTIONS TO HOLDERS OF CLAIMS OR EQUITY INTERESTS PRIOR TO THE EFFECTIVE DATE, OR TO HOLDERS OF SECURITIES OF ANY DEBTOR, OR ANY OTHER PARTY AFTER THE EFFECTIVE DATE; (2) INCLUDE SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC; OR (3) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE. HOWEVER, FROM TIME TO TIME, THE DEBTORS MAY PREPARE UPDATED PROJECTIONS IN CONNECTION WITH PURSUING FINANCING (INCLUDING THE EXIT FINANCING), CREDIT RATINGS AND OTHER PURPOSES. SUCH PROJECTIONS MAY DIFFER MATERIALLY FROM THE PROJECTIONS PRESENTED HEREIN.

IX.

VALUATION

The Debtors' financial advisor, Lazard Freres & Co. LLC ("Lazard"), has estimated the value of the Company based on information available as of the date of this Disclosure Statement. The valuation analysis is attached to this Disclosure Statement as Exhibit "E."

Lazard has undertaken the valuation analysis to determine the value available for distribution to holders of Allowed Claims pursuant to the Plan and to analyze the relative recoveries to such holders thereunder. The estimated total value available for distribution to holders of Allowed Claims (the "Enterprise Value") consists of the estimated value of the Company's operations based on the Projections through the Projection Period, which Projections are attached hereto as Exhibit "D." The Projections provide that the Company will generate cash flow through the sale of existing spec inventory and asset sales throughout the Projection Period; the Company will retain the option to recommence certain operations such as land acquisition, new land development and/or homebuilding activities on a going concern basis during or after the Projection Period. The valuation analysis assumes that the Effective Date of the Plan occurs on September 30, 2009 (the "Assumed Effective Date").

THE VALUATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING "ADEQUATE INFORMATION" UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF SECURITIES OF, OR CLAIMS OR EQUITY INTERESTS IN, THE DEBTORS OR ANY OF THEIR AFFILIATES.

X.

THE REORGANIZATION CASES

A. Commencement of the Chapter 11 Cases.

On August 4, 2008, WCI and 126 of its direct and indirect subsidiaries filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court, the Honorable Kevin J. Carey presiding.

B. Procedural Orders.

1. Joint Administration.

In order to expedite the administration of the Chapter 11 Cases and reduce administrative expenses, the Debtors sought the joint administration of the Chapter 11 Cases. The Bankruptcy Court issued an order directing the joint administration of the Debtors' Chapter 11 Cases for procedural purposes.

2. Interim Compensation and Reimbursement of Professional Persons and Committee Members.

In an effort to enable all parties to monitor the costs of administration, enable the maintenance of a more level cash flow availability and implement efficient cash management, the Debtors developed procedures for interim compensation and reimbursement of expenses of the Professional Persons and Creditors' Committee members. On August 25, 2008, the Bankruptcy Court issued an order establishing certain procedures with which all Professional Persons would be required to comply in seeking payment of compensation and reimbursement of

expenses. In addition, a procedure for reimbursement of expenses incurred by members of the Creditors' Committee was established.

At the request of the Bankruptcy Court, by order dated February 18, 2009, Warren H. Smith & Associates, P.C. was appointed as fee auditor to act as special consultant to the Bankruptcy Court for professional fee and expense review and analysis.

C. Continuation of Business After the Petition Date.

Since the Petition Date, the Debtors have continued to operate their businesses and manage their property as Debtors in Possession. The Debtors have sought Bankruptcy Court approval for all transactions that were outside the ordinary course of their businesses. As discussed in this section, during the period immediately following the Petition Date, the Debtors sought and obtained authority from the Bankruptcy Court with respect to a number of matters deemed by the Debtors to be essential to their smooth and efficient transition into chapter 11 administration and the stabilization of their operations.

1. Cash Collateral.

As described above, as of the Petition Date, the Debtors had granted the Prepetition Lenders security interests in substantially all of the Debtors' Assets, including all cash (the "Cash Collateral"). Given the purported encumbrances upon substantially all of the Debtors' Assets under the Prepetition Credit Facilities, the Debtors would have been unable to continue their business operations absent some form of immediate relief from the Bankruptcy Court. Simply put, approval of the use of the Debtors' Assets that were or may have become Cash Collateral was required to fund the Debtors' day-to-day operations and preserve the value of the Debtors' Assets as a going concern.

On August 5, 2008, pursuant to an agreed form of order between the Debtors and the Prepetition Lenders, the Bankruptcy Court authorized the Debtors' immediate use of Cash Collateral on an emergency and interim basis, subject to certain limitations such as a set Cash Collateral budget. The Bankruptcy Court further found that the Prepetition Lenders' interests were adequately protected based upon (a) periodic cash payments of current interest at the non-default rate under the respective Prepetition Credit Facilities, (b) the Debtors' continuing to provide the Prepetition Lenders with financial and other reporting, (c) replacement liens on and security interests in all of the Debtors' Assets, whether existing on the Petition Date or acquired or arising thereafter, equal to the aggregate net diminution in the value of the Prepetition Lenders' interest in their collateral, and (d) granting the Prepetition Lenders superpriority administrative claims pursuant to section 507(b) of the Bankruptcy Code, which are, with limited exception, senior to all other administrative claims.

On August 27, 2008, the Bankruptcy Court entered a second consensual form of order between the Debtors and the Prepetition Lenders extending the period of time during which the Debtors could access the Cash Collateral pursuant to an additional fixed Cash Collateral budget.

On September 23, 2008, the Bankruptcy Court entered a final order (a) authorizing the Debtors' use of cash, including Cash Collateral, on a final basis subject to certain limitations (b) providing adequate protection to the Prepetition Lenders, and (c), among other things,

authorizing the Debtors to enter into a postpetition debtor-in-possession financing arrangement, as discussed below. Among other things, the Bankruptcy Court granted the Prepetition Lenders various forms of protection, including replacement liens and superpriority administrative claims to protect against any diminution of the Cash Collateral during the Chapter 11 Cases.

2. Debtor-in-Possession Financing.

On September 23, 2008, the Bankruptcy Court entered an order (the "DIP Order") authorizing the Debtors to enter into a \$150,000,000 Debtor-In-Possession Credit Agreement (the "DIP Credit Agreement") with a syndicate of lenders (the "DIP Lenders"), some of which were Prepetition Lenders, led by Wachovia Bank, National Association, acting as administrative agent, and Bank of America, N.A. acting as collateral agent. The DIP Credit Agreement includes an \$80,000,000 term loan and a \$70,000,000 revolving credit facility (collectively, the "DIP Loans"). The \$80,000,000 term loan was a required borrowing on the closing date. Approximately \$50,000,000 of this term loan was used to repay the outstanding balance under the Debtors' Tower Facility, and the remainder of the proceeds of the loan are being used for general corporate purposes. Availability of funds under the \$70,000,000 revolving credit facility is subject to a limitation on the amount of cash and cash equivalents held by the Debtors. Pursuant to the DIP Credit Agreement, the Debtors may also request the issuance of up to \$25,000,000 in letters of credit.

WCI is the borrower under the DIP Credit Agreement, and all of the other Debtors have absolutely, unconditionally, and irrevocably guaranteed WCI's obligations under the DIP Credit Agreement. The DIP Credit Agreement and the related guarantees are secured in accordance with sections 364(c) and (d) of the Bankruptcy Code by superpriority liens on, and security interests in, substantially all of the Debtors' assets. These superpriority liens are senior in priority to the security interests and liens of the Prepetition Lenders. In return for expressly consenting to such a "priming" lien, the Debtors granted the Prepetition Lenders various forms of protection, including replacement liens and superpriority administrative claims to protect against the diminution of the collateral value to the extent provided in the DIP Order. The DIP Credit Agreement initially matures on September 24, 2009, subject to a six-month extension period.

The DIP Credit Agreement includes certain covenants that impose substantial restrictions on the Debtors' financial and business operations, including the ability to, among other things, incur or secure other debt, make investments, sell assets and pay dividends or repurchase stock. Further, the Debtors are required to make certain mandatory repayments under the DIP Credit Agreement in the event the Debtors sell certain assets, including bulk unit sales, subject to certain exceptions. In addition, the Debtors are required to meet certain monthly cash flow variance tests. To date, the Debtors are in compliance with these covenants.

The DIP Credit Agreement provided needed liquidity to the Debtors to ensure the efficient operations and future growth of the Debtors' businesses and promote a successful reorganization of the Debtors. Among other things, the DIP Credit Agreement allowed the Debtors to (a) maintain business relationships with vendors, suppliers, and customers, (b) make payroll, (c) make capital expenditures, (d) repay the debt under the Tower Facility, and (e) satisfy other working capital and operational needs.

3. Business Operations.

a. *Cash Management*

As described in greater detail above, as is typical with most corporate enterprises, as of the Petition Date the Debtors had in place a cash management system for the collection of receipts and the disbursement of funds. On August 6, 2008, the Bankruptcy Court authorized the Debtors to continue to use their existing cash management system, bank accounts, and business forms; and continue postpetition their system of intercompany transfers, with limited exception. In particular, the Bankruptcy Court authorized the Debtors to continue to provide funds to certain non-debtor subsidiaries and affiliates in the ordinary course of their businesses in the form of intercompany loans. The Bankruptcy Court also granted the Debtors a limited waiver of certain investment and deposit requirements imposed by section 345 of the Bankruptcy Code.

b. *Maintenance of Utility Services*

Prior to the Petition Date, in connection with the operation of their businesses and management of their properties, the Debtors obtained a wide range of utility services (collectively, the "Utility Services") from certain utility companies (the "Utility Companies"), including electricity, telephone and similar service suppliers for which no alternate service could be expected. It was essential that the Utility Services continued uninterrupted after the Petition Date. As such, upon motion of the Debtors, the Bankruptcy Court issued an interim order on August 6, 2008, and then a final order on August 27, 2008, (i) prohibiting the Utility Companies from altering, refusing or discontinuing service to the Debtors, (ii) deeming the Utility Companies adequately assured of future payment, with limited exception, and (iii) establishing procedures for determining requests for additional adequate assurances of payment.

c. *Maintenance of Warranty Practices*

Prior to the Petition Date and in the ordinary course of their businesses, the Debtors provided their homebuyers with limited warranties to repair defects in construction and workmanship (the "Home Warranty Programs"). The scope of the warranty offered depended upon the type and location of the home purchased, but generally provided that the Debtors, or in some cases a third party, would repair material defects in workmanship or materials for a limited time. The Debtors also provided homebuyers with the benefits of limited warranties provided to them by manufacturers and certain subcontractors. On August 5, 2008, the Bankruptcy Court authorized the Debtors, in the ordinary course of business, to (i) honor and maintain the Home Warranty Programs and (ii) continue, renew, replace, and implement new or terminate aspects of the Home Warranty Programs consistent with past practices, without further application to the Bankruptcy Court.

d. *Payment of Prepetition Trust Fund Taxes and Governmental Fees*

In the ordinary course of their operations, the Debtors collected sales, use, employee-related withholding and other trust fund type taxes (however denominated) (the "Trust Fund Taxes") from their customers and other parties and remitted such taxes to the appropriate federal,

state and local taxing authorities (collectively, the "Taxing Authorities"). On August 6, 2008, the Bankruptcy Court authorized the Debtors to pay prepetition Trust Fund Taxes owed to the Taxing Authorities, in an amount not to exceed \$1,000,000, in the ordinary course of business as such payments became due and payable and to the extent adequate funds are available to make such payments.

e. *Insurance and Surety Bonds*

In connection with the daily operation of their businesses, the Debtors maintain certain insurance policies (collectively, the "Insurance Policies") in respect of, among other things, commercial real property, builders' risk, personal property, commercial general liability, boiler and machinery, equipment breakdown, commercial automobile liability, marine and marina operator's legal liability, crime and fiduciary liability, employment practices liability, contractor's pollution liability, terrorism protection, travel accident protection, umbrella/excess liability, marine liability, commercial property, miscellaneous professional errors and omissions liability, and director's and officer's liability. The majority of the Insurance Policies were financed through premium finance agreements. The continuation of the Insurance Policies was crucial given that they provide a comprehensive range of coverage in full force and effect for the Debtors, their businesses and their properties.

In the ordinary course of their businesses, the Debtors are also required to post bonds as collateral to secure certain of their performance, financial and escrow obligations (the "Surety Bonds"). Premiums under each of the Surety Bonds are paid annually. Because the Debtors have a substantial number of Surety Bonds outstanding with various due dates for the annual premium, the Debtors generally make one payment each month, which constitutes various Surety Bonds' annual premium payments. Continuation of the Surety Bonds was necessary because cancellation of the Surety Bonds would constitute a substantial liability and risk of loss of value, as well as a potential breach of many of the Debtors' contracts and other obligations. Without the Surety Bonds, the Debtors would not continue to have the right to conduct business in certain states, would not be entitled to use customer escrow deposits as allowed by applicable law to fund construction costs, and could lose valuable development rights issued by local governmental bodies with respect to ongoing real estate projects or raw land, where the maintenance of Surety Bonds to secure performance of infrastructure construction obligations is a condition to the retaining valuable development rights.

On August 6, 2008, the Bankruptcy Court authorized the Debtors to (i) maintain insurance coverage levels required under their corporate risk program, including authority to revise, extend, supplement, renew or change insurance coverage as needed, (ii) maintain their insurance premium financing program, including authority to renew, supplement or enter new financing arrangements as needed, (iii) maintain Surety Bond programs, including authority to revise, extend, supplement, renew or change Surety Bonds as needed, and (iv) pay any prepetition and postpetition obligations associated therewith. The Bankruptcy Court's order also prevented insurance and surety bond companies from giving notice of termination or otherwise

modifying or cancelling any Insurance Policies or Surety Bonds without obtaining further relief from the Bankruptcy Court.¹⁰

f. *Customer Programs*

In the ordinary course of business, the Debtors offered a wide range of customer sales incentives to market their homes and make them more attractive to prospective buyers (collectively, the “Sales Incentive Program”). While the types of incentives offered under the Sales Incentive Program differed widely across the Debtors’ operating regions, they generally fell into one of three categories: (i) cash discounts against the purchase price of a Home or Tower Residence, design center upgrades and/or decorator credits; (ii) golf or sports club memberships and marina slips, and/or tangible merchandise such as automobiles and golf carts, provided free or at a reduced price; and (iii) payment of a buyer’s closing costs, travel-related expenses and/or certain future expenses for a limited time such as ad valorem taxes or property owner’s association assessments. The Sales Incentive Program represented an important aspect of the Debtors’ sales and marketing efforts, particularly in promoting communities experiencing weaker demand.

Additionally, in the ordinary course of business, the Debtors offered various coupons, gift cards and certificates (collectively, the “Gift Certificates”) that could be redeemed for use at the Debtors’ various amenities, including golf, spa and fitness, and dining facilities. Moreover, the Debtors rented out their amenity facilities for weddings, golf tournaments, business meetings, dining and other events. To reserve the amenities for such events, the Debtors’ customers were generally required to provide cash deposits (the “Event Deposits”). Further, the Debtors’ customers occasionally sought to return merchandise purchased at the Debtors’ club and other facilities. In such circumstances, the Debtors would generally refund the cost of the merchandise or allow the customer to exchange for new merchandise of equal or lesser value (the “Merchandise Return Policy”).

On August 6, 2008, the Bankruptcy Court entered an order authorizing the Debtors to honor and maintain their Sales Incentive Program, Gift Certificates, Event Deposits, and Merchandise Return Policy in the ordinary course of business.

g. *Authority to Issue Title Insurance and to Hold Property in Trust as Closing Agent*

As briefly discussed above, Debtor First Fidelity provides a full range of title insurance and closing services and, in that regard, issues policies on behalf of large national title insurers (the “Title Insurers”) and derives its revenues primarily from commissions on title insurance premiums and closing services provided to the Debtors’ homebuilding customers and other customers in connection with residential and commercial closings. The Debtors anticipated that

¹⁰ With regard to the relief requested preventing insurance and surety bond companies from giving notice of termination or otherwise modifying or cancelling any Insurance Policies or Surety Bonds without obtaining relief from the Bankruptcy Court, the Debtors received objections from two surety bond companies, including Safeco Insurance Company of America, Inc. The dispute is discussed in detail in the “Material Claims and Litigation – Safeco Litigation and Settlement” section of this Disclosure Statement.

the Chapter 11 Cases might create some apprehension for parties using First Fidelity's title insurance and closing services. To provide comfort to the Debtors' existing and prospective customers and other parties in interest, including the Title Insurers, the Debtors sought, and the Bankruptcy Court entered, an order (i) authorizing First Fidelity to continue to issue title insurance policies in the ordinary course of business as agent for the Title Insurers and to collect and remit applicable premiums and charges in connection therewith, (ii) authorizing First Fidelity to hold in trust property deposited with it as closing agent in connection with the sale of a Home, Tower Residence or other real property, (iii) confirming that such property held in trust is not property of the Debtors' Estates, (iv) authorizing First Fidelity to make disbursements of such property held in trust upon the closing of the sale of a Home, Tower Residence or other real property and (v) approving a form of communication to be provided to parties seeking to use the closing services of First Fidelity.

h. *Critical Vendors, Contractors, and Materialmen*

Prior to the Petition Date and in the ordinary course of their businesses, the Debtors relied on, and routinely contracted with, a number of third-party contractors, subcontractors, materialmen, laborers, engineers and other similar suppliers (the "Construction Lien Claimants") as part of their homebuilding and tower operations. Under applicable law, Construction Lien Claimants may be able to assert construction, materialman's, mechanics' or other statutory liens (the "Construction Liens") against the Debtors' property to secure payment of claims arising from the delivery of prepetition goods and services to the Debtors ("Construction Lien Claims"). These Construction Liens, if properly asserted, attach to the particular parcel or unit of the Debtors' real property with respect to which a Construction Lien Claimant has provided goods or services.

In addition, prior to the Petition Date, the Debtors also used common carriers, shippers, and truckers in connection with the transportation of goods to the Debtors' job sites, as well as various third party warehouses to store goods while in transit (collectively, the "Warehousemen Lien Claimants"). State law may grant entities such as warehousemen the right to possessory liens on the goods in their possession to secure payment for their services ("Warehousemen Liens"). Consequently, these warehousemen could argue that they are entitled to secured claims on account of any prepetition invoices (the "Warehousemen Lien Claims").

In the ordinary course of their businesses, the Debtors also rely on certain third party vendors to supply goods, materials and services that the Debtors cannot operate without or cannot replace without incurring exorbitant costs (the "Vendors").

On the Petition Date, the Debtors sought and, on August 6, 2008 the Bankruptcy Court entered, an order (i) establishing procedures for the resolution and payment of prepetition Construction Lien Claims and Warehousemen Lien Claims secured by valid and enforceable liens, as well as procedures for the resolution and payment of prepetition claims of Vendors (the "Claim Payment Procedures"); (ii) authorizing the Debtors to pay Construction Lien Claims and Warehousemen Lien Claims in accordance with the Claim Payment Procedures in an aggregate amount not to exceed \$15,300,000, and (iii) authorizing the Debtors to pay claims of Vendors in accordance with the Claim Payment Procedures in an aggregate amount not to exceed

\$5,000,000. By an order dated October 20, 2008, the Bankruptcy Court increased the authorized payments to Lien Claimants from \$15,300,000 to \$20,500,000.

Pursuant to the above orders, through April 30, 2009, the Debtors have paid approximately \$12,600,000 in the aggregate to Construction Lien Claimants and Warehousemen Lien Claimants and \$220,000 to Vendors in accordance with the Claim Payment Procedures.

i. *Homeowner Association, Condominium Association and Membership Club Obligations*

The associations (the "Associations") formed in conjunction with the Debtors' residential home projects (the "Home Projects"), and tower and similar condominium projects (the "Tower Projects" and, together with the Home Projects, the "Projects") are managed pursuant to governing documents (the "Governing Documents") that meet the requirements of applicable local laws and are recorded such that the rights and obligations provided therein apply to all of the units in the Projects.

Pursuant to the respective Governing Documents, upon purchasing a unit in a Project, an owner becomes a member of the Association and is thereafter assessed periodic dues by the Association (the "Association Dues"), to cover various operating expenses. Although the Debtors initially control each Association, control is ultimately transferred to the homeowners (the "Turnover"). For each of the Associations, the Debtors are typically obligated to either (a) fund deficits in the Association's operating budget prior to Turnover ("Deficit Funding") or (b) pay Association Dues for the unsold units that the Debtors' hold in inventory ("Assessment Funding").

The Debtors also incorporate non-profit equity clubs (the "Equity Clubs") that own golf and other club amenities. The Debtors sell club memberships for a lump sum payment and, thereafter, the member owns an interest in the Equity Club and is assessed periodic membership dues. The Debtors generally remain in control of each Equity Club until the earlier of an agreed upon date or the sale of a certain percentage of membership interests in the Equity Club, at which time control is transferred to the members. Prior to a change in control, the Debtors are required to fund any deficits in each Equity Club's budget after accounting for fees paid by the other members (the "Equity Club Funding").

Additionally, certain of the Debtors' housing communities own golf and other club amenities and operate non-equity clubs (the "Non-Equity Clubs"). Members of the Non-Equity Clubs pay periodic dues to the Debtors but do not own an interest in the club or its assets. Thus, the Debtors receive all revenues and fund all of the costs of operating the Non-Equity Clubs. Depending upon the total number of members, the operating expenses of the Non-Equity Clubs may exceed the revenues generated from membership dues and, as a result, the Debtors must fund any shortfall (the "Non-Equity Club Funding"). The Debtors generally pay Non-Equity Club Funding at various times based on the cash requirements of each Non-Equity Club.

On August 6, 2008, the Bankruptcy Court entered an order authorizing the Debtors to pay homeowner association, condominium association and membership club obligations, including

Deficit Funding, Assessment Funding, Equity Club Funding and Non-Equity Club Funding, in the ordinary course of business.

j. *Authority to Return Homebuyer Deposits*

As of the Petition Date, the Debtors were party to over 255 contracts to design, build and sell Homes and Tower Residences and to sell certain other real property (collectively, the "Contracts"). Under the terms of each of the Contracts, deposits are generally forfeited by a buyer in the event the buyer breaches the agreement. Thus, if a buyer refuses to close on a Contract, in breach of the terms of the Contract, the Debtors are entitled to retain such buyer's deposit as damages for the breach. In some cases, federal or state law permits the Debtors to retain only a portion of the deposit as liquidated damages and the Debtors are required to return the remaining portion to the buyer. Likewise, in the event the Debtors breach or terminate a Contract, the Debtors may be obligated under the Contract to return the entire deposit to the buyer. In addition, in very limited cases, Contracts may be contingent on the buyer being able to obtain the necessary financing to buy the property. Thus, subject to the terms of such Contracts, in the event the buyer is unable to obtain necessary financing, the buyer may be entitled to a return of the deposit from the Debtors.

Realizing that their ability to return deposits where they are obligated to do so under a prepetition Contract is essential to retaining their customer base, the Debtors requested, and on August 6, 2008, the Bankruptcy Court authorized, but did not direct, that the Debtors be able to return deposits subject to and in accordance with the terms of the Debtors' prepetition Contracts.

k. *Home Sales Order*

On the Petition Date, the Debtors sought and, on August 5, 2008, the Bankruptcy Court entered, an order (the "Home Sales Order") (i) authorizing the Debtors to deliver title to Homes, Tower Residences and other real property free and clear of all liens, claims, encumbrances and other interests in connection with all sales by the Debtors under their prepetition Contracts and postpetition contracts entered into by the Debtors in the ordinary course of business; (ii) authorizing, but not directing, the Debtors to apply deposits at closing on the sale of Homes, Tower Residences, and other real property consistent with their past business practices and in accordance with and subject to the terms and conditions of their relevant contracts; (iii) authorizing, but not directing, the Debtors to pay closing costs in the ordinary course of business; (iv) authorizing, but not directing, the Debtors to modify their contracts to design, build and sell Homes and Tower Residences and to sell other real property if, in the exercise of the Debtors' business judgment, the circumstances warrant; and (v) establishing certain procedures for preserving and resolving claims secured by liens. The Debtors obtained the Home Sales Order to ensure the continuity of their core business and to assure customers, title insurers and other parties of the Debtors' ability to continue uninterrupted sales of Homes, Tower Residences and other real property in the ordinary course of business.

Pursuant to the Home Sales Order, the Debtors have closed on sales of approximately 263 completed units as of April 30, 2009.

4. Employee-Related Matters.

Of particular importance to the Debtors' efforts to stabilize their businesses and continue their operations uninterrupted was their ability to maintain the continued support and cooperation of their employees. Accordingly, on the Petition Date, the Debtors sought and, on August 6, 2008, the Bankruptcy Court authorized the Debtors to pay certain prepetition obligations owing to the Debtors' employees, including, but not limited to: (a) amounts owed to employees for wages and salaries; (b) reimbursement of employee business expenses incurred in the ordinary course, such as travel, meals and lodging; (c) maintenance of employee health and welfare plans, workers' compensation, 401(k), and other similar benefits; and (d) other miscellaneous employee expenses and benefits. Furthermore, the Bankruptcy Court authorized and directed each of the banks in which the Debtors maintained a bank account to honor all prepetition and postpetition checks related to such prepetition obligations to employees.

Also, as described below, by orders entered on January 22, 2009 and February 4, 2009, the Bankruptcy Court authorized the Debtors to enter into a key employee incentive plan.

D. Representation of the Debtors.

In 2008, the Debtors retained White & Case LLP ("White & Case") to provide legal advice with respect to a variety of issues, including restructuring and bankruptcy advice, and preparation of the requisite petitions, pleadings, exhibits, lists and schedules in connection with the commencement of the Chapter 11 Cases. Thomas E Lauria, Craig H. Averch, and Edward E. Sawyer have been acting as lead counsel for the Debtors in the Chapter 11 Cases.

In anticipation of the volume of matters that were likely to come before the Bankruptcy Court in the Chapter 11 Cases, and the special familiarity and experience with the practice and procedure of the District of Delaware, the Debtors also retained Bayard, P.A. ("Bayard") to serve as Delaware bankruptcy co-counsel in connection with the prosecution of the Chapter 11 Cases. Subsequently, the principal attorneys at Bayard working on the Debtors' Chapter 11 Cases joined the law firm of Fox Rothschild LLP ("Fox Rothschild"). As a result, the Debtors have retained Fox Rothschild to serve as Delaware bankruptcy co-counsel in place of Bayard. Jeffrey M. Schlerf has been acting as counsel for the Debtors from Fox Rothschild in the Chapter 11 Cases.

Prior to the Petition Date, the Debtors employed certain professionals, in the ordinary course of business, to render services to their Estates (collectively, the "Ordinary Course Professionals"), including legal services and certain accounting, tax and consulting services, which were necessary to the day-to-day continuation of the Debtors' operations. On August 27, 2008, the Bankruptcy Court granted the Debtors the authority to employ the Ordinary Course Professionals.

In addition to White & Case, Fox Rothschild, and the Ordinary Course Professionals, the Debtors obtained approval from the Bankruptcy Court for the retention of the following Professional Persons: (a) Lazard as the Debtors' financial advisor; (b) FTI Consulting, Inc. ("FTI") as the Debtors' bankruptcy and restructuring advisor; (c) Ernst & Young LLP as the Debtors' auditor and tax advisor; and (d) Sitrick and Company Inc. as the Debtors' communications consultant. Additionally, Epiq Bankruptcy Solutions, LLC ("Epiq") was

retained to serve as Claims Agent and Solicitation Agent. The Lazard engagement has been led by David Kurtz and Stephen Goldstein. The FTI engagement has been led by Michael C. Buenzow and Sean A. Gumbs.

E. Formation and Representation of the Creditors' Committee.

On August 13, 2008, the United States Trustee for the District of Delaware (the "U.S. Trustee") appointed the Creditors' Committee. The Creditors' Committee retained as counsel the law firms of Akin Gump Strauss Hauer & Feld LLP ("Akin Gump"), One Bryant Park, New York, New York 10036, and Pachulski Stang Ziehl & Jones LLP, 919 N. Market Street, 1st Floor, Wilmington, DE 19899. Daniel H. Golden and Lisa Beckerman of Akin Gump have been acting as lead counsel for the Creditors' Committee.

The Creditors' Committee is currently comprised of the following members:

AQR Capital Management Attn: Todd Pulvino Two Greenwich Plaza, 1st Floor Greenwich, CT 06830	The Bank of New York Mellon Attn: Gary Bush 101 Barclay Street, 8th Floor New York, NY 10286
The Signal Group, Inc. Attn: Don L. Copeland, Jr. 33 Commerce Way Jupiter, FL 33458	iStar Financial Inc. Attn: Douglas Heyman 1114 Avenue of the Americas, 39th Floor New York, NY 10036
Law Debenture Trust Company of New York Attn: Robert L. Bice II 400 Madison Avenue, 4th Floor New York, NY 10017	

Additionally, on March 11, 2009, the Creditors' Committee appointed Taberna Preferred Funding II, Ltd., Taberna Preferred Funding III, Ltd., Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VI, Ltd., and Taberna Preferred Funding VII, Ltd. as ex-officio members of the Creditors' Committee.

F. Matters Relating to Unexpired Leases and Executory Contracts.

Section 365 of the Bankruptcy Code grants the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject executory contracts and unexpired leases. If an executory contract or unexpired lease is assumed, the rights of the Debtor party to such agreement continue as property of the Debtors' Estates. A subsequent breach of an assumed lease or executory contract creates an Administrative Claim in favor of the non-debtor counterparty, entitling it to an Administrative Claim for prepetition obligations as well as postpetition obligations arising as a result of the breach. If an executory contract or unexpired lease is rejected, the non-debtor counterparty to the agreement may file a claim for damages incurred by reason of the rejection, which is treated as a prepetition claim. In the case of rejection of leases of real property, such damage claims are subject to certain claim amount limitations imposed by the Bankruptcy Code. For a description of the special bar date

established on account of such claims, see “The Reorganization Cases – Debtors’ Schedules; Bar Date; Claims Objection and Estimation Procedures,” below.

Generally, debtors have until the confirmation date of a chapter 11 plan to assume executory contracts and unexpired leases to which they are a party. An exception to the foregoing is set forth in section 365(d)(4) of the Bankruptcy Code, which provides that if a debtor does not assume or reject an unexpired lease of nonresidential real property under which a debtor is the lessee (i) within 120 days after the petition date (the “365(d)(4) Deadline”), (ii) within a 90-day additional period as the bankruptcy court, for cause, fixes, or (iii) within such additional time as the bankruptcy court, for cause, fixes with the consent of the landlord of the leased premises, then such lease is deemed rejected.

As of the Petition Date, the Debtors were parties to approximately 74 unexpired leases of nonresidential real property (the “Unexpired Real Property Leases”) related to, among other things, corporate and sales office space, design centers, storage space, billboard advertising space, model homes, submerged property and ground leases. To ensure adequate time to assess the Debtors’ Unexpired Real Property Leases, the Bankruptcy Court granted the Debtors the 90-day extension of the 365(d)(4) Deadline from December 2, 2009 to March 2, 2009. The 90-day extension did not apply, however, to one particular ground lease by and between Great Expectations, LLC and Mansion Ridge Sewer Co (the “Mansion Ridge Lease”). Ultimately, the parties to such lease agreed to extend the Debtors’ time to assume or reject the lease beyond the March 2, 2009 date. The Bankruptcy Court also granted additional extensions with respect to leases for which particular landlords provided their consent. With the exception of the Mansion Ridge Lease, for which the deadline to assume or reject has been extended by written consent of the landlord, the Debtors have now timely assumed or rejected all Unexpired Real Property Leases.

On February 4, 2009, the Bankruptcy Court authorized the Debtors to (i) reject the lease agreement relating to their corporate headquarters location (the “Old Headquarters Lease”) and (ii) enter into a new lease for the same property. Under the Old Headquarters Lease, the Debtors’ rental obligations to their landlord, Walden Center, L.P., were well above market for similar properties in the local area. As a result, the Debtors negotiated with Walden Center, L.P. to obtain a new lease with substantially improved terms.

Additionally, the Debtors were party to various personal property leases (the “Unexpired Personal Property Leases,” and together with the Unexpired Real Property Leases, the “Unexpired Leases”).

The Debtors, to date, have filed 12 omnibus motions to reject certain executory contracts and Unexpired Leases, pursuant to which the Debtors have rejected approximately 45 executory contracts, 51 Unexpired Real Property Leases, and 27 Unexpired Personal Property Leases.

To date, the Debtors have also filed motions seeking the assumption, or assumption and assignment, of certain executory contracts and Unexpired Leases that they determined in an exercise of their sound business judgment held value for the Debtors’ Estates (the “Motions to Assume”). Pursuant to the Motions to Assume, the Debtors have assumed, or assumed and

assigned, approximately 100 executory contracts, 22 Unexpired Real Property Leases, and 3 Unexpired Personal Property Lease.

G. Exclusive Periods.

Pursuant to sections 1121(b) and (c)(3) of the Bankruptcy Code, the Debtors have: (i) the Filing Period within which to file the Plan; and (ii) the Solicitation Period to solicit acceptances of this timely filed Plan before other parties in interest are permitted to file plans. The initial Filing Period and the initial Solicitation Period expired on December 2, 2008 and February 2, 2009, respectively.

On December 12, 2008, the Bankruptcy Court entered an order extending the Filing Period and the Solicitation Period through April 1, 2009 and June 2, 2009, respectively. The Debtors filed a further motion to extend the Filing Period and Solicitation Period on April 1, 2009. Pursuant to Local Rule 9006-2, the Filing Period has been extended until the Court rules on that motion. On June 16, 2009, the Bankruptcy Court entered an order further extending the Filing Period and the Solicitation Period through June 30, 2009 and August 31, 2009, respectively.

H. Asset Dispositions.

Section 363 of the Bankruptcy Code grants the Debtors the power, subject to approval of the Bankruptcy Court, to use, sell, or lease property of the Debtors' Estates outside of the ordinary course of business.

On October 22, 2008, the Bankruptcy Court entered an order (the "Miscellaneous Asset Order") providing certain procedures governing the sale of certain miscellaneous Assets with a selling price equal to or less than \$100,000 and the abandonment or donation of certain miscellaneous Assets with a fair market value equal to or less than \$50,000. Pursuant to the Miscellaneous Asset Order, the Debtors have sold, abandoned or donated certain Assets, such as office furniture, home furnishings used in model homes and apartments, and other personal property.

On November 5, 2008, the Bankruptcy Court entered an order (the "Multiple-Unit Sale Order") providing certain procedures governing sales of multiple Homes, Tower Residences, and other real property pursuant to a single sales transaction (each, a "Multiple-Unit Sale"). The Multiple-Unit Sale Order provides that any Multiple-Unit Sale pursuant to which five or less units are sold shall be governed by the Homes Sales Order and may be made in the ordinary course of the Debtors' business. The Multiple-Unit Sale Order also establishes procedures for (i) any Multiple-Unit Sale pursuant to which six or more units are sold and the aggregate purchase price is less than \$20 million (a "Tier I Multiple-Unit Sale") and (ii) any Multiple-Unit Sale pursuant to which six or more units are sold and the aggregate purchase price exceeds \$20 million (a "Tier II Multiple-Unit Sale"). Pursuant to the Multiple-Unit Sale Order, the Debtors have entered into three Multiple-Unit Sales, including the following:

- On November 25, 2008 and January 2, 2009, the Bankruptcy Court approved the Tier-1 Multiple-Unit Sale of six units at the Resort at Singer Island, Hotel

Condominium to Southern Caledonian Properties Limited for an aggregate purchase price of \$1,876,500.

- On March 24, 2009, the Bankruptcy Court approved the Tier-1 Multiple Unit Sale of twenty two units in the San Anton tower at Lost Key to Don Carter for an aggregate purchase price of \$5,057,950.
- On June 17, 2009, the Bankruptcy Court approved the Tier-1 Multiple Unit Sale of (i) forty-one (41) subdivided lots of real property located in the project known as Greene Mill Preserve, Loudon County, Virginia and (ii) thirteen (13) subdivided lots of real property located in the project known as Occoquan Reach, Prince William County, Virginia for \$5,650,000. These 54 lots comprised the entirety of the Company's remaining assets in the communities of Greene Mill and Occoquan Reach.

In addition to the dispositions of property made in the ordinary course and under the Miscellaneous Asset Order and Multiple-Unit Sale Order, the Debtors also sought and obtained authority to transfer the following property during the Chapter 11 Cases:

- On December 15, 2008, the Bankruptcy Court approved the sale of certain undeveloped land owned by WCI to Collier County, Florida for an aggregate purchase price of \$250,000.
- On February 4, 2009, the Bankruptcy Court approved the sale of certain homes and undeveloped lots in the Ashley Farms community located in Marion County, Florida, which were owned by WCI, to Ocala 623 Land Development LLC, for an aggregate purchase price of \$2,120,000.
- On February 20, 2009, the Bankruptcy Court approved the transfer of a parcel of land owned by WCI known as Parcel X, located in The Reserve community in Danbury, Connecticut, which was owned by WCI, to Berkley Holdings Corp. The transfer was made pursuant to a Purchase and Sale Agreement entered into between WCI and Berkley Holdings prior to the Petition Date.
- On June 18, 2009, the Bankruptcy Court approved the sale of all of the Company's remaining interests in Regent Bal Harbour for \$14,600,000, which interests were comprised of 41 hotel-condominium units, 7 ADA units and a presidential and adjacent unit as well as all interests in the hotel lot.
- On July 1, 2009, the Bankruptcy Court entered an order approving a multiple community land and unit sale, which consisted of two hundred and twenty-six (226) undeveloped lots, three (3) developed lots, and three (3) homes built on such developed lots comprising the Company's Mid-Atlantic division, except for Greene Mill Preserve, Occoquan Reach, two tower sites and two remaining spec units, for the price of \$41,364,500.

I. Key Employee Incentive Plan.

As a consequence of the commencement of the Chapter 11 Cases, the Debtors' employees were under considerable strain and were required to take on extraordinary workloads to compensate for downsizing and attrition. As a result of such added responsibilities and stress, the Debtors were losing valuable employees who were difficult to replace. The Debtors were also concerned that many other key employees would seek other employment.

Accordingly, by orders entered on January 22, 2009 and February 4, 2009, the Bankruptcy Court authorized the Debtors to adopt and implement a postpetition incentive plan for certain key employees (the "Key Employee Incentive Plan"). The Key Employee Incentive Plan is designed to motivate certain key employees to meet or exceed the Debtors' financial and operational goals, thereby aligning the interests of such employees with those of the Debtors' stakeholders. The payment of bonuses under the proposed Key Employee Incentive Plan is based on clearly defined performance metrics and incentivized the Debtors' key employees to continue their services and efforts during the Debtors' reorganization under chapter 11 and to maximize the value of the Debtors' Estates.

J. The Automatic Stay.

As discussed above, the automatic stay under section 362 of the Bankruptcy Code provides that, as of the Petition Date, most pending litigation is stayed, and absent further order of the Bankruptcy Court, most actions to recover on prepetition claims against the Debtors are prohibited.

During the Chapter 11 Cases, third parties have filed 22 motions seeking relief from the automatic stay under section 362 of the Bankruptcy Code. The Bankruptcy Court granted limited relief from the automatic stay, over the Debtors' objection, in only two instances.

On October 8, 2008, the Bankruptcy Court approved the motion of Alan Stanley Freemond and Clarajohn Freemond (the "Freemonds") for relief from the automatic stay to continue their pending Florida action against multiple non-debtors, Robin H. Branson, Glenn Goldstein, and Watermark Realty Inc. The order granting relief from the stay, however, provided that any judgment obtained by the Freemonds may not be enforced against any property or asset belonging to any Debtor, including insurance policies, without seeking further relief from the Bankruptcy Court. On December 23, 2008, the Bankruptcy Court approved the motion of Jan Aikin for relief from the automatic stay to continue an action against WCI whereby Aikin seeks return of a deposit of approximately \$73,000 related to a home purchase contract. Like the order in the Freemond matter, the order granting Aikin relief from the stay prohibits enforcement of any judgment against any property absent further relief from the Bankruptcy Court.

Additionally, the Debtors have agreed to relief from the automatic stay with respect to the following parties:

- Richard W. Beach, III and Patricia A. Beach (the "Beaches"), for the sole purpose of permitting the Beaches to pursue to final judgment certain consolidated appeals in the District Court of Appeal for the Second Circuit of Florida, provided that any judgment entered in favor of the Beaches may not be enforced against any

property or asset belonging to any of the Debtors, including insurance policies, other than the supersedeas bond that was posted by WCI in connection with the appeals.

- Kraft Construction Company, Inc. (“Kraft”), for the limited purpose of allowing Kraft to conduct a one-day deposition of Bay Colony-Gateway, Inc. in connection with a Florida state court action in which Bay Colony-Gateway, Inc. is a codefendant with Kraft.
- The Salce Companies LLC (“Salce”) and TR at Naples, LLC (“TR Naples”), to permit them to file counterclaims against WCI for the return of a \$1 million deposit related to a home purchase contract, provided that any judgment entered in favor of Salce and TR Naples may not be enforced against any property or asset belonging to any of the Debtors.
- Edwin Giovanni Lojano (“Lojano”), for the sole purpose of permitting Lojano to pursue to final judgment a personal injury suit against one of the Debtors pending in the Supreme Court of New York, County of Queens, provided that any judgment entered in favor of Lojano may be enforced only against any available insurance proceeds and not against any property or asset belonging to any of the Debtors.
- Susan Lawson, as Trustee of the Lawson Trust, to proceed to trial and judgment in the Seventh Judicial Circuit in and for Flagler County, Florida to liquidate claims, including any appeals thereto, provided that any judgment obtained may not be enforced against any property of the estate absent further order of the Court.

K. Alternative Dispute Resolution.

During the Chapter 11 Cases, the Debtors anticipated that thousands of Claims would be filed against their estates and that most of the Claims would be disputed by the Debtors and would have to be resolved by settlement or litigation. The Debtors recognized that litigating each independent Claim and any related causes of action the Debtors may have against third parties in a multitude of separate individual actions and, potentially, venues would result in a significant consumption of limited judicial and estate resources and would impede the Debtors’ ability to effectively liquidate claims and reorganize. To avoid this result, on December 12, 2008, the Debtors filed a motion (the “ADR Motion”) to implement an alternative dispute resolution procedure to resolve such Claims.

On February 24, 2009, the Bankruptcy Court entered an order approving the ADR Motion (the “ADR Order”), which contains a detailed alternative dispute resolution procedure (the “ADR Procedure”) to resolve claims against the Debtors. The ADR Procedure is designed to provide a fair but cost effective method for resolving claims, and allows parties to resolve claims by settlement, or, if all applicable parties consent, arbitration.

To date, holders of over 100 Claims are currently participating in the ADR Procedure.

L. Debtors' Schedules; Bar Date; Claims Objections and Estimated Amount of Claims.

1. Debtors' Schedules and Bar Date.

On November 1, 2008, after having received two extensions from the Bankruptcy Court, the Debtors filed their respective schedules of assets and liabilities (collectively, the "Schedules"). On January 2, 2009, the Debtors filed amendments to certain of the original Schedules. The aggregate scheduled liabilities for the Debtors were approximately \$86.8 billion. In addition to claims scheduled by the Debtors, approximately 3,980 proofs of claim have been filed against the Debtors in these Chapter 11 Cases in an amount exceeding \$56.2 billion in the aggregate.¹¹ Based upon a preliminary analysis conducted by the Debtors, a significant amount of the asserted Claims represents duplicate or otherwise redundant Claims and accordingly, a significant amount of Claims that have been filed are subject to disallowance by the Bankruptcy Court. While it is likely that only a small portion of the filed Claims will be Allowed, the Claims resolution process is in its nascent stages and the resolution and allowance of such Claims remains subject to determination of the Bankruptcy Court.

By order dated December 2, 2008 (the "Bar Date Order"), the Bankruptcy Court fixed February 2, 2009 at 4:00 p.m. Prevailing Eastern Time (the "Bar Date") as the deadline for holders of alleged Claims against the Debtors to file proofs of Claim against the Debtors. The Bar Date Order also approved the form of notice (the "Bar Date Notice") and the form of the proof of claim which was to be served on all known creditors. The Bar Date Notice was ultimately mailed on or before December 12, 2008, and published on December 15, 2008 in The Wall Street Journal (National Edition), The New York Times (National Edition), The Washington Post, The Miami Herald, The Tampa Tribune, and Bonita Daily News (the local newspaper of the Debtors' headquarters).

Pursuant to the Bar Date Order, claims associated with the rejection of an executory contract or unexpired lease must be filed by the later of the Bar Date or 30 days from the notice of the order rejecting the executory contract or unexpired lease. The Bar Date Order also fixed a special bar date of March 4, 2009 for all claims asserted by a co-debtor, surety or guarantor that may be filed under section 501(b) of the Bankruptcy Code and Bankruptcy Rule 3005(a).

2. Claims Objections.

In the ordinary course of business, the Debtors maintain books and records (the "Books and Records") that reflect, among other things, the Debtors' liabilities and the amounts owed to their creditors in connection with such liabilities. The Debtors and their professionals have been in the process of conducting a review of the proofs of claim submitted in the Chapter 11 Cases, including any supporting documentation, and comparing the Claims asserted in the proofs of claim with the Books and Records to determine the validity of such Claims. Based upon such review to date, the Debtors have sought to disallow and expunge certain proofs of claim,

¹¹ The actual amount of Allowed Claims likely will be significantly less due, in part, to the fact that several parties have asserted the same Claim against multiple Debtors or the same Claim was listed on multiple Debtors' Schedules. For example, the Prepetition Lenders have asserted Claims against most or all of the 127 Debtors, each Claim in the full amount, which results in a total aggregate amount of Claims of approximately \$54 billion.

reclassify and reassign additional proofs of claim, and sought to reduce in their Books and Records other proofs of claim as well as scheduled Claims that had been satisfied postpetition pursuant to orders of the Bankruptcy Court.

The Debtors, to date, have filed ten omnibus objections to eliminate, reduce and/or reclassify certain proofs of claim which appeared to be duplicative, amended, paid, resolved, not supported at all, insufficiently supported, inconsistent with the Debtors' Books and Records, based on expired warranties, filed against the wrong Debtor, filed against a non-debtor, filed against multiple Debtors, incorrectly classified, and/or wholly without basis. The Claims reconciliation process has thus far resulted in the disallowance, reduction, settlement, reassignment and/or reclassification of approximately 398 Claims totaling approximately \$110.6 million, and the requested disallowance, reduction, reclassification and/or reassignment of over 250 additional Claims totaling in excess of \$108.7 million. The Debtors anticipate filing additional substantive and non-substantive objections that will further reduce the amount of Claims against the Debtors.

3. Estimation of Claims.

The Debtors are continuing to examine all of the Claims and anticipate filing additional objections during the pendency of these Chapter 11 Cases. As of the date hereof, the Debtors estimate the total amount of filed and scheduled Claims against the Debtors will be substantially as follows: Administrative Claims – \$[200,000]; Tax Claims – \$[7.2 million]; Priority Claims – \$[500,000]; Prepetition Lender Claims – \$[770.7 million]; other Secured Claims – \$[28.6 million]; Unsecured Claims – \$[983.2 million]; and Convenience Claims – \$[23.1 million].

The Debtors have engaged in an aggressive Claims reconciliation and objection process in order to quantify with relative certainty the totality of Claims in these Chapter 11 Cases since the dollar amounts are critical to demonstrating the feasibility of the Plan.

XI.

MATERIAL CLAIMS AND LITIGATION

The Debtors, with the assistance of their Claims Agent, have undertaken an exhaustive review of all filed and scheduled Claims. Specifically, since the commencement of the Chapter 11 Cases, the Claims Agent has methodically recorded each filed proof of claim and provided the Debtors with copies of each such Claim, together with all supporting documentation included therewith. The Debtors, with the assistance of their Claims Agent, reviewed each such Claim and compared it to the Debtors' Books and Records in order to determine which Claims should be allowed, expunged or appropriately reclassified and/or reduced. Based on this comprehensive analysis, as more fully described above, the Debtors have filed eight omnibus objections to Claims. The following summarizes the Debtors' significant claims and related litigation.

A. Safeco Litigation and Settlement.

On July 25, 2008, Safeco Insurance Company of America, Inc. ("Safeco") announced the unilateral termination of seven surety bonds, which it had issued in 2005 and 2006 in favor of the Debtors. These bonds secured certain performance obligations owed by the Debtors to various

governmental entities related to several of the Debtors' land development projects. Safeco terminated these bonds notwithstanding that the Debtors never defaulted or breached their obligations under the bonds, and the bonds did not permit Safeco the right to unilaterally terminate without a breach.

On the Petition Date, the Debtors initiated four adversary proceedings against Safeco, seeking damages and a court order rescinding Safeco's unlawful termination of four of the seven cancelled bonds.¹² On October 9, 2008, Safeco moved in each adversary proceeding to dismiss the four complaints, or in the alternative, for summary judgment. On October 31, 2008, the Debtors filed their oppositions to Safeco's motions to dismiss, or in the alternative, for summary judgment. Following the filing of the oppositions, Safeco and the Debtors agreed to settle their dispute. As part of the agreement, Safeco informed the appropriate governmental entities associated with each bond and/or project that its prior notices of cancellation were rescinded. On November 6, 2008, the Debtors stipulated to dismissal without prejudice of all adversary proceedings filed against Safeco.

B. Chinese Drywall.

The Debtors have received proofs of Claim, letters and phone calls alleging that homes built or developed by the Debtors contain drywall imported from China that is alleged to be defective ("Chinese Drywall"). In that regard, on or about March 10, 2009, a purported class action lawsuit was filed in the U.S. District Court for the Southern District of Florida (Case No. 09-CV-60371) against Knauf Plasterboard, Tianjin, Co. ("Knauf Tianjin"), Knauf Gips KG ("Knauf"), Rothchilt International Ltd. ("Rothchilt"), and WCI on behalf of Lawrence Riesz and Jennifer Schnee and all persons and business entities in the state of Florida who own or purchased homes built or developed by WCI that allegedly contain defective Chinese Drywall (the "Riesz/Schnee Class Action"). The filing of the Riesz/Schnee Class Action against WCI was a violation of the automatic stay of section 362 of the Bankruptcy Code. After the named plaintiffs were notified of the Debtors' pending Chapter 11 Cases, the named plaintiffs voluntarily dismissed their claims against WCI, without prejudice.

In addition, on or about May 4, 2009, a purported class action lawsuit was filed in state court in Broward County, Florida (Case No. 09-025462) against Knauf, Knauf Tianjin, Rothchilt, and several other manufacturers and suppliers of allegedly defective Chinese Drywall on behalf of Cindy Goldstein and all owners and residents of residential homes in Florida built by WCI or any of its affiliated companies that contain allegedly defective Chinese Drywall (the "Goldstein Class Action").¹³ The Goldstein Class Action complaint did not include any of the

¹² See Adv. Nos. 08-51136 through 08-51139. On October 10, 2008, WCI initiated a proceeding related to the fifth bond. See Adv. No. 08-08-51475. Safeco's purported termination of the two remaining bonds was irrelevant. WCI was able to obtain the release of those bonds from the respective government obligees since WCI had already fully performed its obligations guaranteed thereunder.

¹³ The defendants in the Goldstein Class Action include Knauf Gips KG, Knauf Plasterboard (Tianjin) Co., Ltd.; Knauf Plasterboard (Wuhu) Co. Ltd.; Knauf Plasterboard (Dongguan) Co., Ltd.; Beijing New Building Material PLC; Taishan Gypsum Co. Ltd.; Shandong Taihe Dongxin Co.; USG Corporation; L&W Supply Corporation d/b/a Seacoast Supply; All Interior Supply, Inc.; Banner Supply Company; Rothchilt International Ltd.; La Suprema Trading, Inc.; La Suprema Enterprise, Inc.; Black Bear Gypsum Supply, Inc.; and I.B.S.A., Inc.

Debtors as defendants, but it noted that WCI would have been included as a defendant but for the pendency of these Chapter 11 Cases. As such, on or about May 18, 2009, Goldstein filed in these Chapter 11 Cases a motion for leave to file a class proof of claim and to certify as a class all owners and residents of residential homes in Florida built by WCI or any of its affiliated or related companies that contain allegedly defective Chinese Drywall (the "Goldstein Class Certification Motion"). The Goldstein Class Certification Motion is scheduled to be heard at the omnibus hearing scheduled for July 1, 2009, with objections to the motion due by June 12, 2009. The Debtors intend to object to class certification.

The Chinese Drywall proofs of Claim and the class action lawsuits mentioned above allege that the Chinese Drywall emits various sulfide gases and/or other chemicals that cause damage to home structures, mechanical systems, and various personal property, including appliances, jewelry and other household items. Certain claimants have also alleged that the Chinese Drywall may cause health problems, such as respiratory problems, sinus problems, eye irritations and nose bleeds.

Various assessments and initiatives have been undertaken in the past few months by federal and state agencies to study the effects, if any, allegedly defective Chinese Drywall may have on property and health. The Debtors have also investigated internal records and monitored customer complaints in an effort to determine the potential universe of homes built or developed by the Debtors that may contain Chinese Drywall. To date, and subject to further investigation and confirmation, the Debtors have identified approximately 200 homes sold by the Debtors that may contain Chinese Drywall.

As a consequence of the filing of the Debtors' Chapter 11 Cases, the Debtors believe that any Claims against the Debtors that may relate to allegedly defective Chinese Drywall constitute prepetition Claims that are subject to treatment and discharge under the Plan.

XII.

THE CHAPTER 11 PLAN

As a result of the chapter 11 process and through the Plan, the Debtors expect that creditors will obtain a substantially greater recovery from the Estates than the recovery that would be available if the Assets had been liquidated under chapter 7 of the Bankruptcy Code. The Plan is annexed hereto as Exhibit "A" and forms part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by the more detailed provisions set forth in the Plan.

A. Resolution of Certain Inter-Debtor Issues.

1. Intercompany Claims and Equity Interests.

In settlement and compromise of certain existing and potential disputes regarding Intercompany Claims and related matters, pursuant to sections 1123(b)(3) and (6) of the Bankruptcy Code and Bankruptcy Rule 9019, the Plan treats the Debtors as comprising a single Estate solely for purposes of voting on the Plan, confirmation of the Plan and making Plan Distributions in respect of Claims against and Equity Interests in the Debtors under the Plan.

Such treatment shall not affect any Debtor's status as a separate legal entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal entities, nor cause the transfer of any assets; and, except as otherwise provided by or permitted in the Plan, all Debtors shall continue to exist as separate legal entities. The above treatment serves only as a mechanism to effect a fair distribution of value to the Debtors' constituencies.

Except as otherwise provided in the Plan, Intercompany Claims and Administrative Claims between and among the Debtors shall, solely for purposes of receiving Plan Distributions, be deemed resolved as a result of the settlement and compromise described in Section 2.1 of the Plan and therefore not entitled to any Plan Distribution and shall not be entitled to vote on the Plan.

2. Treatment of Guaranty Claims Against a Debtor.

Any holder of a Claim against a Debtor and a Claim based on a guaranty of such base Claim given by a Debtor shall receive only a single recovery in respect of such Claims.

B. Classification and Treatment of Claims and Equity Interests.

For the purposes of organization, voting and all confirmation matters, except as otherwise provided in the Plan and herein, all Claims against and all Equity Interests in each of the Debtors shall be classified as set forth below.

1. Treatment of Unclassified Claims.

As provided by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Tax Claims shall not be classified under the Plan, and shall instead be treated separately as unclassified Claims and in accordance with sections 1129(a)(9)(A) and 1129(a)(9)(C) of the Bankruptcy Code, respectively. Such Claims are not designated as classes of Claims for the purposes of the Plan or for the purposes of sections 1123, 1124, 1125, 1126 or 1129 of the Bankruptcy Code.

a. *Administrative Claims*

All Administrative Claims shall be treated as follows and shall be allocated among the Debtors, as determined by the Bankruptcy Court, on a fair and equitable basis:

The holder of an Administrative Claim, other than (i) a DIP Claim, (ii) a Fee Claim, (iii) a liability incurred and payable in the ordinary course of business by a Debtor (and not past due), or (iv) an Administrative Claim that has been Allowed on or before the Effective Date, must file with the Bankruptcy Court and serve on the Debtors, the Creditors' Committee and the Office of the United States Trustee, notice of such Administrative Claim within forty (40) days after service of Notice of Confirmation. Such notice must include at a minimum (i) the name of the Debtor(s) purported to be liable for the Claim, (ii) the name of the holder of the Claim, (iii) the amount of the Claim, and (iv) the basis of the Claim. **Failure to file and serve such notice timely and properly shall result in the Administrative Claim being forever barred and discharged.**

Each Professional Person who holds or asserts a Fee Claim shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, a Fee Application within forty-five (45) days after the Effective Date. **The failure to file timely and serve such Fee Application shall result in the Fee Claim being forever barred and discharged.**

An Administrative Claim with respect to which notice has been properly filed and served pursuant to Section 6.2(a) of the Plan shall become an Allowed Administrative Claim if no objection is filed within thirty (30) days after the later of (i) the Effective Date, (ii) the date of service of the applicable notice of Administrative Claim or (iii) such later date as may be (A) agreed to by the holder of such Administrative Claim or (B) approved by the Bankruptcy Court on motion of a party in interest, without notice or a hearing. If an objection is filed within such 30-day period (or any extension thereof), the Administrative Claim shall become an Allowed Administrative Claim only to the extent allowed by Final Order. A Fee Claim for which a Fee Application has been properly filed and served pursuant to Section 6.2(b) of the Plan shall become an Allowed Administrative Claim only to the extent allowed by order of the Bankruptcy Court.

On the Plan Distribution Date, each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Administrative Claim in one Cash payment, or (ii) such other treatment as may be agreed upon in writing by the Debtors and such holder; provided, that such treatment shall not provide a return to such holder having a present value as of the Effective Date in excess of such holder's Allowed Administrative Claim; provided, further, that an Administrative Claim representing a liability incurred in the ordinary course of business of the Debtors may be paid at the Debtors' election in the ordinary course of business.

The DIP Claims shall be Allowed Administrative Claims on the Effective Date and shall be paid in Cash in full on the Effective Date. On the Effective Date, in accordance with the terms of the DIP Credit Agreement, any outstanding letters of credit issued under the DIP Credit Agreement shall be cash collateralized.

b. Tax Claims

At the election of the Debtors, each holder of an Allowed Tax Claim will receive in full satisfaction of such Allowed Tax Claim (i) payments in Cash, in regular installments over a period ending not later than five (5) years after the Petition Date, of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (ii) a lesser amount in one Cash payment as may be agreed upon in writing by such holder; or (iii) such other treatment as may be agreed upon in writing by such holder; provided, that such agreed upon treatment may not provide such holder with a return having a present value as of the Effective Date that is greater than the amount of such holder's Allowed Tax Claim or that is less favorable than the treatment provided to the most favored nonpriority Unsecured Claims under the Plan. The Confirmation Order shall enjoin any holder of an Allowed Tax Claim from commencing or continuing any action or proceeding against any responsible person, officer or director of the Debtors that otherwise would be liable to such holder for payment of a Tax Claim so long as the Debtors are in compliance with this Section. So long as the holder of an Allowed Tax Claim is enjoined from commencing or continuing any action or proceeding against any responsible person, officer

or director under this Section or pursuant to the Confirmation Order, the statute of limitations for commencing or continuing any such action or proceeding shall be tolled.

2. Treatment of Classified Claims and Equity Interests.

The classes of Claims against the Debtors and Equity Interests in the Debtors shall be treated under the Plan as follows:

Class 1 – Priority Claims. Class 1 shall consist of all Priority Claims against the Debtors. Each holder of an Allowed Priority Claim against any of the Debtors shall be unimpaired under the Plan and, pursuant to section 1124 of the Bankruptcy Code, all legal, equitable, and contractual rights of each holder of an Allowed Priority Claim in respect of such Claim shall be fully reinstated and retained, and such holder of an Allowed Priority Claim shall be paid on the Plan Distribution Date in full in Cash. Class 1 – Priority Claims are unimpaired under the Plan, and holders of such Claims are therefore deemed to accept the Plan and are not entitled to vote to accept or reject the Plan.

Class 2 – Prepetition Lender Claims. Class 2 shall consist of all Prepetition Lender Claims against the Debtors. Each holder of an Allowed Prepetition Lender Claim against any of the Debtors shall receive, on the Effective Date, (i) its Pro Rata Share of (A) New WCI Senior Term Notes, (B) New WCI Senior Subordinated PIK Notes, and (C) 95% of the shares of New WCI Common Stock issued under the Plan, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares, and (ii) the Prepetition Lender Release. The shares of New WCI Common Stock issued to holders of Allowed Prepetition Lender Claims shall be structured so that they are attached for trading purposes to the New WCI Senior Subordinated PIK Notes until the New WCI Senior Subordinated PIK Notes are paid in full. The Prepetition Lender Claims shall be Allowed under the Plan in the aggregate amount of \$[770,000,000]. Class 2 – Prepetition Lender Claims are impaired under the Plan and holders of such Claims are therefore entitled to vote to accept or reject the Plan.

Class 3 – Secured Claims. Class 3 shall consist of all Secured Claims against the Debtors. Each holder of an Allowed Secured Claim against any of the Debtors will, at the sole option of the Debtors, receive the following treatment: (i) shall receive on the Plan Distribution Date on account of its Allowed Secured Claim a Cash payment in an amount equal to the amount of the Allowed Secured Claim as of the Effective Date, (ii) shall retain its liens securing its Allowed Secured Claim and receive on account of its Allowed Secured Claim deferred cash payments having a present value on the Effective Date equal to the amount of its Allowed Secured Claim, (iii) shall realize the “indubitable equivalent” of its Allowed Secured Claim, (iv) the property securing the Allowed Secured Claim shall be sold free and clear of liens with such liens to attach to the proceeds of the sale and the treatment of such liens on proceeds as provided in clause (ii) or (iii) of this subparagraph, or (v) if such Allowed Secured Claim is subject to a valid right of recoupment or setoff, such Claim shall be setoff to the extent of the amount subject to setoff in accordance with sections 506(a) and 553 of the Bankruptcy Code. Class 3 – Secured Claims are impaired under the Plan and holders of such Claims are therefore entitled to vote to accept or reject the Plan.

Class 4 – Unsecured Claims. Class 4 shall consist of all Unsecured Claims against the Debtors other than Convenience Claims. Unsecured Claims are any Claims against a Debtor other than an Administrative Claim, a DIP Claim, a Priority Claim, a Tax Claim, a Prepetition Lender Claim, or a Secured Claim. Each holder of an Allowed Unsecured Claim against any of the Debtors will receive, on the Plan Distribution Date its Pro Rata Share of 100% of the Creditor Trust Interests. For an explanation of the Creditor Trust, see the “Chapter 11 Plan – The Creditor Trust” section of this Disclosure Statement. Class 4 – Unsecured Claims are impaired under the Plan and holders of such Claims are therefore entitled to vote to accept or reject the Plan.

Class 5 – Convenience Claims. Class 5 shall consist of all Convenience Claims against the Debtors. Convenience Claims are any Unsecured Claim other than a Prepetition Note Claim (i) in an amount equal to or less than \$135,000 or (ii) with respect to which the holder of such Unsecured Claim has elected to reduce its Allowed Claims, in their entirety, to \$135,000. Each holder of an Allowed Convenience Claim shall receive on the Plan Distribution Date a single Cash payment in an amount equal to 2% of the amount of such holder’s Allowed Convenience Claim. Class 5 – Convenience Claims are impaired under the Plan and holders of such Claims are therefore entitled to vote to accept or reject the Plan.

Class 6 – WCI Equity Interests. Class 6 shall consist of all Equity Interests in WCI. On the Effective Date, all Equity Interests in WCI shall be cancelled, and each holder of an Equity Interest in WCI shall not be entitled to any distribution under the Plan. Class 6 – WCI Equity Interests are not entitled to any distribution under the Plan and holders of such Equity Interests are therefore deemed to reject the Plan and are not entitled to vote to accept or reject the Plan.

Class 7 – Other Equity Interests. Class 7 shall consist of all Equity Interests in the Debtors, other than WCI. Each holder of an Allowed Equity Interest in the Debtors, other than in WCI and in New WCI, shall be unimpaired under the Plan, and, pursuant to section 1124 of the Bankruptcy Code, all of the legal, equitable, and contractual rights to which such Equity Interests entitle such holder in respect of such Equity Interests shall be fully reinstated and retained on and after the Effective Date. Class 7 – Other Equity Interests are unimpaired under the Plan, and holders of such Equity Interests are therefore deemed to accept the Plan and are not entitled to vote to accept or reject the Plan.

C. Means for Implementation of the Plan.

1. Organization of New WCI.

On June 29, 2009, WCI created a wholly-owned subsidiary, WCI 2009 Corporation, registered and incorporated in Delaware, with two wholly-owned, member-managed limited liability company subsidiaries, WCI 2009 Asset Holding, LLC and WCI 2009 Management, LLC, both registered and created in Delaware (collectively with WCI 2009 Corporation, the “WCI 2009 Group”). On [July 1], 2009, WCI 2009 Group filed chapter 11 petitions in the Bankruptcy Court. On July __, 2009, the Bankruptcy Court entered an order: (a) providing that the WCI 2009 Group’s chapter 11 cases would be jointly administered with the Chapter 11 Cases; (b) directing that all orders in the Chapter 11 Cases would be applicable to the WCI 2009 Group; (c) authorizing the WCI 2009 Group to join as proponents of the Plan; (d) setting the bar

date to file proofs of claim against the WCI 2009 Group; and (e) waiving a meeting of the creditors of the WCI 2009 Group pursuant to section 341(a) of the Bankruptcy Code. The bar date for filing proofs of claim against the WCI 2009 Group is August __, 2009 at 5:00 p.m. (Prevailing Eastern Time). A notice of this bar date and meeting of the creditors was served on July __, 2009 to the persons entitled to notice pursuant to Bankruptcy Rule 2002.

Pursuant to the Plan, WCI 2009 Corporation will assume all obligations of, and shall be considered for all purposes, New WCI under the Plan. Substantially, all of WCI's Assets (including, where appropriate, Equity Interests in certain subsidiaries of WCI) will be transferred to WCI 2009 Asset Holding, LLC, which shall be considered for all purposes New WCI AssetCo under the Plan. Further, employees of the Debtors who continue to be employed in connection with the Debtors' Assets after the Effective Date shall be employees of WCI 2009 Management, LLC, which shall be considered for all purposes New WCI ManagementCo under the Plan. The WCI 2009 Group is intended to serve as the Debtors' reorganized business enterprise and **SHALL HAVE NO SUCCESSOR LIABILITY FOR ANY UNASSUMED OBLIGATIONS OF THE DEBTORS.** As discussed above, holders of Allowed Prepetition Lender Claims and the Creditor Trust will receive 95% and 5%, respectively, of the shares of New WCI Common Stock to be issued pursuant to the Plan.

Notwithstanding the foregoing, the ultimate corporate structure of New WCI and its subsidiaries shall be determined in connection with consummation of the Plan and may be modified to provide New WCI and its subsidiaries the greatest flexibility with respect to their operations and proposed sales of Assets.

2. Operations Between the Confirmation Date and the Effective Date.

During the period from the Confirmation Date through and until the Effective Date, the Debtors shall continue to operate their businesses as Debtors in Possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules and all orders of the Bankruptcy Court that are then in full force and effect.

3. Implementing Transactions on or Prior to the Effective Date.

The following transactions shall occur and be implemented pursuant to section 1123(a)(5) of the Bankruptcy Code on the Effective Date:

a. *Transfer of Assets to New WCI*

Except for Avoidance Actions and \$1,000,000 in Cash [plus an appropriate amount to cover prosecution of Contested Claims], which will be transferred to the Creditor Trust, on or prior to the Effective Date the Debtors, other than WCI, shall transfer substantially all of their Assets (other than equity interests in other Debtors) to WCI. After the foregoing transfers, on the Effective Date WCI shall transfer substantially all of its assets (excluding its fifty percent general partnership interest in Walden Woods Business Center, Ltd.), including without limitation, the right to proceeds of any tax refunds received by WCI after the Effective Date, to New WCI AssetCo and then, as set forth below, the Equity Interests of WCI shall be transferred to the Plan Trust. All employees of the Debtors who continue to be employed in connection with the Debtors' Assets after the Effective Date shall be employees of New WCI ManagementCo. Each

subsidiary of New WCI, including New WCI ManagementCo and New WCI AssetCo, shall become a New WCI Guarantor unless the Prepetition Lenders agree otherwise.

b. *Issuance of Equity Securities*

On the Effective Date, the existing Equity Interests in New WCI shall be cancelled. New WCI shall thereafter issue the New WCI Common Stock without further order of the Bankruptcy Court and shall issue on the Effective Date (i) shares of New WCI Common Stock to the Prepetition Lenders as required by Section 5.1(b) of the Plan, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares, (ii) shares of New WCI Common Stock to the Creditor Trust in an amount equal to 5% of the shares of New WCI Common Stock issued under the Plan, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares and (iii) the New WCI Preferred Stock to the Creditor Trust. The issuance of the New WCI Common Stock and the New WCI Preferred Stock and the distribution thereof shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code.

c. *Issuance of Notes*

New WCI and the New WCI Guarantors shall execute and deliver to the Prepetition Lenders the New WCI Note Documents, including, but not limited to, the New WCI Senior Term Notes and the New WCI Senior Subordinated PIK Notes, in each case in accordance with the Plan. Without limiting the generality of the foregoing, the New WCI Note Documents shall provide that (i) the obligations of New WCI and the New WCI Guarantors in connection with the New WCI Senior Term Notes shall be secured by a first priority lien in and upon substantially all of the assets of New WCI and the New WCI Guarantors, subject only to the liens granted pursuant to the Exit Facility Documents and certain customary permitted liens and (ii) the obligations of New WCI and the New WCI Guarantors in connection with the New WCI Senior Subordinated PIK Notes shall be secured by a first priority lien in and upon substantially all of the assets of New WCI and the New WCI Guarantors, subject only to the liens granted pursuant to the Exit Facility Documents and in connection with the New WCI Senior Term Notes, and certain customary permitted liens. The issuance of the New WCI Senior Term Notes and the New WCI Senior Subordinated PIK Notes and the distribution thereof shall be exempt from registration under applicable securities laws pursuant to section 1145(a) of the Bankruptcy Code.

d. *The Exit Facility*

New WCI and the New WCI Guarantors shall, if necessary, execute and deliver to the Exit Lenders the Exit Facility Documents. Without limiting the generality of the foregoing, the obligations of New WCI and the New WCI Guarantors under the Exit Facility Documents shall be secured by a first priority lien in and upon substantially all of the assets of New WCI and its Affiliates, subject only to certain customary permitted liens.

e. *Transfer of WCI to the Plan Trust*

WCI and the other Debtors shall continue to exist as separate legal entities on and after the Effective Date, having all rights and powers under applicable law. Immediately after the

consummation of the transfers described in Section 8.2(a) of the Plan, (i) WCI will change its name to "Real Estate Corporation," (ii) the Equity Interests in WCI shall be cancelled, and (iii) WCI shall issue shares of common stock (evidencing 100% of the Equity Interests in WCI) to the Plan Trust. WCI shall then be converted into a Delaware limited liability company, whereupon the common stock shall be cancelled and member interests (evidencing 100% of the member interests in WCI) shall be issued to the Plan Trust. Further, immediately upon the transfer of WCI to the Plan Trust, the remaining Debtors shall adopt new constituent documents that shall appoint the Plan Trustee and the sole director and officer thereof.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, NEITHER NEW WCI NOR ANY NEW WCI GUARANTOR SHALL HAVE OR BE CONSTRUED TO HAVE OR MAINTAIN, ANY LIABILITY, CLAIM, OR OBLIGATION THAT IS BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT, OR OTHER OCCURRENCE OR THING OCCURRING OR IN EXISTENCE ON OR PRIOR TO THE EFFECTIVE DATE OF THE PLAN (INCLUDING, WITHOUT LIMITATION, ANY LIABILITY, CLAIM OR OBLIGATION ARISING UNDER APPLICABLE NON-BANKRUPTCY LAW AS A SUCCESSOR TO WCI) AND NO SUCH LIABILITY, CLAIM, OR OBLIGATION FOR ANY ACTS SHALL ATTACH TO NEW WCI OR THE NEW WCI GUARANTORS.

4. Corporate Action.

The entry of the Confirmation Order shall constitute authorization for the New WCI Group, the Debtors and their Affiliates to take or cause to be taken all corporate actions necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule or regulation, including, without limitation, any action required by the stockholders or directors of New WCI, the Debtors and their Affiliates, including, among other things, (a) the issuance of New WCI Common Stock and the New WCI Preferred Stock, (b) the issuance of the New WCI Senior Term Note and the New WCI Senior Subordinated PIK Note, the execution, delivery and performance of the New WCI Note Documents and the incurrence of indebtedness and the granting of liens thereunder, (c) the execution, delivery and performance of the Exit Facility Documents and the incurrence of indebtedness and the granting of liens thereunder, (d) all transfers of Assets that are to occur pursuant to the Plan, (e) the adoption of the New WCI Constituent Documents, (f) the incurrence of all obligations contemplated by the Plan and the making of Plan Distributions, (g) the implementation of all settlements and compromises as set forth in or contemplated by the Plan, and (h) the adoption of the New WCI Employee Incentive Programs. On the Effective Date, the officers of the Debtors and the New WCI Group are authorized and directed to do all things and to execute and deliver all agreements, documents, instruments, notices and certificates as are contemplated by the Plan and to take all necessary actions required in connection therewith, in the name of and on behalf of the Debtors and the New WCI Group, as applicable. All obligations of the Debtors to indemnify and hold harmless their current and former directors, officers and employees, whether arising under the Debtors' constituent documents, contract, law or equity, shall be assumed by, and assigned to, New WCI upon the occurrence of the Effective Date with the same effect as though such obligations constituted executory contracts that are

assumed (or assumed and assigned, as applicable) under section 365 of the Bankruptcy Code, and all such obligations shall be fully enforceable on their terms from and after the Effective Date. The prosecution of any so-indemnified Cause of Action shall, upon the occurrence of the Effective Date, be enjoined and prohibited.

5. Re-Vesting of Assets.

Upon the occurrence of the Effective Date, except as otherwise expressly provided in the Plan, title to all of the Assets of the Debtors shall vest in the Debtors and in the New WCI Group, as applicable, free and clear of all liens, Claims, Causes of Action, interests, security interests and other encumbrances and without further order of the Bankruptcy Court. On and after the occurrence of the Effective Date, except as otherwise provided in the Plan, the Debtors and the New WCI Group may operate their businesses and may use, acquire and dispose of their Assets free of any restrictions of the Bankruptcy Code.

6. Initial Boards of Directors.

On the Effective Date, the initial board of directors of New WCI shall be comprised of the following individuals:

- a. four individuals to be selected by the Prepetition Lenders in their sole discretion; and
- b. one individual to be selected by the Creditors' Committee in its sole discretion.

From and after the Effective Date, the members of the board of directors of New WCI shall be selected and determined in accordance with the provisions of the New WCI Constituent Documents. The New WCI Constituent Documents shall provide that the board of directors of New WCI may be increased to seven members if (i) the Prepetition Lender Recovery equals \$525 million in the aggregate and (ii) the Creditor Trustee elects to increase the board pursuant to the terms of the New WCI Preferred Stock and in accordance with the Creditor Trust Declaration. If the board of directors of New WCI is increased to seven members, the Creditors Trustee shall be entitled to select one of the additional two directors and the Prepetition Lenders shall be entitled to select the second of the two additional directors.

7. Management Agreement.

New WCI ManagementCo and New WCI AssetCo will enter into a management agreement, which agreement shall be in a form acceptable to the Prepetition Lenders and will be filed by no later than ten (10) Business Days prior to the commencement of the Confirmation Hearing, pursuant to which New WCI ManagementCo will manage the assets of New WCI AssetCo.

8. Management and Officers.

On the Effective Date, the New WCI Group shall adopt the New WCI Constituent Documents and New WCI Employment Agreements, if any. Subject to approval of the

Prepetition Lenders, the current officers of WCI shall continue in such positions after the Effective Date with New WCI in accordance with the New WCI Employment Agreements and applicable law. Subject to the New WCI Employment Agreements, if any, and applicable law, from and after the Effective Date, the officers of New WCI shall be selected and appointed by the board of directors of New WCI, in accordance with, and pursuant to, the provisions of applicable law and the New WCI Constituent Documents.

9. Director and Officer Liability Insurance.

The Debtors' tail coverage under its director and officer liability insurance policies shall remain in full force and effect after the Effective Date for the term provided under such policies

10. Causes of Action.

Except for Avoidance Actions and as otherwise set forth in the Plan, all Causes of Action of any of the Debtors and their respective Estates shall, upon the occurrence of the Effective Date, be transferred to, and be vested in, New WCI for the benefit of holders of Allowed Claims under the Plan. Except as otherwise provided in the Plan, the rights of New WCI to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date.

No Person may rely on the absence of a specific reference in the Plan or this Disclosure Statement to any Cause of Action against them as any indication that New WCI will not pursue any and all available Causes of Action against them. New WCI and the Estates expressly reserve all rights to prosecute any and all Causes of Action against any Person, except as otherwise provided in the Plan. Unless any Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Debtors and New WCI expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon or after the confirmation or consummation of the Plan.

11. Appointment of the Disbursing Agent.

Upon the occurrence of the Effective Date, New WCI shall be appointed to serve as the Disbursing Agent and shall have all powers, rights, duties and protections afforded the Disbursing Agent under the Plan.

12. Sources of Cash for Plan Distributions.

All Cash necessary for the Disbursing Agent to make payments and Plan Distributions shall be obtained from proceeds of the Exit Facility, the Debtors' existing Cash balances or the liquidation of Assets.

13. Investment of Funds Held by the Disbursing Agent; Tax Reporting by the Disbursing Agent.

The Disbursing Agent may, but shall not be required to, invest any funds held by the Disbursing Agent pending the distribution of such funds pursuant to the Plan in investments that are exempt from federal, state, and local taxes. Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Disbursing Agent of a private letter ruling if the Disbursing Agent so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Disbursing Agent), the Disbursing Agent may (a) treat the funds and other property held by it as held in a single trust for federal income tax purposes in accordance with the trust provisions of the Internal Revenue Code (sections 641, et seq.), and (b) to the extent permitted by applicable law, report consistently with the foregoing for state and local income tax purposes.

14. New WCI Employee Incentive Programs.

Subject to approval of the Prepetition Lenders, New WCI shall reserve sufficient shares of New WCI Common Stock for issuance under the New WCI Employee Incentive Programs in order that such shares shall represent []% of the New WCI Common Stock issued pursuant to the Plan. The Plan shall be deemed a solicitation to holders of New WCI Common Stock for approval of the New WCI Employee Incentive Programs, and the Confirmation Order shall constitute approval of the New WCI Employee Incentive Programs for purposes of shareholder approval requirements under the Internal Revenue Code and, to the fullest extent permissible by law, such other requirements for shareholder approval under the laws of the jurisdiction of formation of New WCI.

15. Releases by the Debtors.

As of the Effective Date, for good and valuable consideration, the Debtors and the New WCI Group in their individual capacities and as Debtors in Possession will be deemed to release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the New WCI Group, the Chapter 11 Cases, the Plan or this Disclosure Statement, and that could have been asserted by or on behalf of the Debtors or their Estates or the New WCI Group against (a) the Debtors' and their non-Debtor affiliates' present and former officers and directors, (b) the Creditors' Committee and its members (solely in their capacity as such), and (c) the attorneys, accountants, investment bankers, bankruptcy and restructuring advisors and financial advisors of each of the Debtors; except, that nothing in this section shall be construed to release any party or entity from (a) willful misconduct or gross negligence as determined by a Final Order or (b) any objections by the Debtors, the New WCI Group, or the Creditor Trustee to Claims filed by such party or entity against any Debtor and/or its Estate.

As of the Effective Date, for good and valuable consideration, the Debtors and the New WCI Group in their individual capacities and as Debtors in Possession also will be deemed to release and forever waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the New WCI Group, the Chapter 11 Cases, the Plan or this Disclosure Statement, or the Prepetition Credit Facilities and that could have been asserted by or on behalf of the Debtors or their Estates or the New WCI Group against the Prepetition Lenders, including, but not limited to, all Avoidance Actions against such Prepetition Lenders.

16. Releases by Creditors and Equity Security Holders.

Subject to the occurrence of the Effective Date, any holder of a Claim that is impaired or unimpaired under the Plan or Equity Interest that is impaired or unimpaired under the Plan will be presumed conclusively to have released the Debtors, the New WCI Group, their non-Debtor affiliates and each of their respective present and former officers and directors, their respective successors, assigns, the Creditors' Committee and its members (solely in their capacity as such), and each of their respective agents, attorneys, advisors, accountants, restructuring consultants, financial advisors, and investment bankers, as well as the Debtors' officers, directors, and employees who hold such positions on the Confirmation Date and any Person claimed to be liable derivatively through any of the foregoing, from any Cause of Action based on the same subject matter as such Claim or Equity Interest; except that nothing in this section shall be construed to release any party from willful misconduct or gross negligence as determined by a Final Order; except, further, that the foregoing releases shall not apply to any holder of a Claim or Equity Interest if such holder "opts out" of the releases provided in this Section by a timely written election.

D. Description of Certain Securities to be Issued Pursuant to the Plan.

Pursuant to the Plan, the following debt, equity and rights will be issued:

1. New WCI Common Stock.

New WCI will be authorized to issue _____ shares of New WCI Common Stock, of which _____ shall be issued on the Effective Date. Except as provided in the Plan, no additional shares of New WCI Common Stock may be issued other than as authorized by the post-confirmation board of New WCI after the Effective Date.

Par Value: The New WCI Common Stock shall have a par value of \$____ per share

Rights of Holders: The holders of the New WCI Common Stock shall have such rights with respect to dividends, liquidation, voting,

and other matters as set forth in the New WCI Constituent Documents

2. New WCI Senior Term Notes.

The holders of Allowed Prepetition Lender Claims will each receive on the Effective Date its Pro Rata Share of 100% of the New WCI Senior Term Notes. The provisions of the New WCI Senior Term Notes are summarized as follows:

Issuer:	New WCI
Principal Amount:	\$310 million <i>minus</i> the initial principal amount of the Exit Facility
Maturity:	The fifth anniversary of the Effective Date, but may be prepaid without penalty
Interest Rate:	LIBOR (3% floor and 5% cap) plus 7%, per annum
Interest Payment:	Monthly in arrears
Security:	First priority lien on substantially all Assets of New WCI and its subsidiaries, subject to the liens securing the Exit Facility

3. New WCI Senior Subordinated PIK Notes

The holders of Allowed Prepetition Lender Claims will each receive on the Effective Date its Pro Rata Share of 100% of the New WCI Senior Subordinated PIK Notes. The provisions of the New WCI Senior Subordinated PIK Notes are summarized as follows:

Issuer:	New WCI
Principal Amount:	\$216 million; provided that, to the extent that the Exit Facility is issued in an initial principal amount less than \$110 million, then the initial principal amount of the New WCI Senior Subordinated PIK Notes will be reduced by an amount equal to \$110 million <i>minus</i> the initial principal amount of the Exit Facility
Maturity:	The seventh anniversary of the Effective Date, but may be prepaid without penalty
Interest Rate:	LIBOR (3% floor) plus 7%, per annum
Interest Payment:	Payable all "in kind" by adding interest payable monthly to the principal amount outstanding under the New WCI Senior Subordinated PIK Notes

Security: First priority lien on substantially all Assets of New WCI and its subsidiaries, subject to the liens securing the Exit Facility and New WCI Senior Term Notes

4. New WCI Preferred Stock.

On the Effective Date, the New WCI Preferred Stock shall be issued to the Creditor Trust. The New WCI Preferred Stock shall contain the following material provisions:

Issuer: New WCI

Liquidation Preference: None

Dividends: None, except as follows:

(a) at \$525 million in Prepetition Lender Recovery the Creditor Trust shall receive a dividend of an additional 5% of the issued shares of New WCI Common Stock;

(b) at \$650 million in Prepetition Lender Recovery the Creditor Trust shall receive a dividend of an additional 5% of the issued shares of New WCI Common Stock;

(c) at \$700 million in Prepetition Lender Recovery the Creditor Trust shall receive a dividend of an additional 5% of the issued shares of New WCI Common Stock; and

(d) at \$770 million in Prepetition Lender Recovery the Creditor Trust shall receive a final dividend of an additional 15% of the issued shares of New WCI Common Stock.

Other Rights of Holder: Each share of New WCI Preferred Stock shall vote as a separate class and shall be entitled to nominate and elect (including removal and replacement) (i) at all times prior to Prepetition Lender Recovery in the amount of \$525 million, one director on the five member board of directors of New WCI and (ii) at all times thereafter, the holders of New WCI Preferred Stock may elect to increase the board of directors of New WCI to seven members, and if such election is made, two directors on the seven member board of directors of New WCI.

5. Issuance of the New WCI Securities.

Section 1145 of the Bankruptcy Code exempts the original issuance of securities under a plan of reorganization from registration under Section 5 of the Securities Act of 1933, as amended (the "Securities Act") and state law. Under section 1145(a)(1) of the Bankruptcy Code, the issuance of the New WCI Common Stock, the New WCI Senior Term Notes, New WCI Senior

Subordinated PIK Notes, and the New WCI Preferred Stock pursuant to the Plan is exempt from registration if three principal requirements are satisfied: (1) the securities must be issued by a debtor, its successor, or an affiliate participating in a joint plan with a debtor, under a plan of reorganization; (2) the recipients of the securities must hold a claim against a debtor or such affiliate, an interest in a debtor or such affiliate, or a claim for an administrative expense against a debtor or such affiliate; and (3) the securities must be issued entirely in exchange for the recipient's claim against or interest in a debtor or such affiliate, or principally in such exchange and partly for cash or property. The New WCI Common Stock, the New WCI Senior Term Notes, New WCI Senior Subordinated PIK Notes, and the New WCI Preferred Stock are collectively referred to herein as the "New WCI Securities." The Debtors believe that the issuance of the New WCI Securities under the Plan satisfies the requirements of section 1145(a)(1) of the Bankruptcy Code and is, therefore, exempt from registration under the Securities Act and state securities laws.

E. The Plan Trust.

1. Creation of the Plan Trust and the Appointment of the Plan Trustee.

On the Effective Date, the Plan Trust will be created pursuant to the Plan Trust Declaration. The Plan Trust shall be administered by the Plan Trustee who shall be identified prior to the conclusion of the Confirmation Hearing. The appointment of the initial Plan Trustee and the terms of its compensation shall be subject to the approval of the Bankruptcy Court.

During the period from the Confirmation Date to the Effective Date, the Debtors shall reimburse the Plan Trustee for actual and necessary out-of-pocket expenses incurred by it in preparing to assume its responsibilities under the Plan Trust Declaration in an aggregate amount not to exceed \$50,000. On the Effective Date, the Debtors shall advance \$150,000 to the Plan Trust to pay the reasonable costs and expenses associated with the administration of the Plan Trust. After the Effective Date, New WCI shall have the obligation to advance funds to pay the reasonable costs and expenses associated with the administration of the Plan Trust up to an aggregate unreimbursed amount of \$500,000, inclusive of the Debtors' initial advancement on the Effective Date.

2. Property of the Plan Trust.

As set forth in Section 8.2(e) of the Plan, on the Effective Date, the common stock of WCI shall be transferred to the Plan Trust.

3. Powers and Duties of the Plan Trustee.

Subject to the terms and provisions of the Plan Trust Declaration, the Plan Trustee shall have the duty and authority to take all actions, including, but not limited to, the retention of professionals and the filing of appropriate tax returns, deemed by the Plan Trustee to be necessary or appropriate to dissolve the Debtors as required by applicable non-bankruptcy law and to prepare and make available to the holders of beneficial interests in the Plan Trust periodic reports regarding the results of the Plan Trust operations.

To the extent the legal name of WCI and the other Debtors has not been changed prior to their transfer to the Plan Trust, the Plan Trustee shall have the duty and authority to change the

legal name of WCI and the other Debtors to another legal name that does not contain the word "WCI."

The Plan Trustee, together with its officers, directors, employees, agents, and representatives, are exculpated pursuant to the Plan by all Persons, holders of Claims and Equity Interests, and parties in interest, from any and all Causes of Action, arising out of the discharge of the powers and duties conferred upon the Plan Trustee by the Plan Trust Declaration, the Plan, any Final Order of the Bankruptcy Court entered pursuant to or in the furtherance of the Plan, or applicable law, except solely for actions or omissions arising out of the Plan Trustee's gross negligence or willful misconduct. No holder of a Claim or an Equity Interest, or representative thereof, shall have or pursue any Claim or Cause of Action against the Plan Trustee or its officers, directors, employees, agents, and representatives for making payments in accordance with the Plan Trust Declaration, or for liquidating Assets to make payments under the Plan Trust Declaration.

F. The Creditor Trust.

1. Creation of the Creditor Trust and Appointment of the Creditor Trustee.

On the Effective Date, the Creditor Trust will be created pursuant to the Creditor Trust Declaration. The Creditor Trust shall be administered by the Creditor Trustee who shall be selected by the Creditors' Committee and identified prior to the Confirmation Hearing. The appointment of the initial Creditor Trustee and the terms of its compensation shall be subject to the approval of the Bankruptcy Court.

On the Effective Date, New WCI shall transfer to the Creditor Trust \$1,000,000 [plus an appropriate amount to cover prosecution of Contested Claims] to pay the reasonable costs and expenses associated with the administration of the Creditor Trust, including, but not limited to, reasonable costs and expenses to be incurred by the Creditor Trust in connection with the prosecution of Avoidance Actions and the prosecution of Contested Claims pursuant to Article XII of the Plan. New WCI shall not be reimbursed for such transfer but shall have no further obligation to fund the Creditor Trust.

2. Property of the Creditor Trust.

As contemplated by Section 8.2(b) of the Plan, on the Effective Date, New WCI shall issue to the Creditor Trust (a) 5% of the shares of New WCI Common Stock issued under the Plan, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and (b) the New WCI Preferred Stock. Further, notwithstanding any prohibition of assignability under applicable non-bankruptcy law, on the Effective Date, the Debtors shall be deemed to have automatically transferred to the Creditor Trust all of their right, title, and interest in and to all of the Avoidance Actions. In accordance with section 1141 of the Bankruptcy Code, on the Effective Date, the issuance of (a) 5% of the shares of New WCI Common Stock issued under the Plan, except for shares reserved for issuance pursuant to the New WCI Employee Incentive Programs and Creditor Common Shares, and (b) the New WCI Preferred Stock, and the transfer of Avoidance Actions shall automatically vest in the Creditor Trust free and clear of all Claims and interests for the benefit of the holders of Creditor Trust Interests.

3. Purpose of the Creditor Trust.

The Creditor Trust shall be established for the primary purpose of liquidating its assets in accordance with Treas. Reg. § 301.7701-4(d) with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Creditor Trust. Accordingly, the Creditor Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the New WCI Preferred Stock and the Avoidance Actions, make timely distributions to the holders of Creditor Trust Interests and not unduly prolong its duration. The Creditor Trust shall not be deemed a successor-in-interest of the Debtors or the New WCI Group for any purpose other than as specifically set forth herein or in the Creditor Trust Declaration. The Creditor Trust is intended to qualify as a “grantor trust” for federal income tax purposes with the holders of Creditor Trust Interests treated as grantors and owners of the Creditor Trust. As soon as practicable after the Effective Date, the Creditor Trustee (to the extent that the Creditor Trustee deems it necessary or appropriate in his or her sole discretion) shall value the assets of the Creditor Trust based on the good faith determination of the Creditor Trustee. The valuation shall be used consistently by all parties for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding such valuation.

4. Powers of the Creditor Trustee.

The Creditor Trustee shall have the power to administer the assets of the Creditor Trust in a manner consistent with the Creditor Trust Declaration and the Creditor Trustee shall be the estate representative designated to prosecute (a) any and all Avoidance Actions transferred to the Creditor Trust and (b) Contested Claims pursuant to Article XII of the Plan. Without limiting the generality of the foregoing, the Creditor Trustee shall (a) hold, administer and prosecute the assets of the Creditor Trust and any proceeds thereof; (b) have the power and authority to retain, as an expense of the Creditor Trust, attorneys, advisors, other professionals and employees as may be appropriate to perform the duties required of the Creditor Trustee hereunder or in the Creditor Trust Declaration; (c) object to Claims as specified in Article XII of the Plan, and prosecute such objections; (d) compromise and settle any issue or dispute regarding the amount, validity, priority, treatment, or Allowance of any Claim as provided in Article XII of the Plan; (e) make distributions as provided in the Creditor Trust Declaration; and (f) provide periodic reports and updates regarding the status of the administration of the Creditor Trust. The Creditor Trustee shall be deemed a Disbursing Agent under the Plan when making distributions to holders of Creditor Trust Interests pursuant to the Creditor Trust Declaration.

5. Creditors’ Trust Advisory Board.

On the Effective Date, the Creditors’ Trust Advisory Board shall be created pursuant to the Creditor Trust Declaration. The Creditors’ Trust Advisory Board shall consist of two members, selected by the Creditors’ Committee, who shall be identified no later than ten (10) days prior to the commencement of the Confirmation Hearing. The Creditors Trustee shall consult with and obtain consent from the Creditors’ Trust Advisory Board with respect to matters that will have a material impact on the value of the Creditor Trust, which matters shall be set forth in the Creditor Trust Declaration.