

LEHMAN BROTHERS HOLDINGS INC (“LBHI”)

HERITAGE FIELDS EL TORO, LLC (“HF”)

PROPOSED DISCOUNTED PAY-OFF

TERM SHEET

General: LBHI is the owner and holder of certain interests (the “**LBHI Interests**”) in that certain mortgage loan made by El Toro, LLC (“**Original Lender**”) to HF (as amended, the “**Mortgage Loan**”). HF has entered into a Term Sheet dated as of June 4, 2010 (the “**SS Term Sheet**”) with State Street Bank and Trust Company (“**SSBT**”) pursuant to which SSBT would acquire all right, title and interest in the Mortgage Loan from the Original Lender. A copy of the SS Term Sheet is attached hereto as Schedule A. In order to effectuate the Restructuring Transaction (as defined in the SS Term Sheet), LBHI has agreed to join with the other holders of interests in the Mortgage Loan in the conveyance of the Mortgage Loan to SS in exchange for HF: (i) paying to LBHI the Pay-Off Amount (as defined below) and (ii) granting to LBHI the Equity Participation (as defined below).

Pay-Off Amount: The Pay-Off Amount shall be equal to the sum of the following:

- (i) \$125mm; plus
- (ii) the aggregate amount of all protective advances under the Mortgage Loan as of the date of the closing of the Restructuring Transaction (which amount as of the date hereof is \$19,525,620.38), together with interest on each such advance from the date of such advance through such closing date at the default rate currently provided for under the Mortgage Loan.

The foregoing calculation of the Pay-Off Amount is conditioned upon a closing of no later than August 31, 2010.

Cash Flow Participation: LBHI shall be granted cash flow participation equal to 10% of all residual cash flow after the equity holders of HF receive 1x all of their old and new equity in the project (i.e., 13.33% of distributions payable to HF under waterfall level “Sixth” and 10% of distributions payable to HF under waterfall level “Thereafter” (i.e., the seventh and final tier of the waterfall) as set forth in the SS Term Sheet until LBHI receives \$100mm in the aggregate, after which LBHI will have no further cash flow participation.) The parties will also reasonably cooperate so that the definitive documents contain adequate protections for LBHI to ensure that

LBHI cannot be deprived of the participation interest described above..

LBHI Actions to be taken at Closing:

At the closing of the Restructuring Transaction, LBHI shall:

- (i) join with the other holders of interests in the Mortgage Loan to convey all right, title and interest in the Mortgage Loan to SSBT. The conveyance by LBHI of the LBHI Interests shall be on an “as-is/where-is basis” and without representation or warranty of any kind whatsoever except that LBHI will represent that it is the owner of the LBHI Interests except for any claims or encumbrances held by PCCP, SSBT and their respective affiliates.
- (ii) exchange releases with SSBT, HF, Lehman Brothers Real Estate Mezzanine Fund and PCCP as contemplated by the SS Term Sheet; and
- (iii) execute and deliver such documents as are reasonably necessary to evidence the Cash Flow Participation.

Certain Conditions:

It shall be a condition to closing the discounted pay-off to LBHI contemplated by this term sheet that there shall be a simultaneous closing of (i) the Restructuring Transaction with SSBT and (ii) a discounted pay-off and cash flow participation grant with respect to all of the interest in the Mortgage Loan now held by PCCP.

Court Approval:

The proposed transaction shall be subject in all respect to approval of the United States Bankruptcy Court for the Southern District of New York, in which LBHI’s bankruptcy case is currently pending

Non-Binding:

This Term Sheet is non-binding and is intended to be for discussion purposes only solely as a basis for commencing and engaging in discussion concerning the subject matter hereof.

LEHMAN BROTHERS HOLDINGS INC.

By: _____

Name:

Jeffrey Fitts

Title:

Authorized Signatory

HERITAGE FIELDS EL TORO, LLC

By: Heritage Fields, LLC, its sole member

By: Lennar-LNR Heritage Fields, LLC, its
administrative member

By: Lennar Homes of California, Inc.,
its managing member

By: _____

Name:

Title: