

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

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In re:	:	Chapter 11
	:	
ORLEANS HOMEBUILDERS, INC., <i>et al.</i> ,	:	Case No. 10-10684 (PJW)
	:	
Debtors.	:	Jointly Administered
	:	
-----	X	
NVR, INC.,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Adv. Proc. No. 10-51083
	:	
ORLEANS HOMEBUILDERS, INC., <i>et al.</i> ,	:	
	:	
Defendants.	:	
-----	X	

**DECLARATION OF KEVIN J. BURKE (I) IN FURTHER SUPPORT OF THE  
DEBTORS' MOTION TO DISMISS ADVERSARY COMPLAINT FOR FAILURE TO  
STATE A CLAIM UPON WHICH RELIEF CAN BE GRANTED PURSUANT TO RULE  
12(B)(6), OR FOR SUMMARY JUDGMENT PURSUANT TO RULE 12(D) AND RULE  
56 AND (II) IN OPPOSITION TO THE MOTION OF NVR, INC. FOR PARTIAL  
SUMMARY JUDGMENT**

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Pursuant to 28 U.S.C. § 1746, Kevin J. Burke declares as follows:

1. I am a member of the law firm of Cahill Gordon & Reindel LLP, attorneys for the above-captioned debtors and debtors-in-possession (the "Debtors") and the defendants to the above-captioned adversary proceeding. I am a member in good standing of the bar of the State of New York, and I am admitted to practice *pro hac vice* before this Court with respect to this matter. I submit this declaration to place before the court certain materials cited in the Memorandum of Law (i) in further support of the Debtors' motion to dismiss adversary complaint for failure to state a claim upon which relief can be granted pursuant to Rule 12(b)(6),

or for summary judgment pursuant to Rule 12(d) and Rule 56 and (ii) in opposition to the motion of NVR, Inc. for partial summary judgment (the “Memorandum of Law”) filed contemporaneously herewith.

2. Except as otherwise indicated, I have personal knowledge of the facts set forth herein based upon my investigation and review of the documents attached hereto and referenced in the Memorandum of Law.

3. Attached hereto as Exhibit 1 is a true and correct copy of a May 2, 2010 e-mail from one of the Debtors’ restructuring advisors to the Debtors’ Board of Directors and others, which the Debtors produced to NVR and stamped for production in this proceeding as NVR 0001177-0001178.

4. Attached hereto as Exhibit 2 is a true and correct copy of a letter from representatives of the Lender Group (as defined in the Memorandum of Law) to the Debtors’ Chief Restructuring Officer dated May 3, 2010, which the Debtors produced to NVR and stamped for production in this proceeding as NVR 0001101-0001105.

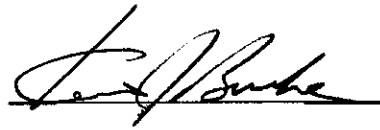
5. Attached hereto as Exhibit 3 and is a true and correct copy of a letter agreement from representatives of the Lender Group and the Debtors dated May 3, 2010, which the Debtors produced to NVR and stamped for production in this proceeding as NVR 0001105-0001115.

6. Attached hereto as Exhibit 4 and is a true and correct copy of a letter from representatives of the Lender Group to the Debtors’ Chief Restructuring Officer dated May 19, 2010, which the Debtors produced to NVR and stamped for production in this proceeding as NVR 0001087-0001091.

7. Attached hereto as Exhibit 5 are true and correct copies of the pages from the transcript of a hearing held by this Court on January 8, 2010 in the bankruptcy cases *In re The Penn Traffic Co.*, No. 09-14078 (PJW) (Bankr. D. Del.), that are cited in the Memorandum of Law.

8. Attached hereto as Exhibit 6 is a true and correct copy of a letter dated October 4, 2010, from the Official Committee of Unsecured Creditors that was included as part of the solicitation package sent to holders of Class 3 claims eligible to vote on the Plan.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief. Executed this 29th day of October, 2010 in New York, New York.

A handwritten signature in black ink, appearing to read "Kevin J. Burke", written over a horizontal line.

Kevin J. Burke

**EXHIBIT 1**

**From:** Vince Colistra <vcolistra@phoenixmanagement.com>  
**To:** Jeffrey Orleans  
Ben Goldman  
Plunkett, Michael F. <Plunkett@BlankRome.com>  
rgoodman@resmarkllc.com <rgoodman@resmarkllc.com>  
kpalella@katzettin.com <kpalella@katzettin.com>  
andrew.heine@camdensec.com <andrew.heine@camdensec.com>  
dkaplannyc@email.msn.com <dkaplannyc@email.msn.com>  
ITemple637@aol.com <ITemple637@aol.com>  
Jerry Goodman <jerrygoodman@yahoo.com>  
Robert Siegel <rsiegel@bilzin.com>  
rsegal1130@gmail.com <rsegal1130@gmail.com>  
**CC:** JLevitin@cahill.com <JLevitin@cahill.com>  
wgannett@cahill.com <wgannett@cahill.com>  
Mitch Arden <marden@phoenixmanagement.com>  
**Date:** Sun, 5/2/2010 12:36:38 PM  
**Subject:** Potential Change in Direction of Bankruptcy Proceedings

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All,

As you know, we recommended a sale of substantially of Orleans assets to NVR several weeks ago at a cash price of \$170.0 million. The hearing to approve that transaction and bid procedures is scheduled for this Tuesday, May 4, 2010.

It came to our attention over the last two weeks that several hedge funds were accumulating significant levels of the senior debt and in fact we were informed last Monday that the agent, Wachovia, had in fact sold their debt to Strategic Value Partners (SVP), a \$3.5 billion hedge fund that had partnered up with Anchorage Capital (AC), a \$9.0 billion fund and Bank of American's (BoFA) \$10.0 billion distressed fund wherein collectively, that had purchased approximately 70% of both the DIP and pre-petition debt (approx. \$220.0 million) which effectively gave them control (thru "drag along rights" under the 2/3 rule under the credit agreement) of the entire \$325.0 million of debt and a first lien position on all of Orleans assets.

SVP reached out to us this past Tuesday and requested a meeting with us and management and in fact that meeting took place on Thursday at Orleans offices in Bensalem. During the day, representatives from SVP, AC and BoFA met with Jeff, Ben, several folks from the senior mgmt. team and Mitch and I. They subsequently called us on Friday and asked whether the company would consider exploring a Plan of Reorganization (the "Plan") rather than a quick "363" sale. We informed them that we would have obviously preferred to explore a Plan but that the banks were controlling our liquidity which left us with no choice but to pursue a quick sale.

Over the course of several conference calls Friday night and Saturday with Cahill, Phoenix, the three hedge funds and their lawyers from Schulte Roth, we explored the possibility of "putting off" the sale hearing scheduled for this Tuesday for two weeks while the company, the hedge funds and their respective lawyers had time to develop the framework of what a Plan would possibly look like from a structure and capitalization point of view. We explained that we could not consider approaching NVR with our request of delaying the sales hearing for two weeks (and run the risk of them terminating their stalking horse bid) without some type of commitment from them to amend our existing DIP credit agreement and some form of an "Expression of Interest Letter" from the controlling hedge fund group explaining their interest to explore the

**NVR 0001177**

merits of a Plan.

Following yesterday's conference call, we were promised that we would receive two such letters by this evening. At that point, both Cahill and Phoenix [REDACTED] I spoke with Ben right after our last conference call and suggested that he attempt to reach out to as many of the Board members as he could and apprise them of these events. Ben offered to call Jeff and between the both of them, attempt to speak with as many of the Board members as possible. Ben also asked me to send an e-mail out to the group with this brief overview.

We are scheduled to have another conference call at 6:00 tonight with the hedge funds and their lawyers to hopefully discuss/review the two letters that I mentioned above.

We could have a quick conference call tomorrow morning with the Board at 9:00 if Ben and Jeff determine after their calls with the members of the board that we need a call to further answer anyone's questions. I will wait to hear from Ben and/or Jeff in that regard. Subject to receiving the two letters in a form satisfactory to both Cahill and Phoenix, and after receiving the "go ahead" from Ben and Jeff and the Board, we are planning on contacting NVR tomorrow morning around 9:30 to inform them of our change in plans and to formally prepare a motion to the court requesting a two week delay in the sale hearing while we explore the possibility of developing a Plan in cooperation with the controlling hedge funds.

Please feel free to contact me by e-mail or cell phone should you have any questions. I will wait to hear from Ben and/or Jeff with regard to needing a formal Board call tomorrow morning and we will certainly keep the Board apprised as to our on-going discussions/negotiations with the controlling hedge funds.

Thanks and enjoy this beautiful Sunday,

Vince

**Vince Colistra**  
Managing Director  
Phoenix Management Services & Phoenix Capital Resources  
110 Chadds Ford Commons  
Chadds Ford, PA 19317

Phone - (610) 358-4700  
Fax - (610) 358-9377  
Cell - (215) 275-7110

[vcolistra@phoenixmanagement.com](mailto:vcolistra@phoenixmanagement.com)  
[www.phoenixmanagement.com](http://www.phoenixmanagement.com)

THIS EMAIL MAY CONTAIN PRIVILEGED, CONFIDENTIAL, COPYRIGHTED, OR OTHER LEGALLY PROTECTED INFORMATION. IF YOU ARE NOT THE INTENDED RECIPIENT (EVEN IF THE EMAIL ADDRESS ABOVE IS YOURS), YOU MAY NOT USE, COPY, OR RETRANSMIT IT. IF YOU HAVE RECEIVED THIS BY MISTAKE PLEASE NOTIFY US BY RETURN EMAIL, THEN DELETE. THANK YOU.

**EXHIBIT 2**

May 3, 2010

Mitchell B. Arden, CTP  
Chief Restructuring Officer, Orleans Homebuilders, Inc.  
Managing Director and Shareholder  
Phoenix Management Services, Inc.  
110 Chadds Ford Commons  
Chadds Ford, PA 19317

Re: Orleans Homebuilders, Inc.

Dear Mr. Arden:

On behalf of each of the signatories below, we are pleased to express our interest in exploring a transaction with Orleans Homebuilders, Inc. ("OHB") and its affiliated debtors (collectively, the "Company"), including structuring and negotiating a chapter 11 plan of reorganization.

#### Our Holdings

We collectively hold, or will hold upon the closing of trades subject to pending, binding and enforceable trades, 67.9% of the Company's outstanding debt under the Second Amended and Restated Revolving Credit Loan Agreement, dated September 30, 2008, among Greenwood Financial Inc. ("Greenwood"), OHB, and certain other parties thereto. We also collectively hold, or will hold upon the closing of trades subject to pending, binding and enforceable trades, the following shares of the Company's outstanding debt under the Debtor-in-Possession Loan Agreement, dated as of April 21, 2010, among Greenwood, OHB, and certain other parties thereto (the "DIP Credit Agreement"): (i) 69.4% of the tranche 1 term loan, (ii) 78.1% of the tranche 2 term loan, and (iii) 78.1% of the revolving loan.

#### Mutually Beneficial Transaction

We believe that proceeding with the proposed 363 sale transaction with NVR, Inc. on the currently proposed timeline is not likely to maximize recoveries or otherwise be in the best interests of the Company's various constituencies. While we would need to confirm our views through further diligence, we believe that with additional time we can work with the Company to formulate a plan for the Company's emergence from bankruptcy that would yield superior recoveries to the Company's creditors and ensure the continued viability of the Company's business.

We believe that we are uniquely positioned to complete a mutually beneficial transaction with the Company. We have significant experience investing in restructurings and bankruptcy related acquisitions and have a strong track record of adding value to the companies

in which we invest. Further, our position in the Company's capital structure makes us an important constituency in the Company's bankruptcy cases.

We are prepared to move quickly toward outlining a detailed transaction proposal and request that the Company adjourn the May 4 hearing to approve, among other things, its proposed bidding procedures. This adjournment will allow us to conduct additional diligence and continue discussions with the Company to outline a transaction. To facilitate this adjournment, we are concurrently delivering a proposed letter agreeing to make certain amendments to the DIP Credit Agreement, subject to the terms therein.

This letter has been prepared for the purpose of demonstrating our interest in engaging in discussions with the Company but shall not be construed or interpreted to constitute a legally binding obligation of any of us or our affiliates, nor shall it be construed or interpreted to describe our entire proposal. No agreement among the parties shall be deemed to exist until the parties enter into a definitive agreement regarding the subject matter thereof. While we believe that we can consummate a mutually beneficial transaction, including under a reorganization plan, we reserve the right to terminate discussions or negotiations at any time in our sole discretion and without cause. No rights, on whatever legal grounds, shall arise from such termination. Please be advised that consummating a transaction is subject to the result of further investigation and events, including the satisfactory completion of our business, legal, accounting, tax and other due diligence, the negotiation, execution and delivery of satisfactory documentation of any such transaction by all necessary parties thereto, any change in the Company's conditions, and any necessary internal approvals.

If you have any questions or require any further information, please do not hesitate to contact Paul Triggiani, at 203-618-3632, ptriggiani@svpglobal.com.

We look forward to working with you on this transaction.

Very truly yours,

Strategic Value Special Situations Master  
Fund, LP

By: SVP Special Situations LLC,  
its Investment Manager

By: 

Name: \_\_\_\_\_  
Title: **JAMES L. VARLEY  
AUTHORIZED SIGNATURE**

Anchorage Illiquid Opportunities Offshore  
Master, L.P.

By: Anchorage Advisors, L.L.C.,  
its investment Manager

By: \_\_\_\_\_

Name: Natalie Birrell  
Title: Chief Operating Officer

Strategic Value Master Fund, Ltd.

By: Strategic Value Partners, LLC,  
its Investment Manager

By: 

Name: \_\_\_\_\_  
Title: **JAMES L. VARLEY  
AUTHORIZED SIGNATURE**

Bank of America, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

We look forward to working with you on this transaction.

Very truly yours,

Strategic Value Special Situations Master  
Fund, LP

Strategic Value Master Fund, Ltd.

By: SVP Special Situations LLC,  
its Investment Manager

By: Strategic Value Partners, LLC,  
its Investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Anchorage Illiquid Opportunities Offshore  
Master, L.P.

Bank of America, N.A.

By: Anchorage Advisors, L.L.C.,  
its investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By:   
Name: Natalie Birrell  
Title: Chief Operating Officer

We look forward to working with you on this transaction.

Very truly yours,

Strategic Value Special Situations Master Fund, LP

Strategic Value Master Fund, Ltd.

By: SVP Special Situations LLC,  
its Investment Manager

By: Strategic Value Partners, LLC,  
its Investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Anchorage Illiquid Opportunities Offshore Master, L.P.

Bank of America, N.A.

By: Anchorage Advisors, L.L.C.,  
its investment Manager

By:   
Name:  
Title: **SETH DENSON**  
**VICE PRESIDENT**

By: \_\_\_\_\_  
Name: Natalie Birrell  
Title: Chief Operating Officer

**EXHIBIT 3**

Executed.

May 3, 2010

Mitchell B. Arden, CTP  
Chief Restructuring Officer, Orleans Homebuilders, Inc.  
Managing Director and Shareholder  
Phoenix Management Services, Inc.  
110 Chadds Ford Commons  
Chadds Ford, PA 19317

Re: Orleans Homebuilders, Inc.

Dear Mr. Arden:

The undersigned (collectively, the "Lender Group") are delivering to you this letter agreement in connection with our letter of interest, sent concurrently herewith (the "Letter of Interest"). As stated in the Letter of Interest, the Lender Group is interested in exploring a transaction with Orleans Homebuilders, Inc. ("OHB") and its affiliated debtors (collectively, the "Company"), including structuring and negotiating a chapter 11 plan of reorganization. In order to provide an opportunity for the Lender Group to discuss such a transaction with the Company, the Lender Group has requested that the Company adjourn the May 4, 2010 hearing on the Company's motion for entry of an order authorizing and approving, among other things, bid procedures and stalking horse protections for not less than two weeks. In consideration of such adjournment, the Company has requested that the Lender Group agree to certain amendments and modifications to the Company's debtor in possession financing facility. This letter agreement sets forth the agreement of the Lender Group to make certain amendments and modifications to such facility on the terms and subject to the conditions described herein.

A. Our Holdings

The Lender Group collectively holds, or will hold upon the closing of trades subject to pending, binding and enforceable trades, 67.9% of the Company's outstanding debt under the Second Amended and Restated Revolving Credit Loan Agreement, dated September 30, 2008, among Greenwood Financial Inc. ("Greenwood"), OHB, and certain other parties thereto. The Lender Group also collectively holds, or will hold upon the closing of trades subject to pending, binding and enforceable trades (the "Trades"), the following shares of the Company's outstanding debt under the Debtor-in-Possession Loan Agreement, dated as of April 21, 2010, among Greenwood, OHB, and certain other parties thereto (the "DIP Credit Agreement"): (i) 69.4% of the tranche 1 term loan, (ii) 78.1% of the tranche 2 term loan, and (iii) 78.1% of the revolving loan.

B. Modifications to DIP Credit Agreement<sup>1</sup>

To provide an opportunity for the Lender Group to discuss a possible transaction with the Company, the Company will adjourn the May 4 hearing to approve, among other things, its proposed bidding procedures (the "Bid Procedures") for a period of no less than fourteen days, until the Court's next available date thereafter. Conditioned on this extension, the Lender Group agrees that, upon the closing of a sufficient number of Trades such that the Lender Group will constitute Majority Revolving Lenders, the Lender Group will execute and deliver an amendment to the DIP Credit Agreement (the "DIP Amendment"), in form and substance reasonably acceptable to Majority Revolving Lenders and Borrowers, containing the following terms<sup>2</sup>:

1. Revolving Loan Availability. Section 2.1(b)(iii) of the DIP Credit Agreement will be amended to increase the Revolving Loan Sublimit to \$25,000,000, subject to the receipt and approval of a budget in form and substance satisfactory to the Majority Revolving Lenders.
2. Appraisals. Section 3.2(a) of the DIP Credit Agreement will be amended to replace the word "shall" in the first line thereof with the word "may," it being understood that (a) the Agent has already ordered appraisals, but will not order further appraisals for Projects, (b) to the extent an appraisal has been ordered but the appraisal is not substantially completed, Majority Revolving Lenders will direct the Agent to cancel such appraisals, and (c) to the extent any appraisal is either substantially complete or cannot be cancelled without payment of substantially all of the costs and expenses that would be paid if the appraisal were to be completed, such appraisal will be completed and Borrowers shall comply with their obligation in connection therewith pursuant to clauses (i) and (ii) of Section 3.2(a).
3. Budget Compliance. Section 6.15(a) of the DIP Credit Agreement will be amended and restated as follows:
  - (i) At the end of each calendar week, the aggregate actual disbursements made by the Borrowers on items in the Budget other than Permitted Critical Vendor Payments, shall not exceed 125% of the aggregate amount of projected disbursements for that week other than Permitted Critical Vendor Payments plus the Excess Variance Amount from the prior week, as set forth in the Budget ("Excess Variance Amount" being 125% of the cumulative budgeted disbursements through such period less aggregate cumulative actual disbursements other than Permitted Critical Vendor Payments); provided that the Excess Variance Amount shall (i) at no time exceed \$3,000,000, and (ii) be reduced to \$0 upon the earlier to occur of (A) delivery, approval and

<sup>1</sup> Capitalized terms not otherwise defined herein shall be defined as in the DIP Credit Agreement.

<sup>2</sup> To the extent the Lender Group is able to deliver a fully executed DIP Amendment prior to closing the Trades, it will endeavor to do so.

implementation of each updated Budget, or (B) six weeks after the delivery of the previously delivered Budget.

(ii) Further, notwithstanding the foregoing, at no time may the outstanding principal amount of outstanding Revolving Loans (excluding Revolving Loans resulting from any draw of a Letter of Credit or Tri-Party Agreement) exceed Revolving Loans projected under the Budget by more than \$3,000,000 for more than five (5) Business Days.

4. Other Actions.

- a. Section 6.16 of the DIP Credit Agreement will be amended to extend each date set forth therein by a period of 14 calendar days. In addition, the last sentence of Section 6.16 will be amended and restated as follows: "Notwithstanding the foregoing, the aforementioned dates may be extended by thirty (30) days at the discretion of the Majority Revolving Lenders."
- b. In addition, to the extensions of time set forth in paragraph B.4(a) above, Section 6.16 of the DIP Credit Agreement will be amended to extend (a) by a period of 45 calendar days each of the dates set forth in Section 6.16(i), and (b) by a period of 90 calendar days each of the dates set forth in Section 6.16(ii).

5. Construction. Section 7.20 of the DIP Credit Agreement will be amended and restated in its entirety as follows:

The Borrowers shall not initiate, begin or continue construction of any Lots or Units (including attached Units) that, as of the Petition Date, the Borrowers have not made significant progress in the construction of such Lot or Unit beyond the completion of stage 2 (foundation and footing complete); provided, however, that the Majority Revolving Lenders may consent in their discretion to the construction of such Lots or Units, subject to the Borrowers' delivery to Agent and Majority Revolving Lenders of (i) a schedule, in a form reasonably satisfactory to the Majority Revolving Lenders, describing the Lots or Units that the Borrowers seek to construct, and (ii) to the extent the Asset Purchase Agreement, dated as of April 13, 2010, among OHB and certain of its affiliates, and NVR, Inc. (the "NVR APA") has not been terminated, a fully executed amendment to the NVR APA, in form and substance reasonably satisfactory to the Majority Revolving Lenders, providing that on the closing date of the NVR APA, NVR, Inc. will reimburse the Borrowers for all of their costs and expenses in connection with such construction. The Lots and Units upon which construction may otherwise occur are set forth on Schedule 7.20. The Borrowers shall take whatever action is required to return such Units or Lots to "finished Lot status."

6. Minimum Collateral Value Ratio. Section 8.2 of the DIP Credit Agreement will be deleted in its entirety.
7. Limitation on Holdings of Cash and Cash Equivalents. Section 8.3 of the DIP Credit Agreement will be amended by deleting "5,000,000" where it appears and replacing it with "\$7,500,000."
8. Credit Bidding. The first sentence of Section 10.10 of the DIP Credit Agreement will be amended and restated as follows:

In the event that there shall occur a sale of the Collateral outside of a sale in the ordinary course of business (regardless of whether an Event of Default has occurred), whether the sale shall occur within the Bankruptcy Cases pursuant to the Bankruptcy Code or under Article 9 of the Uniform Commercial Code or otherwise, each Borrower and Lender hereby agrees that the Agent may credit bid the Indebtedness on behalf of the Lenders, or any portion thereof. Any credit bid of the Indebtedness or any portion thereof shall be in the sole discretion of the Majority Revolving Lenders, and the Agent shall submit any credit bid as directed by the Majority Revolving Lenders.

9. Costs and Expenses. Section 12.15(a)(i) of the DIP Credit Agreement shall be amended and restated as follows:

The Borrowers shall pay (i) all reasonable out of pocket expenses incurred by (x) the Agent, (y) any Lender or group of Lenders acting through a single counsel whose Pro Rata Shares aggregate more than fifty percent (50%) of the aggregate Term Loan Exposure for all Lenders plus the aggregate Revolving Loan Exposure for all Lenders ("Contributing Lender"), and (z) their Affiliates (including the reasonable legal fees, charges and disbursements of counsel for the Agent and Contributing Lenders), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Agent and each Contributing Lender, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery, and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out of pocket expenses incurred by the issuer in connection with the issuance, amendment, renewal or extension of any letter of Credit or Tri-Party Agreement or any demand for payment thereunder and (iii) all out of pocket expenses incurred by the Agent, any Contributing Lender, or the Issuer (including fees, charges and disbursements of any counsel for the

Agent, any Contributing Lender or the Issuer), and shall pay all fees and time charges for attorneys who may be employees for the Agent, any Contributing Lender or the Issuer, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit or Tri-Party Agreements issued hereunder, including all such out of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

C. Management Incentive Plan.

The Lender Group acknowledges its support of the management incentive plan (the "MIP") to the extent the MIP contemplates payments to approximately 29 employees and the "Vesey Estate."<sup>3</sup> The Lender Group further acknowledges its support of the creation of a \$750,000 discretionary bonus pool for senior management, provided that the Majority Revolving Lenders shall have the right to consent in their discretion to the recommendation of the "MIP Committee" to any disbursement from the discretionary bonus pool.

D. Conditions to Effectiveness.

The effectiveness of the DIP Amendment shall be conditioned upon the satisfaction or waiver by Majority Revolving Lenders of each of the following conditions:

1. With respect to paragraphs B.4(b) and B.6, the NVR APA shall have been terminated and the Company shall have withdrawn its motion dated April 13, 2010 to, among other things, approve bid procedures and sell substantially all of its assets [Docket No. 545], provided that satisfaction of this condition shall not otherwise be required for the effectiveness of the DIP Amendment;
2. Closing of Trades sufficient for the Lender Group to constitute Majority Revolving Lenders;
3. The entry of a Bankruptcy Court order authorizing and approving the DIP Amendment, if required, and compliance with any requirement of the existing order authorizing and approving the DIP Credit Agreement with respect to amendments and modifications (including, without limitation, any notice requirements); and
4. The execution and delivery of the DIP Amendment in form and substance reasonably satisfactory to Majority Revolving Lenders and Borrowers.

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<sup>3</sup> The MIP contemplates payments in the aggregate amount of \$2,107,000 to approximately 29 employees and payments in the aggregate amount of \$350,000 to the "Vesey Estate."

Please arrange for execution and delivery of this letter by OHB and the Borrowers listed below.

Very truly yours,

Strategic Value Special Situations Master Fund, LP

By: SVP Special Situations LLC, its Investment Manager

By:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**JAMES L. VARLEY  
AUTHORIZED SIGNATURE**

Anchorage Illiquid Opportunities Offshore Master, L.P.

Strategic Value Master Fund, Ltd.

By: Strategic Value Partners, LLC, its Investment Manager

By:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**JAMES L. VARLEY  
AUTHORIZED SIGNATURE**

Bank of America, N.A.

By: Anchorage Advisors, L.L.C., its investment Manager

By:

Name: Natalie Birrell  
Title: Chief Operating Officer

By:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged and Agreed:

*Master Borrower:*  
Greenwood Financial Inc., a Delaware Corporation

By:

Name: Lawrence J. Dugan  
Title: Vice President

*Corporate Borrowers:*  
Community Management Service Group, Inc.  
OHB Homes, Inc.  
OHI Financing, Inc.  
Orleans Arizona, Inc.  
Orleans Corporation  
Orleans Corporation of New Jersey  
Orleans Construction Corp.

Please arrange for execution and delivery of this letter by OHB and the Borrowers listed below.

Very truly yours,

Strategic Value Special Situations Master Fund, LP

Strategic Value Master Fund, Ltd.

By: SVP Special Situations LLC, its Investment Manager

By: Strategic Value Partners, LLC, its Investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Anchorage Illiquid Opportunities Offshore Master, L.P.

Bank of America, N.A.

By: Anchorage Advisors, L.L.C., its investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By: Natalie Birrell  
Name: Natalie Birrell  
Title: Chief Operating Officer

Acknowledged and Agreed:

*Master Borrower:*  
Greenwood Financial Inc., a Delaware Corporation

By: \_\_\_\_\_  
Name: Lawrence J. Dugan  
Title: Vice President

*Corporate Borrowers:*  
Community Management Service Group, Inc.  
OHB Homes, Inc.  
OHI Financing, Inc.  
Orleans Arizona, Inc.  
Orleans Corporation  
Orleans Corporation of New Jersey  
Orleans Construction Corp.

Please arrange for execution and delivery of this letter by OHB and the Borrowers listed below.

Very truly yours,

Strategic Value Special Situations Master Fund, LP

Strategic Value Master Fund, Ltd.

By: SVP Special Situations LLC, its Investment Manager

By: Strategic Value Partners, LLC, its Investment Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Anchorage Illiquid Opportunities Offshore Master, L.P.

Bank of America, N.A.

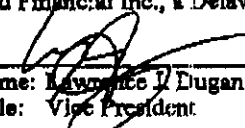
By: Anchorage Advisors, L.L.C., its investment Manager

By:   
Name: **SETH DENSON**  
Title: **VICE PRESIDENT**

By: \_\_\_\_\_  
Name: Natalie Birrell  
Title: Chief Operating Officer


**Acknowledged and Agreed:**

*Master Borrower:*  
Greenwood Financial Inc., a Delaware Corporation

By:   
Name: Lawrence J. Dugan  
Title: Vice President

*Corporate Borrowers:*  
Community Management Service Group, Inc.  
OHB Homes, Inc.  
OHI Financing, Inc.  
Orleans Arizona, Inc.  
Orleans Corporation  
Orleans Corporation of New Jersey  
Orleans Construction Corp.

Parker & Lancaster Corporation  
Parker & Orleans Homebuilders, Inc.  
Sharp Road Farms, Inc.

By:   
Name: Lawrence J. Dugan  
Title: Vice President

*Limited Liability Company Borrowers:*

Masterpiece Homes, LLC  
OHI PA GP, LLC  
OPCNC, LLC  
Orleans at Bordentown, LLC  
Orleans at Cooks Bridge, LLC  
Orleans at Covington Manor, LLC  
Orleans at Crofton Chase, LLC  
Orleans at East Greenwich, LLC  
Orleans at Elk Township, LLC  
Orleans at Evesham, LLC  
Orleans at Hamilton, LLC  
Orleans at Harrison, LLC  
Orleans at Hidden Creek, LLC  
Orleans at Jennings Mill, LLC  
Orleans at Lambertville, LLC  
Orleans at Lyons Gate, LLC  
Orleans at Mansfield, LLC  
Orleans at Maple Glen, LLC  
Orleans at Meadow Glen, LLC  
Orleans at Millstone, LLC  
Orleans at Millstone River Preserve, LLC  
Orleans at Moorestown, LLC  
Orleans at Tabernacle, LLC  
Orleans at Upper Freehold, LLC  
Orleans at Wallkill, LLC  
Orleans at Westhampton Woods, LLC  
Orleans at Woolwich, LLC  
Orleans at Arizona Realty, LLC  
Orleans at DK, LLC  
Parker Lancaster, Tidewater, L.L.C.  
RHGP, LLC  
Wheatley Meadows Associates, LLC

By:   
Name: Lawrence J. Dugan  
Title: Vice President

*Limited Partnership Borrowers:*

Brookshire Estates, L.P. (f/k/a/ Orleans at Brookshire Estates, L.P.)

Orleans at Falls, LP

Orleans at Limerick, LP

Orleans at Lower Salford, LP

Orleans at Thornbury, L.P.

Orleans at Upper Saucon, L.P.

Orleans at Upper Uwchlan, LP

Orleans at West Bradford, LP

Orleans at West Vincent, LP

Orleans at Windsor Square, LP

Orleans at Wrightstown, LP

Stock Grange, LP

By: OHI PA GP, LLC, sole General Partner

By: 

Name: Lawrence J. Dugan

Title: Vice President

Orleans RHIL, LP

Realen Homes, L.P.

By: RHGP, LLC, sole General Partner

By: Orleans Homebuilders, Inc.,

Authorized Member 

By: \_\_\_\_\_

Name: Mitchell B. Arden

Title: Chief Restructuring Officer

*Parent:*

Orleans Homebuilders, Inc., a Delaware Corporation

By: 

Name: Mitchell B. Arden

Title: Chief Restructuring Officer

**EXHIBIT 4**

May 19, 2010

Mitchell B. Arden, CTP  
Chief Restructuring Officer, Orleans Homebuilders, Inc.  
Managing Director and Shareholder  
Phoenix Management Services, Inc.  
110 Chadds Ford Commons  
Chadds Ford, PA 19317

Re: Orleans Homebuilders, Inc., et al.

Dear Mr. Arden:

On behalf of each of the signatories below (the "Lender Group"), we are pleased to express our interest in continuing our good faith negotiations with Orleans Homebuilders, Inc. ("OHB") and its affiliates (collectively, the "Company") in connection with structuring a chapter 11 plan of reorganization.

#### Our Holdings

We collectively hold, or will hold upon the closing of trades subject to pending, binding and enforceable trades, 82.0% of the Company's outstanding debt under the Second Amended and Restated Revolving Credit Loan Agreement, dated September 30, 2008, among Greenwood Financial Inc. ("Greenwood"), OHB, and certain other parties thereto. We also collectively hold, or will hold upon the closing of trades subject to pending, binding and enforceable trades, the following shares of the Company's outstanding debt under the Debtor-in-Possession Loan Agreement, dated as of April 21, 2010, among Greenwood, OHB, and certain other parties thereto: (i) 82.7% of the tranche 1 term loan, (ii) 85.6% of the tranche 2 term loan, and (iii) 85.6% of the revolving loan.

#### Plan of Reorganization

We believe that proceeding with the proposed 363 sale transaction with NVR, Inc. will not maximize recoveries or otherwise be in the best interests of the Company's various constituencies. While we continue our diligence to confirm our views, we believe that with additional time we can work with the Company to formulate a plan for the Company's emergence from bankruptcy that would yield superior recoveries to the Company's creditors and ensure the continued viability of the Company's business.

We believe that we are uniquely positioned to complete a mutually beneficial transaction with the Company under a chapter 11 plan. We have significant experience investing in restructurings and bankruptcy related acquisitions and have a strong track record of adding value to the companies in which we invest. Further, our position in the Company's capital structure makes us an important constituency in the Company's bankruptcy cases.

We are prepared to continue with good faith negotiations to structure a plan of reorganization that would, among other things, de-lever the Company's capital structure; provide the Lender Group with all or substantially all of the equity in the reorganized Company; provide the reorganized Company with a sustainable capital structure upon emergence from chapter 11; provide the Company's management and employees with appropriate incentives and benefits, including a management incentive plan on terms consistent with our discussions with the Company to date; permit the Company to preserve its relationships with vendors and contractors; and be in the best interests of the Company, its estates, and its creditors. We accordingly request that the Company (i) withdraw the motion, dated April 13, 2010, seeking approval of, among other things, a sale of substantially all of the Company's assets and related bidding procedures [Docket No. 545] (the "Sale Motion"), and (ii) cancel the May 21 hearing to approve, among other things, the bidding procedures proposed in the Sale Motion.

This letter has been prepared for the purpose of demonstrating our interest in continuing our good faith negotiations with the Company to structure a chapter 11 plan, as outlined above, but shall not be construed or interpreted to constitute a legally binding obligation of any of us or our affiliates, nor shall it be construed or interpreted to describe our entire proposal. No agreement among the parties shall be deemed to exist until the parties enter into a definitive agreement regarding the subject matter thereof. While we believe that we can consummate a mutually beneficial transaction under a reorganization plan, we reserve the right to terminate discussions or negotiations at any time in our sole discretion and without cause. No rights, on whatever legal grounds, shall arise from such termination. Please be advised that consummating transactions under a plan is subject to the result of further investigation and events, including the satisfactory completion of our business, legal, accounting, tax and other due diligence, the negotiation, execution and delivery of satisfactory documentation of any such transaction by all necessary parties thereto, any change in the Company's conditions, and any necessary internal approvals.

If you have any questions or require any further information, please do not hesitate to contact Paul Triggiani, at 203-618-3632, ptriggiani@svpglobal.com.

We look forward to continuing to work with you.

Very truly yours,

Strategic Value Special Situations Master  
Fund, LP

By: SVP Special Situations LLC,  
its Investment Manager

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: **JAMES L. VARLEY  
AUTHORIZED SIGNATURE**

Anchorage Illiquid Opportunities Offshore  
Master, L.P.

By: Anchorage Advisors, L.L.C.,  
its investment Manager

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Strategic Value Master Fund, Ltd.

By: Strategic Value Partners, LLC,  
its Investment Manager

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: **JAMES L. VARLEY  
AUTHORIZED SIGNATURE**

Bank of America, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

We look forward to continuing to work with you.

Very truly yours,

Strategic Value Special Situations Master  
Fund, LP

Strategic Value Master Fund, Ltd.

By: SVP Special Situations LLC,  
its Investment Manager

By: Strategic Value Partners, LLC,  
its Investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Anchorage Illiquid Opportunities Offshore  
Master, L.P.

Bank of America, N.A.

By: Anchorage Advisors, L.L.C.,  
its investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By:   
Name:  
Title: **Daniel Allen**  
**Senior Portfolio Manager**

We look forward to continuing to work with you.

Very truly yours,

Strategic Value Special Situations Master Fund, LP

Strategic Value Master Fund, Ltd.

By: SVP Special Situations LLC,  
its Investment Manager

By: Strategic Value Partners, LLC,  
its Investment Manager

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Anchorage Illiquid Opportunities Offshore Master, L.P.

Bank of America, N.A.

By: Anchorage Advisors, L.L.C.,  
its investment Manager

By:   
Name:  
Title: **Meredith L. Reynolds**  
**Vice President**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 5**

UNITED STATES BANKRUPTCY COURT

DISTRICT OF DELAWARE

Case No. 09-14078-PJW

-----x

In the Matter of:

THE PENN TRAFFIC COMPANY, et al.,

Debtors.

-----x

U.S. Bankruptcy Court  
824 North Market Street  
Wilmington, Delaware

January 8, 2010

2:07 PM

B E F O R E:

HON. PETER J. WALSH

U.S. BANKRUPTCY JUDGE

ECR OPERATOR: NICKITA BARKSDALE

VERITEXT REPORTING COMPANY

1 for today. And after reviewing and hearing the presentation of  
2 counsel, it does not appear that any of the interim agreements  
3 are being approved today, or the transition agreements. And,  
4 accordingly, my client is simply rising to note that its rights  
5 are being reserved as to substantive issues that affect the  
6 Teamsters, but does not object to the purely procedural orders  
7 regarding the bid procedures.

8 THE COURT: Okay.

9 Yes?

10 MR. WAXMAN: Good afternoon, Your Honor. Jeff Waxman  
11 of Morris James, on behalf of Price Chopper. With me in court  
12 is my co-counsel Raymond Fink, of the law firm of Harter  
13 Secrest & Emery. He has been admitted pro hac vice.

14 MR. FINK: Good afternoon, Your Honor. And I  
15 apologize but I need to take a few moments. Originally --

16 THE COURT: I'm sorry, who do you represent?

17 MR. FINK: Oh, I'm sorry, Price Chopper. Very sorry.

18 We'd rather hoped that we'd be here today, Your Honor,  
19 in furtherance of the motion to approve our twenty-two store  
20 private sale and, as you heard from committee's counsel,  
21 creditors' committee's counsel, that that certainly was a sale  
22 potentially that they viewed as a positive event, a good value,  
23 and, in fact, provided substantial benefit to the estate,  
24 including providing enough money to pay off the secured debt,  
25 which would give the debtor ample breathing room, an

1 opportunity to market the remaining stores and assets of the  
2 debtor.

3 But today --

4 THE COURT: Well, they did market the remaining  
5 stores.

6 MR. FINK: Well, they marketed the remaining stores  
7 plus our twenty-two that were the subject of our APA, and  
8 that's what we feel, and stridently contend, was utter bad  
9 faith on the part of the debtor and other constituents in  
10 negotiating the agreement with us and in terms of what they did  
11 subsequently.

12 And at the same time, Price Chopper was proceeding  
13 with total good faith, intended to close. We were here today  
14 expecting -- hoping to close. We responded to some of the  
15 objections, primarily those of the -- one of the unions and the  
16 pension and health welfare fund. And we sort of stand here as  
17 an island today, being a sole voice objecting to what is going  
18 on.

19 Number one, we do not agree or consent to the debtors'  
20 withdrawal of the motion for the private sale of the twenty-two  
21 stores. The APA does have a provision that allows for  
22 termination of the contract upon mutual consent. But there is  
23 not mutuality of consent; nor have we been asked. There's been  
24 no dialogue about terminating our APA, nor are we really  
25 interested in terminating it.

1 Price Chopper's --

2 THE COURT: Well, you don't have contractual rights  
3 until I enter an order saying that the transaction is approved.

4 MR. FINK: Your Honor, I respectfully disagree. I  
5 think the contract makes this Court's approval a condition  
6 subsequent. It makes it a condition of closing, of course.  
7 Nobody could close without this Court's approval. The contract  
8 itself and the obligations of the debtor and the other  
9 constituents that approved their contract to diligently and in  
10 good faith seek court approval has been totally violated.

11 Debtors can enter into contracts. They can enter into  
12 contracts for a sale of assets. And there's no doubt a  
13 contract out of the ordinary course of business does -- the  
14 transaction does require court approval, but there is a  
15 difference between court approval of a contract versus court  
16 approval of the underlying transaction, the consummation of  
17 that transaction. And that's what the agreement provided for.  
18 Otherwise, the debtor could never enter into a contract. That  
19 would mean, of course, that the Tops contract is invalid; then  
20 the debtor could be free to breach it, as they've so willfully  
21 breached our contract.

22 And, Your Honor, the problem is -- and I'm loathe to  
23 stand here and complain, but I must, because my client is  
24 aggrieved, deeply aggrieved. And at the end of the day, when  
25 we walk out of here our response is going to have to be to file

**EXHIBIT 6**

**Letter from the Official Committee of Unsecured Creditors of Orleans Homebuilders, Inc.**

October 4, 2010

**To the Unsecured Creditors of Orleans Homebuilders, Inc. and Its Debtor Subsidiaries:**

The Official Committee of Unsecured Creditors (the "Committee") of Orleans Homebuilders, Inc., *et al.* (the "Debtors"), the statutory fiduciary representing the interests of unsecured creditors in the Debtors' chapter 11 cases (collectively, but not including the holders of the Lenders' Deficiency Claim, the "Unsecured Creditors"), writes this letter to the Unsecured Creditors to recommend that each unsecured creditor entitled to vote on the Debtors' Modified First Amended Joint Chapter 11 Plan of Reorganization (the "Plan") vote in favor of the Plan. All of the individual members of the Committee, as well as their professional advisors, Duane Morris LLP and JH Cohn, LLP, support the global settlement, discussed herein, that is embodied in the Plan.

As set forth in the Debtors' Modified First Amended Disclosure Statement to Accompany Debtors' First Amended Joint Plan of Reorganization (the "Disclosure Statement"), the Plan is the product of, among other things, a global settlement reached by and among the Committee, the Debtors, and the Sponsors<sup>1</sup> (together with the Debtors and the Committee, the "Parties"), which is to become effective **ONLY** in the event that holders of Allowed Class 3 Claims (comprised of sub-class 3A (General Unsecured Claims), sub-class 3B (Junior Subordinated Notes Claims and Trust Preferred Securities Claims), and sub-class 3C Claims (Convenience Class Claims)) vote, collectively, to accept the Plan,<sup>2</sup> and the Plan is ultimately confirmed. In particular, part of this global settlement, which is defined in the Plan as the "Unsecured Creditor Settlement", provides holders of Allowed Class 3 Claims with, among other things, (i) an "up front" cash payment of \$6 million; (ii) the appointment of an Unsecured Creditor Agent following the occurrence of the Effective Date, who will be a fiduciary on behalf of the Unsecured Creditors and who will represent their interests, particularly with respect to objecting to and reconciling Disputed Class 3 Claims filed against the Debtors and the pursuit of the Avoidance Claims (*i.e.*, lawsuits to recover property transferred by the Debtors prior to the Petition Date that could be recovered, in certain situations, for the benefit of Unsecured Creditors) on behalf of the Debtors' estates (subject to the Litigation Protocol); (iii) a mechanism whereby the Unsecured Creditor Agent can receive specified cash payments from the Reorganized Debtors in lieu of pursuing certain Avoidance Claims; (iv) a waiver of the Lenders' Deficiency Claim (which has been valued by the Sponsors as being in the approximate amount of \$113 million), increasing the percentage distribution to other Allowed General Unsecured Claims; (v) a waiver of the Revolving Credit Facility Lenders' alleged contractual rights of subordination, avoiding risky and protracted litigation; and (vi) all net proceeds generated from the prosecution of the Avoidance Claims. Each of these material components of the Unsecured Creditor Settlement issues is briefly discussed below.

<sup>1</sup> Unless otherwise defined herein, all capitalized terms shall have the meaning ascribed to them in the Plan.

<sup>2</sup> For Class 3 to have collectively voted in favor of the Plan, more than one-half of the creditors in the class holding at least two-thirds of the Allowed Class 3 Claims of those creditors that actually vote must vote to accept the Plan.

First, the Unsecured Creditor Settlement provides that, in the event Class 3 votes in the aggregate to accept the Plan and the Plan is ultimately confirmed, the Sponsors will fund an "up front" cash payment of approximately \$6 million to fund a distribution to the holders of Allowed Class 3 Claims (not including the Lenders' Deficiency Claim) of approximately \$5.1 million, the Committee's professional fees prior to the Effective Date, and the fees and expenses of the Unsecured Creditor Agent. By accepting the Plan, Unsecured Creditors will be assured of receiving their *pro rata* share of an initial distribution of cash as soon as practicable after the Effective Date.

Second, the Unsecured Creditor Settlement provides that, in the event Class 3 votes in the aggregate to accept the Plan and the Plan is ultimately confirmed, an Unsecured Creditor Agent will be appointed to protect the interests of Unsecured Creditors, particularly with respect to the reconciliation of Disputed Class 3 Claims and the pursuit of Avoidance Claims on behalf of the Debtors' estates. The Committee believes that this will be extremely beneficial to Unsecured Creditors, as many of the unsecured claims that have been filed of record, in the approximate amount of \$490 million, are either duplicative or substantially overstated. By having a dedicated representative advocate the interests of valid Unsecured Creditors after the Effective Date of the Plan, duplicative and overstated Class 3 Claims will become the subject of an appropriate claims-reconciliation process, which should significantly reduce the magnitude and extent of the aggregated Allowed General Unsecured Claims, thereby enhancing distribution percentages. Furthermore, by appointing an Unsecured Creditor Agent with authority and standing to prosecute the Avoidance Claims, the Committee believes that the overall recoveries derived from the pursuit of these claims will be maximized.

Third, the Unsecured Creditor Settlement provides that, in the event Class 3 votes in the aggregate to accept the Plan and the Plan is ultimately confirmed, a portion of the Avoidance Claims can be monetized at the discretion of the Reorganized Debtors. To the extent the Reorganized Debtors exercise their right to monetize these claims, this will (a) provide additional cash for the benefit of Unsecured Creditors and (b) avoid the additional time and expense incurred in the prosecution and litigation of such claims.

Fourth, the Unsecured Creditor Settlement provides that, in the event Class 3 votes in the aggregate to accept the Plan and the Plan is ultimately confirmed, the Revolving Credit Facility Lenders will waive their Deficiency Claim — a General Unsecured Claim that the Sponsors assert is in the approximate amount of \$113 million. In addition to waiving their Deficiency Claim, the Plan provides that the Revolving Credit Facility Lenders will waive their alleged contractual rights of subordination against any distributions that might otherwise flow to the holders of Allowed Class 3B Claims (Junior Subordinated Notes Claims and Trust Preferred Securities Claims). The Committee believes that these waivers will have a substantial impact on recoveries to all Unsecured Creditors, as this component of the global settlement resolves potential costly and protracted litigation. Additionally, the waiver by the Revolving Credit Facility Lenders of their Deficiency Claim and Adequate Protection Claim will also result in the Revolving Credit Facility Lenders' foregoing their right to share in any of the Excess Avoidance Claim proceeds (*e.g.*, proceeds derived from the prosecution of the Avoidance Claims in excess of \$4 million), another benefit of the Unsecured Creditor Settlement.

The Committee believes that the Plan contains significant benefits for holders of Allowed Class 3 Claims. Simply put, the Unsecured Creditor Settlement provided for in the Plan represents the best alternative for all Unsecured Creditors, with the greatest percentage recovery and most certainty and the least amount of additional costs. In this regard, and as detailed more fully in the Plan, in the event that Class 3 creditors vote to reject the Plan, the Debtors have provided an "alternative treatment" (the "Alternative Treatment") for the holders of Allowed Class 3 Claims. The Committee believes that the Alternative Treatment provided for in the Plan is extremely disadvantageous to the holders of Allowed Class 3 Claims. In particular, this Alternative Treatment is premised upon the disposition and sale of the Debtors' Unencumbered Assets over time. As such, this treatment: (i) provides, at best, a speculative and uncertain recovery to unsecured creditors in general; (ii) ensures that unsecured creditor recoveries, if any, will not occur in the immediate future and, quite possibly, could take months, if not years, to achieve; (iii) permits the Debtors' Disposition Costs (*i.e.*, the costs incurred by the Reorganized Debtors to develop and sell these assets) to be paid prior to any distribution of proceeds; (iv) permits the Reorganized Debtors to take an additional Capital Charge equivalent to twenty percent (20%) of the Disposition Costs to be paid prior to any distribution of proceeds (thereby further reducing creditor recoveries); and (v) is not subject to creditor oversight or control.

In addition to these significant deficiencies, the Alternative Treatment does not provide for the waiver of the Lenders' Deficiency Claim nor does it require the Revolving Credit Facility Lenders to waive their alleged contractual rights of subordination against the holders of Class 3B Claims or the Adequate Protection Claim, which Adequate Protection Claim is believed by the Sponsors to be more than \$20 million. As a consequence, to the extent Class 3 votes in the aggregate to reject the Plan, the Revolving Credit Facility Lenders, whose unsecured claims total an alleged \$113 million, will be able to share *pari passu* with holders of Allowed Class 3A Claims to the extent there are any net recoveries derived from the disposition of the Unencumbered Assets, substantially reducing the percentage recovery, if any, that would otherwise flow to the other Unsecured Creditors. Moreover, in the event that Class 3 votes to reject the Plan, the Committee believes that there will likely be lengthy and costly litigation between the Revolving Credit Facility Lenders and the holders of Allowed Class 3B Claims, resulting in further delay and uncertainty for all unsecured creditors, and further reducing the likelihood and magnitude of any recovery for Class 3A creditors. Finally, in the event Class 3 votes to reject the Plan, the Revolving Credit Facility Lenders will also not waive their rights to share in any recoveries of the Excess Avoidance Claim Proceeds.

For these reasons, **the Committee strongly believes that the Unsecured Creditor Settlement, as detailed herein and in the Plan, represents the best alternative for holders of Allowed Class 3 Claims and, therefore, recommends that holders of such claims vote to accept the Plan.** This settlement was obtained after significant negotiations by and among the Parties, and in making this recommendation, the Committee and its professionals considered various restructuring alternatives and weighed the risks and costs associated with these alternatives. Given the current facts and circumstances of the Debtors' chapter 11 cases, the Committee believes that the Unsecured Creditor Settlement, as set forth in the Plan, provides the best alternative for Unsecured Creditors and ensures the maximum recovery, in the shortest period of time, to Unsecured Creditors.

**Please be advised that Article IX of the Plan contemplates the releases of numerous parties. The Committee recommends that each Unsecured Creditor should carefully review the releases contained in Article IX.**

Finally, please be advised that detailed voting instructions are included in the Disclosure Statement and the exhibits attached thereto. To ensure that all votes are counted, each Unsecured Creditor entitled to vote on the Plan should carefully review and comply with the voting instructions before voting on the Plan.

If you have any questions with respect to the Plan or the treatment for your claims, please do not hesitate to contact either Larry Kotler (215-979-1514, [ljkotler@duanemorris.com](mailto:ljkotler@duanemorris.com)) or Gerard Catalanello (212-692-1037, [gcatalanello@duanemorris.com](mailto:gcatalanello@duanemorris.com)), legal counsel to the Committee.

Very truly yours,

**THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
ORLEANS HOMEBUILDERS, INC., *et al.***