

September 23, 2009

Mr. Bryan Marsal
Individually and as
Chief Restructuring Officer
Lehman Brothers Holdings, Inc.
Chief Executive Officer
LBREP II/SunCal Fund Member LLC
Lehman SunCal Real Estate Fund, LLC
Lehman Sun Cal Real Estate Holdings LLC
600 Lexington Avenue, 6th Floor
New York, NY 10022

RE: Former Oak Knoll Navy Hospital Property, Oakland, California ("Oak Knoll")

Dear Mr. Marsal,

In light of the Notice of Settlement and Settlement Stipulation between Steven Speier as Chapter 11 Trustee and Lehman Entities filed with Bankruptcy Court on 9/21/09 Sequoyah Hills/Oak Knoll Neighborhood Association, on behalf of its roughly 400 residence constituency, is writing to you in your individual capacity and as decision maker and manager for Lehman Brothers Holdings, Inc. and its bankrupt subsidiaries (collectively "LBHI") which are Chapter 11 Debtors in bankruptcy in Case 08-13555 in the U.S. Bankruptcy Court Southern District of New York, a discretionary decision making role which you assumed effective September 15, 2008, pursuant to the court's order at Docket No. 2278.

We are also writing to you individually and in your self-appointed capacity as the chief executive officer of the grotesquely undercapitalized not-bankrupt LBREP II/SunCal Fund Member LLC, Lehman SunCal Real Estate Fund, LLC, Lehman SunCal Real Estate Holdings LLC, Lehman ALI, Inc. and perhaps others (collectively the "Oak Knoll Parent Companies"), which are controlled by you. The Oak Knoll Parent Companies are the not-bankrupt parent companies of SunCal Oak Knoll, LLC, a grotesquely undercapitalized, Delaware limited liability company in which the Oak Knoll Parent Companies and LBHI placed fee title to the Oak Knoll property, described in previous correspondence to you, after acquiring the property for \$100.5 Million knowing, at that time, its worsening physical condition, as described in our previous correspondence to you. As you also know, Lehman ALI, Inc. ("ALI"), commonly controlled by LBHI and commonly controlled with and for the benefit of the other Oak Knoll Parent Companies, and vice versa, is the mortgage lender on that 167 acre Oak Knoll property in Oakland, California.

As you also know, as a direct result of the Oak Knoll Parent Companies' failure to properly capitalize their subsidiary, SunCal Oak Knoll, LLC is now an involuntary debtor in the U.S. Bankruptcy court for the Central District of California, Case No. 8:08-bk-17588 (the "Nominal Property Owner") and the Nominal Property Owner and the Oak Knoll property are the subject of the Notice of Settlement and Settlement Stipulation between Trustee Steven Speier and the Lehman entities signatory thereto.

In your decision making capacity with regard to LBHI, the Oak Knoll Parent Companies and the Nominal Property Owner we remind you that regardless of the eventual outcome regarding the notice of settlement as described above Sequoyah Hills/Oak Knoll Neighborhood Association is still holding all parties responsible for your and their willful and grossly negligent failure to comply with the City of Oakland's lawful Order to Abate Oak Knoll property(copy attached).

Additionally, it was discovered on September 21, 2009, that the overwhelming majority of the 167-acre Oak Knoll site has no water supplied throughout the majority of its subsurface water mains and as a result the majority of the fire hydrants located throughout the site are inoperable leaving city fire crews no means with which to attempt suppression of a major wildfire on site if and when one should erupt. (A copy of correspondence to Oakland's fire chief and city attorney disclosing this inexplicable failure on your part and your apparent willful failure to maintain adequate water supply and operable hydrants on site is attached.) You have of course been advised previously of the extreme fire risk that exists at the site due primarily, again, to your willful failure to manage and maintain the property as required by law.

I remind you that under **28 U.S.C. 959(b)** you, as the manager of the debtors, have an express obligation to comply with California law concerning the capitalization of business entities and maintenance of those business entities' properties in a safe condition. You have willfully and intentionally permitted the extreme wildfire risks at Oak Knoll to exist and continue despite your ability to abate them with funds not controlled by the U.S. Bankruptcy Court for the Southern District of New York. A major conflagration emanating from the property under the conditions you have allowed to exist, and willfully promoted and encouraged, will lead to an inevitable finding that you personally, among those others, were the proximate cause of the inevitable damage to life and property entitling injured parties in California to seek actual, punitive and exemplary damages against you personally.

Obviously, Mr. Marsal, your personal response to this letter, as well as prompt action by you, is expected and required, but neither a denial of any liability on your part or on the part of any others named in this letter will suffice to release or absolve you or them of the duties arising under California tort, property and police powers regulatory laws described above.

Sincerely,

Sequoyah Hills/Oak Knoll Neighborhood Association

By: _____

Donald J. Mitchell
Sequoyah Hills/Oak Knoll Neighborhood Association
4415 St. Andrews Road
Oakland, CA 94605

encs. City Notice, Notice to Oakland
fire chief