

Term Sheet Regarding Settlement with SunCal Parties¹

<p>Parties to Settlement Agreement:</p>	<p><u>Lehman Parties</u>: Lehman ALI, Inc., Lehman Commercial Paper Inc., OVC Holdings LLC, Northlake Holdings LLC, Lehman Brothers Holdings Inc.</p> <p><u>SunCal Parties</u>: SCC Acquisitions, Inc., SCC Acquisitions, LLC, SunCal Management, LLC, Bruce Elieff and other principals and affiliates of any of them to be specifically identified by the Lehman Parties prior to the execution and delivery of the Settlement Agreement (as defined below) and included as signatories therein.</p>
<p>Settlement Transaction:</p>	<p>Settlement of all claims and causes of action asserted by and between the Lehman Parties, or any of them, and the SunCal Parties, or any of them, with respect to the Plan Projects, the Emerald Meadows Project and Del Rio CFD Bond Proceeds, and the related Debtors and Lehman Loans, including, without limitation, the dismissal, with prejudice, of all pending litigation instituted by any of the SunCal Parties or Voluntary Debtors against any of the Lehman Parties and/or their affiliates (including, without limitation, all of the pending litigation more particularly described on <u>Exhibit A</u> attached hereto and made a part hereof) (collectively, the “Pending SunCal Litigation”) except to the extent relating to the Pacific Point Project, SJD Partners, Ltd., SJD Development Corp. (the “SJD Debtors”) and/or the Lehman Loans relating thereto. The settlement described in this Term Sheet shall be documented in a settlement agreement (the “Settlement Agreement”) to be prepared by counsel to the Lehman Parties consistent with the terms and provisions of this Term Sheet and negotiated in good faith by the Lehman Parties and the SunCal Parties.</p>
<p>Plan Support, Withdrawal of SunCal Plans and 3018 Motions, Change in Voting:</p>	<p>Upon execution and delivery of this Term Sheet by the parties hereto, the SunCal Parties shall, and/or shall cause the Voluntary Debtors to, (i) no later than Monday, October 24, 2011, at 9:00 a.m. Pacific Time (the “Filing Deadline”) file a withdrawal of (x) each of the plans filed by any of the SunCal Parties and/or Voluntary Debtors with respect to the Debtors (collectively, the “SunCal Plans”), and (y) all objections to the Lehman Plans and any and all aspects thereof, (ii) file a plan support statement supporting the Lehman Plans no later than the Filing Deadline, (iii) withdraw objections filed by any of the SunCal Parties or Voluntary Debtors to 3018 motions or stipulations or to the “yes” votes of any person or entity in favor of the Lehman Plans, no later than the Filing Deadline, and (iv) file a motion seeking to change any SunCal Party’s votes on the Lehman Plans to “yes” votes no later than the Filing Deadline. The effectiveness of this Term Sheet shall be expressly conditioned upon the satisfaction of each of the foregoing conditions on or prior to the Filing Deadline, failing which this Term Sheet shall terminate automatically without further notice to any party, whereupon the parties shall be relieved of all liability or obligation hereunder. If each of</p>

¹ Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the *Third Amended Joint Chapter 11 Plan for Eleven Voluntary Debtors Proposed by Lehman VD Lenders*, dated July 15, 2011 [Docket No. 2598] (as amended, the “Joint VD Plan”) and/or in the *Third Amended Joint Chapter 11 Plan for Eight Trustee Debtors Proposed by the Trustee and Subject Lehman Creditors*, dated July 15, 2011 [Docket No. 2595] (as amended, the “Joint TD Plan”) and together with the Joint VD Plan, the “Lehman Plans”).

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	<p>the foregoing conditions are fully satisfied by the Filing Deadline (the “Term Sheet Effective Date”), this Term Sheet shall become binding and enforceable against the parties hereof as provided herein; provided, that the obligations of the Lehman Parties (except those described in this paragraph) shall be conditioned upon obtaining Lehman Court Approval (as defined below). From and after the Term Sheet Effective Date, the SunCal Parties shall reasonably cooperate with the Plan Proponents in their efforts to secure Confirmation and Effective Dates for the Lehman Plans as to each of the Plan Debtors. On the Term Sheet Effective Date, the Lehman Parties shall (i) disclose the Term Sheet to the California Bankruptcy Court, (ii) agree that regardless of whether the Settlement Effective Date (as defined below) occurs, the claims of SunCal Management against the Plan Debtors are to be reclassified as “Reliance Claims” provided that (1) such claims shall be payable under the Lehman Plans only to the extent allowed, and (2) the Lehman Parties shall retain and/or have the right to file and prosecute claims objections with respect to the claims against the Debtors of any of the SunCal Parties or their affiliates (other than the Debtors), and (iii) fully cooperate with the SunCal Parties to obtain California Bankruptcy Court approval of the settlement reflected in this Term Sheet (to be documented in the Settlement Agreement), provided that the settlement reflected in this Term Sheet shall be subject to the Lehman Court Approval other than as to the matters described in this paragraph that become effective as described in this paragraph regardless of the Settlement Effective Date.</p>
<p>Conditions to Settlement Transaction:</p>	<p>The Settlement Transaction will be subject to the satisfaction of each of the following conditions (collectively, the “Settlement Effectiveness Conditions”):</p> <ul style="list-style-type: none"> (i) Execution and delivery of the Settlement Agreement; (ii) Approval of the Settlement Transaction as reflected in this Term Sheet by the New York Bankruptcy Court and the entry of a final order of the New York Bankruptcy Court (“Lehman Court Approval”); and (iii) Confirmation of and occurrence of the effective date for the Lehman Plans as to all Plan Debtors. <p>The date on which all of the above conditions have been satisfied shall be referred to as the “Settlement Effective Date.”</p>
<p>Release of Acquired Bond Indemnity Claims:</p>	<p>Upon the occurrence of the effective date for each of the Lehman Plans, the Lehman Parties or their affiliates will have acquired from Arch Insurance Company (“Arch”) and Bond Safeguard Insurance Company/Lexon Insurance Company (collectively, “Bond Safeguard”) certain rights and claims against Bruce/Kathy Elieff and SCC Acquisitions, Inc. (collectively, the “Bond Indemnitors”) pursuant to separate settlement agreements between the Lehman Parties (or certain of them) and Arch and Bond Safeguard, respectively, relating to the Plan Projects to be acquired by the Lehman Nominees (collectively, the “Acquired Bond Indemnity Claims”). On the Settlement Effective Date, the Lehman Parties shall, or shall cause their affiliates to, release the Bond Indemnitors from all Acquired Bond Indemnity Claims including, without limitation, any such Acquired Bond Indemnity Claims which are the subject of any judgment (stipulated or otherwise) in favor of Bond Safeguard obtained by Bond Safeguard in connection with the action, or settlement of such action, filed by Bond Safeguard against the Bond Indemnitors (among others).</p>
<p>Option to Purchase</p>	<p>SCC Acquisitions, Inc. (“Acquisitions”) or one or more affiliates of</p>

<p>Oak Valley Champions Project and Delta Coves Project:</p>	<p>Acquisitions to be designated by Acquisitions (each, an “Optionee”) shall have the option (the “Option”) to purchase one or both of the following Plan Projects (the “Option Projects”) at the designated purchase prices on or after the Settlement Effective Date (with claims against the Debtors owning the Option Projects to receive treatment as provided under the Joint TD Plan):</p> <ul style="list-style-type: none">a. Oak Valley Champions Project – \$28 millionb. Delta Coves Project -- \$29.5 million <p>The Option as to either or both of the Option Projects must be exercised no later than 90 days (the “Option Exercise Deadline”) following the execution and delivery of this Term Sheet by all parties hereto (the “TS Execution Date”) and the closing of the purchase of such Option Project(s) must be consummated no later than 15 days following the exercise of the Option (the “Option Closing Deadline”). The Optionees may exercise the Option by giving written notice to the Lehman Parties to be received by the Lehman Parties no later than the Option Exercise Deadline. The Option will terminate automatically with respect to any Option Project for which the required written notice of exercise of the Option is not received by the Lehman Parties on or prior to the Option Exercise Deadline. If not previously terminated, the Option will terminate on the Option Closing Deadline with respect to any Option Project if a closing for the purchase of such Option Project has not occurred by the Option Closing Deadline other than solely by reason of a breach by the Lehman Parties or applicable Lehman Nominee of their obligations under the Settlement Agreement. The conveyance of the Option Projects shall be on an “as is where is” basis without any representations or warranties whatsoever by the seller but shall be conveyed free and clear of all mechanics’ liens, past due real property taxes, the lien of any deed of trust held by a Lehman Creditor and any other monetary liens other than the Permitted Liens applicable to the Option Projects. The Optionees shall disclaim any reliance on any representations or warranties by the Debtors, the Lehman Parties, the Lehman Nominees or any of their respective affiliates, agents or representatives. All transfer taxes, title insurance premiums, search fees, recording costs and all other transaction costs shall be paid by the Optionees or the other SunCal Parties except that any attorneys’ fees of counsel to the Lehman Parties shall be paid by the Lehman Parties. The Optionees shall be responsible for obtaining their own respective owners’ title insurance policies and surveys and, although certain liens or encumbrances on title to the Option Projects may be released upon the effectiveness of, and pursuant to the terms of, the Joint TD Plan, under no circumstances shall the Lehman Parties be required to release or cause to be released any liens or encumbrances other than mechanics’ liens, past due real property taxes, the lien of any deed of trust held by a Lehman Creditor and any other monetary liens other than the Permitted Liens applicable to the Option Projects. At the closing of the purchase of any Option Project, and as a condition to such closing, (i) the SunCal Parties shall pay or cause to be paid to the Lehman Creditors (or any of them as designated by the Lehman Parties) the purchase price for such Option Project in cash in immediately available funds, (ii) the SunCal Parties shall cause all surety bonds issued by Arch or Bond Safeguard for or with respect to the applicable Option Project to be exonerated, released, substituted and replaced and shall further cause Arch and Bond Safeguard to be released from any and all further liability under or with respect to such bonds or any settlement agreements entered into by Arch or Bond Safeguard in respect of their obligations under such bonds, and from any pending claims</p>
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	<p>arising under such bonds, and (iii) the SunCal Parties shall cause the applicable Optionee with respect to any Option Project to assume all obligations of the applicable Plan Debtors under any executory contracts and unexpired leases which are to be or otherwise have been assumed by such Plan Debtor under the Joint TD Plan (collectively, the “Assumed Contracts”) and otherwise cause the applicable Lehman Nominee taking title to such Option Project to be released from all further liability under any such Assumed Contracts and under any permits, licenses, easements, certifications, development agreements, subdivision improvement agreements, or other development, entitlement or related documents, instruments or agreements (collectively, “Development-Related Items”). Real property taxes and assessments shall be prorated as of the closing date as is customary in real estate conveyance transactions in the State of California. The applicable Lehman Nominees shall transfer and assign to the Optionees any right, title or interest, if any, they may have in, to and under the Development-Related Items, without representation or warranty of any kind and only to the extent assignable by the Lehman Nominees, and neither the Lehman Parties nor the Lehman Nominees shall have any obligation or responsibility for obtaining any consents or approvals from, or otherwise giving notices to, any counterparty to any Development-Related Items and Acquisitions shall undertake such process as it deems necessary or appropriate to effectuate any transfers or assignments of Development-Related Items.</p>
<p>Interim Loan Assets:</p>	<p>The Lehman Parties will cooperate with the SunCal Parties as follows:</p> <p>(a) On and after the Term Sheet Effective Date and pending the occurrence of the Settlement Effective Date, the Lehman Parties will cooperate with the SunCal Parties in seeking to continue the hearing on confirmation of the Joint VD Plan as to SCC Communities and Tesoro, without prejudice to confirmation of the Joint VD Plan as to the other VD Plan Debtors or confirmation of the Joint TD Plan. If the hearing is so continued and the Settlement Effective Date occurs prior to the continued hearing date, then on the Settlement Effective Date, the Lehman VD Lenders shall (x) withdraw the Joint VD Plan as to SCC Communities and Tesoro, and (y) release the Lehman VD Lenders’ direct or indirect liens on the Interim Loan Projects.</p> <p>(b) Within 15 days after the Term Sheet Effective Date, the SunCal Parties shall file a motion under Bankruptcy Rule 9019 with respect to Del Rio seeking resolution, settlement and payment of all remaining unpaid claims against Del Rio (the “Del Rio Motion”) for approval by the California Bankruptcy Court which the Lehman Parties agree to support. The Lehman VD Lenders will make available to the SunCal Parties remaining value with respect to the Del Rio CFD Bond Proceeds by releasing their security interest on the Del Rio CFD Bond Proceeds on the Settlement Effective Date provided that (x) the SunCal Parties satisfy the above conditions to the release of the liens on the Interim Loan Projects or otherwise take title to the Interim Loan Projects as provided below, and (y) an order has been entered by the California Bankruptcy Court approving the Del Rio Motion.</p> <p>(c) Notwithstanding the provisions of paragraph (a) above, if the hearing on confirmation cannot be continued to a date that is after the Settlement Effective Date or cannot be so continued without prejudice to confirmation of the Joint VD Plan as to the VD Plan Debtors other than SCC Communities and Tesoro or confirmation of the Joint TD Plan, then the Interim Loan Projects shall be conveyed to the applicable Lehman Nominees on the</p>

Settlement Effective Date as provided under the Joint VD Plan and within thirty days thereafter, the Lehman Parties shall cause such Lehman Nominees to convey the Interim Loan Projects to one or more affiliates of the SunCal Parties (as designated by the SunCal Parties) (the "Interim Project Grantees") for the benefit of the SunCal Parties and/or the current creditors of SCC Communities and Tesoro for a purchase price for each Interim Loan Project of \$1 provided that on or prior to the date of any such conveyance (i) an amount equal to the amount of all distributions made or otherwise required to be made by the Lehman VD Lenders pursuant to the Joint VD Plan (including, without limitation, distributions to creditors and the payment of administrative claims, priority claims and other claims against the applicable VD Plan Debtors) with respect to SCC Communities and Tesoro is paid by the SunCal Parties to the Lehman VD Lenders, (ii) the SunCal Parties cause all surety bonds issued by Arch or Bond Safeguard with respect to the Tesoro Project to be exonerated, released, substituted and replaced, (iii) the SunCal Parties cause the Interim Project Grantees to assume all obligations of SCC Communities and Tesoro, respectively, under any executory contracts and unexpired leases which are to be or otherwise have been assumed by such Debtor under the Joint VD Plan (the "JR/T Assumed Contracts") and otherwise cause the applicable Lehman Nominees taking title to such Projects to be released from all further liability under any such JR/T Assumed Contracts and under any permits, licenses, easements, certifications, development agreements, subdivision improvement agreements, or other development, entitlement or related documents, instruments or agreements (collectively, "JR/T Development-Related Items"), and (iv) the SunCal Parties pay or reimburse the Lehman Parties for any and all transaction costs and expenses (including, without limitation, title insurance premiums for any owners' policies, search fees, recording costs and other fees, costs and expenses) incurred in connection with the conveyance of the Interim Loan Projects to the Lehman Nominees except that any attorneys' fees of counsel to the Lehman Parties shall be paid by the Lehman Parties. The conveyance of the Interim Loan Projects to the Interim Project Grantees shall be on an "as is where is" basis without any representations or warranties whatsoever by the sellers. The Interim Project Grantees shall disclaim any reliance on any representations or warranties by SCC Communities, Tesoro, the Lehman Parties, the Lehman Nominees or any of their respective affiliates, agents or representatives. All transfer taxes, title insurance premiums, search fees, recording costs and all other transaction costs shall be paid by the SunCal Parties and Interim Project Grantees except that any attorneys' fees of counsel to the Lehman Parties shall be paid by the Lehman Parties. Real property taxes and assessments shall be prorated as of the closing date as is customary in real estate conveyance transactions in the State of California. The SunCal Parties shall be responsible for obtaining owners' title insurance policies and surveys for the Interim Loan Projects and, although certain liens or encumbrances on title to the Interim Loan Projects may be released upon the effectiveness of, and pursuant to the terms of, the Joint VD Plan, under no circumstances shall the Lehman Parties be required to release or cause to be released any liens or encumbrances other than the lien of any deed of trust held by a Lehman VD Lender. The applicable Lehman Nominees shall transfer and assign to the Interim Project Grantees any right, title or interest, if any, they may have in, to and under the JR/T Development-Related Items, without representation or warranty of any kind and only to the extent assignable by the Lehman Nominees, and neither the Lehman Parties nor the Lehman Nominees shall have any obligation or responsibility for obtaining

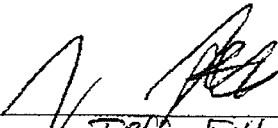
	any consents or approvals from, or otherwise giving notices to, any counterparty to any JR/T Development-Related Items and the Interim Project Grantees (or SunCal Parties) shall undertake such process as they deem necessary or appropriate to effectuate any transfers or assignments of JR/T Development-Related Items.
Emerald Meadows:	As provided above, the SunCal Parties and the Voluntary Debtors shall withdraw their existing SunCal Plan for SunCal Emerald no later than the Filing Deadline. Further, on or at any time after the Settlement Effective Date, upon request by the Lehman Parties, the SunCal Parties shall cause SunCal Emerald to consent to the appointment of a trustee for such Debtor and will assign all claims that the SunCal Parties or any other SunCal principal or entity may have against the SunCal Emerald to the Lehman Parties or their designee.
Allowed Claims Re Management Fees:	On the Settlement Effective Date, (a) the Lehman Creditors will pay to SunCal Management an aggregate amount equal to \$3 million in satisfaction of (or, at the option of the Lehman Parties, for an assignment of) all claims asserted by SunCal Management against the Debtors (other than the SJD Debtors and the SunCal Century City) including any pre-petition or post-petition claims (the "Agreed Management Fee Distribution"), and (b) all other claims of SunCal Management against any of the Debtors (other than the SJD Debtors and the SunCal Century City) shall be withdrawn, with prejudice, and released except that with respect to SunCal Emerald, such claims will be not be released but assigned to the Lehman Parties or their designee.
Dismissal of Litigation:	On and as of the Settlement Effective Date, the SunCal Parties shall, and shall cause all other affiliates of the SunCal Parties (other than the Debtors) who have asserted any claims against any of the Lehman Parties or their affiliates in the SunCal Cases, to (a) dismiss all Pending SunCal Litigation (except to the extent relating to the Pacific Point Project or the SJD Debtors) with prejudice, and (b) waive and release all claims and rights to any management fees or other amounts (pre-petition and post-petition) with respect to which any of the SunCal Parties or any of their affiliates (other than the Debtors) has asserted claims against any of the Debtors (pre-petition and post-petition) (other than against the SJD Debtors and the SunCal Century City) or any Lehman Party or any affiliate thereof (including all Lehman Released Parties) except the Agreed Management Fee Distribution to be paid to SunCal Management as described above. With respect to Del Rio, upon approval of the Del Rio Motion by the California Bankruptcy Court, the SunCal Parties shall cause the estate of Del Rio to dismiss all Pending SunCal Litigation with prejudice and waive and release all claims and rights to any amounts (pre-petition and post-petition) with respect to which Del Rio has asserted claims against any of the other Debtors (pre-petition and post-petition) or any Lehman Party or any affiliate thereof (including all Lehman Released Parties). No further claims against any of the Debtors or any of the Lehman Parties or any other Lehman Released Party will be asserted by any of the SunCal Parties or any of their affiliates.
Mutual Releases:	On and as of the Settlement Effective Date, the SunCal Parties and the Lehman Parties will deliver mutual releases with respect to all claims relating to all of the Projects (except Pacific Point) and the related Lehman Loans and Debtors (but specifically excluding claims arising under the Settlement Agreement) in form and substance reasonably acceptable to the parties but which releases, in any event, shall release all Lehman Released Parties.

Dispute Resolution:	This Term Sheet shall be fully binding upon the parties hereto on the Term Sheet Effective Date. From and after the Term Sheet Effective Date, the parties hereto shall be obligated to proceed in good faith and as expeditiously as possible to negotiate, finalize, execute and deliver the Settlement Agreement, which itself shall be subject to the Settlement Effectiveness Conditions and any other conditions expressly provided for therein, and any ancillary documents contemplated to be executed and delivered in connection therewith. In addition, the parties hereto hereby agree that any dispute regarding this Term Sheet and/or the interpretation of any terms or provisions set forth herein or regarding the form of the Settlement Agreement and/or the conformity of the same to the terms and provisions set forth in this Term Sheet shall be resolved by Judge Daniel Weinstein through binding mediation. If the parties have not otherwise entered into a Settlement Agreement on or prior to November 30, 2011, then the parties shall request that Judge Weinstein resolve any remaining disputes between the parties with respect to a final Settlement Agreement as soon as possible.
Governing Law:	This Term Sheet, the Settlement Agreement and any and all other documents to be executed and delivered in connection therewith shall be governed by the laws of the State of New York without regard to the principles of conflicts of laws.
Counterparts; Facsimile or PDF Execution:	This Term Sheet may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Signatures delivered by facsimile or by email in PDF format shall constitute originals for all purposes.

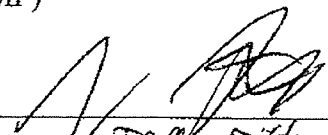
[SIGNATURES ON THE FOLLOWING PAGE]

Agreed to as of this 22 day of October, 2011.

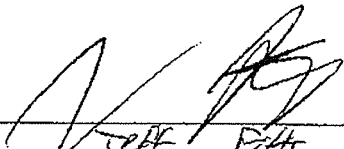
LEHMAN ALI, INC.

By: 
Name: Jeff Fitts
Title: Duly Authorized Signatory


LEHMAN COMMERCIAL PAPER INC.,
as debtor and debtor in possession in its Chapter
11 case in the United States Bankruptcy Court
for the Southern District of New York, Case No.
08-13555 (JMP)

By: 
Name: Jeff Fitts
Title: Duly Authorized Signatory

OVC HOLDINGS LLC

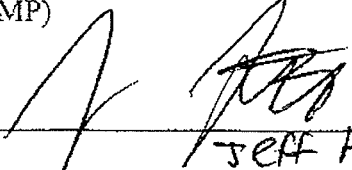
By: 
Name: Jeff Fitts
Title: Duly Authorized Signatory

NORTHLAKE HOLDINGS LLC

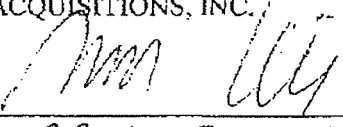
By: 
Name: Jeff Fitts
Title: Duly Authorized Signatory

LEHMAN BROTHERS HOLDINGS INC.,

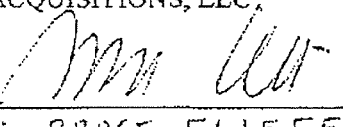
as debtor and debtor in possession in its Chapter
11 case in the United States Bankruptcy Court
for the Southern District of New York, Case No.
08-13555 (JMP)

By: 
Name: JEFF FITTS
Title: Duly Authorized Signatory

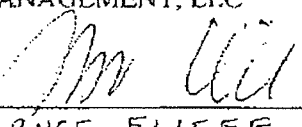
SCC ACQUISITIONS, INC.

By: 
Name: BRUCE ELIEFF
Title: PRESIDENT

SCC ACQUISITIONS, LLC

By: 
Name: BRUCE ELIEFF
Title: MANAGER

SUNCAL MANAGEMENT, LLC

By: 
Name: BRUCE ELIEFF
Title: MANAGER

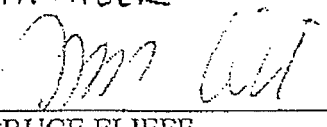
By: 
BRUCE ELIEFF

EXHIBIT A

Adv. No. 8:09-ap-01005-ES (Bankr. C.D. Cal.), including litigation involving the Interim Loan

Adv. No. 8:11-ap-01212-ES (Bankr. C.D. Cal.)

Amended Motion for Order Disallowing Certain Claims [ECF No. 2082] in No. 8:08-bk-17206-ES (Bankr. C.D. Cal.)

Motion for Order Disallowing Claims of Lehman ALI, Inc. and Lehman Commercial Paper, Inc. pursuant to 11 U.S.C. § 502(d) [ECF No. 1976] in No. 8:08-bk-17206-ES (Bankr. C.D. Cal.)

Appeal of the Order Granting Joint Motion of Lehman Creditors and chapter 11 Trustee for: (A) Approval of Stipulation of July 2011 by and between Lehman ALI, Inc. and chapter 11 Trustee, pursuant to 11 U.S.C. §§ 362, 363, 364, and 507, (1) Approving Senior Secured Superpriority Postpetition Financing, (2) Granting Liens and Providing Superpriority Administrative Expense Status, and (3) Modifying Automatic Stay to the Extent Necessary; and (B) Clarification of Prior Financing Orders, in United States Bankruptcy Appellate Panel of the Ninth Circuit No. 11-1485