

DDA SECURITY AGREEMENT

THIS DDA SECURITY AGREEMENT (this “**Agreement**”), effective this 5th day of May, 2004 (the “**Effective Date**”), is between LNR SOUTH SHORE, LLC (“**LNR**”), a Delaware limited liability company and SOUTH SHORE TRI-TOWN DEVELOPMENT CORPORATION (the “**Corporation**”), a body politic and corporate established under Chapter 301 of the 1998 Massachusetts Acts and Resolves.

RECITALS

1. The Corporation and LNR Property Corporation, a Delaware corporation, entered into a Letter of Intent, dated as of October 3, 2002, regarding the parties’ intent to enter into negotiations for LNR Property Corporation to provide master developer services to the Corporation in connection with the redevelopment of an approximately 988 acre portion of the former Naval Air Station, South Weymouth (the “**Base**”).
2. As contemplated by the Letter of Intent, on or about October 3, 2002, LNR Property Corporation provided the Corporation with a deposit in the amount of \$500,000 (the “**\$500,000 Deposit**”) for the Corporation’s use in furtherance of the operation and redevelopment of the Base and for other costs and expenses related to the current operation and redevelopment of the Base.
3. The Corporation and LNR California Investments, Inc. (“**LNR California**”), an affiliated company of LNR Property Corporation and LNR, subsequently entered into that certain Exclusive Negotiation Agreement, dated as of December 6, 2002 (as amended, the “**ENA**”), which sets forth, in part, the general terms and conditions to be included in a disposition and development agreement the parties intended to negotiate in connection with the redevelopment of the Base. The Corporation and LNR entered into that certain NAS South Weymouth Disposition and Development Agreement on May 5, 2004 (the “**DDA**”).
4. LNR California’s obligations under the ENA were guaranteed by LNR Property Corporation pursuant to a Guaranty, dated December 6, 2002, by LNR Property Corporation to the Corporation (the “**ENA Guaranty**”). Pursuant to the ENA, on or about December 6, 2002 (the “**Initial Funding Date**”) LNR California provided the Corporation with an additional deposit in the amount of \$1,000,000 (the “**Deposit**”) for the costs and expenses related to the operation and redevelopment of the Base. LNR California assigned its rights and obligations under the ENA to LNR. Pursuant to Section 23(a) of the ENA, the Corporation’s consent was not required for this assignment. The ENA and the ENA Guaranty terminated upon the effective date of the DDA.
5. During the period commencing immediately following the Initial Funding Date through the effective date of the DDA, LNR invested additional funds beyond the Deposit, in an approximate aggregate amount of \$6,309,000 (the “**Pre-DDA Expenditures**”), to further the development activities on the Base.
6. Pursuant to its role as Master Development of the Base and under the terms of the DDA, LNR has agreed to make certain additional investments to further the development of the Base, including certain direct payments to the Corporation (the “**DDA Expenditures**”),

during the period commencing upon the effective date of the DDA and concluding upon the date LNR's right to receive the LNR Reimbursement Amount (as defined below) vests. The term "**DDA Expenditures**" includes any and all expenditures made by LNR in connection with the development of the Base and pursuant to the DDA, including, without limitation, (a) all funds actually paid by LNR to the Corporation pursuant to Section 4.3 of the DDA; and (b) all funds actually paid by LNR to the Corporation pursuant to Section 5.2 of the DDA, up to a total of four hundred thousand dollars (\$400,000).

7. The United States Navy ("**Navy**") issued a Finding of Suitability to Transfer pursuant to 42 U.S.C. Section 9620(h) (a "**FOST**") for a portion of the Base on August 16, 2002 ("**FOST 1**") and for another portion of the Base on January 23, 2003 ("**FOST 2**"). The Navy and the National Park Service conveyed to the Corporation the real property described in FOST 1, containing approximately 478 acres of land in total. The Navy and the National Park Service conveyed to the Corporation the real property described in FOST 2, containing approximately 71 acres of land in total. The parties anticipate that the Navy will issue a FOST for an approximately 20 acre portion of the Base in the near future ("**FOST 3**"). The real property described in FOST 3 is expected to be conveyed to the Corporation shortly thereafter. The real property described in each of FOST 1, FOST 2, and FOST 3 and included within the EDC Parcels (as defined below), is respectively referred to herein as the "**FOST 1 Parcel**," the "**FOST 2 Parcel**," and the "**FOST 3 Parcel**," and collectively as the "**FOST Parcels**." Descriptions of the FOST Parcels are attached as **Exhibit A** hereto.

8. On January 23, 2003, the Assistant Secretary of the Navy approved the Corporation's application for a no-cost Economic Development Conveyance (the "**EDC**") of a portion of the Base (the "**EDC Parcels**"), containing approximately 988 acre according to the EDC, and authorized the Commander, Naval Facilities Engineering Command, to execute the documents necessary to convey the EDC Parcels to the Corporation. The Navy is expected to transfer to the Corporation the balance of the EDC Parcels beyond the FOST Parcels (approximately 659 acres of the Base according to a recent survey) (the "**CDR Parcel**") pursuant to a Covenant Deferral Request and an Environmental Services Cooperation Agreement. A description of the CDR Parcel is attached as **Exhibit B** hereto.

9. The DDA sets forth, in part, the rights and obligations of the Corporation and LNR regarding the disposition and development of the Base. Pursuant to the DDA, LNR has agreed to make the DDA Expenditures prior to obtaining title to the FOST Parcels and the CDR Parcel. LNR's obligations under the DDA are guaranteed by LNR Property Corporation pursuant to a Guaranty, dated May 5, 2004 (the "**DDA Guaranty**").

10. This Agreement is intended to set forth the terms pursuant to which the Corporation will provide LNR with security for the LNR Reimbursement Amount (as defined below), as contemplated by the DDA, in the event (i) LNR elects to terminate the DDA pursuant to the provisions of Section 3.1 thereof, (ii) LNR elects to terminate the DDA pursuant to the provisions of Section 3.2 thereof, (iii) the Closing fails to occur as provided in Section 14.1 of the DDA, or (iv) the Corporation is dissolved. The Corporation's commitment to provide such security was a material consideration for LNR's willingness to enter into the DDA. The payment of the LNR Reimbursement Amount (as defined below) will be full recourse and will be secured

by a recorded mortgage and security agreement by the Corporation to LNR (the “**DDA Mortgage**”), in substantially the same form as Exhibit H to the DDA.

NOW, THEREFORE, in consideration of the promises, covenants, and provisions set forth herein, the receipt and adequacy of which consideration is hereby acknowledged, the parties agree as follows:

SECTION 1. RECITALS, EXHIBITS, AND DEFINITIONS

1.1 Recitals. The foregoing recitals are true and correct in all material respects.

1.2 Exhibits. Exhibits A and B attached to this Agreement are hereby incorporated into this Agreement by this reference.

1.3 Definitions. All capitalized terms not defined herein shall have the meanings ascribed to them in the DDA.

SECTION 2. REIMBURSEMENT TO LNR

2.1 Reimbursement Trigger Date. The Corporation shall pay to LNR the LNR Reimbursement Amount (as defined below) on or before the date (the “**Reimbursement Trigger Date**”) that is one hundred seventy (170) days after the first to occur of: (i) LNR’s provision of written notice to the Corporation that, pursuant to Section 3.1 of the DDA, LNR is terminating the DDA; (ii) LNR’s provision of written notice to the Corporation that, pursuant to Section 3.2 of the DDA, LNR is terminating the DDA; (iii) LNR’s provision of written notice to the Corporation, pursuant to Section 14.1 of the DDA, of its election to exercise its rights under this Agreement because the Closing fails to occur for any reason, other than an Event of Default regarding (a) a monetary obligation by LNR under the DDA, or (b) LNR’s failure to satisfy the Corporation Conditions Precedent set forth in Section 3.11.2(b), (d) or (e) of the DDA (as to material covenants and agreements under Section 3.11.2(e)); or (iv) the dissolution of the Corporation for any reason (each of (i)-(iv) individually, a “**Reimbursement Triggering Event**”). Notwithstanding the foregoing, the Corporation shall have no obligation to pay the LNR Reimbursement Amount if the Closing occurs under the DDA (or if the Closing fails to occur as a result of an Event of Default regarding (a) a monetary obligation by LNR under the DDA, or (b) LNR’s failure to satisfy the Corporation Conditions Precedent set forth in Section 3.11.2(b), (d) or (e) of the DDA (as to material covenants and agreements under Section 3.11.2(e)), in which event this Agreement shall terminate, LNR shall discharge of record the Mortgage (as defined below), and the parties shall have no further obligations hereunder.

2.2 LNR Reimbursement Amount. In the event of a Reimbursement Triggering Event, the Corporation shall pay to LNR the sum of the Deposit, the Pre-DDA Expenditures, and the DDA Expenditures (collectively, the “**LNR Expenditures**”), together with interest thereon accruing from the date actually funded, at the rate of twelve percent (12.0%) per annum (collectively, the “**LNR Reimbursement Amount**”); provided, however, that (i) in the event a Reimbursement Triggering Event arises from an Event of Default by the Corporation under the DDA, the LNR Reimbursement Amount shall instead be the sum of the LNR Expenditures and the \$500,000 Deposit, together with interest thereon accruing from the date

actually funded (provided, however, that with respect to the \$500,000 Deposit, interest shall accrue from the Initial Funding Date regardless of the date actually funded) at the rate of twenty-five percent (25%) per annum, and (ii) if an Event of Default occurs under the DDA regarding a non-monetary, non-material obligation by LNR, the interest rate shall be reduced to zero percent (0%) per annum. Notwithstanding the foregoing, in no event shall the Corporation be responsible for reimbursing LNR for any LNR Expenditures in excess of fifteen million dollars (\$15,000,000).

2.3 Auditing of LNR Expenditures.

Within forty five (45) days following a Reimbursement Triggering Event, LNR shall provide the Corporation with the amount of the LNR Expenditures, along with evidence reasonably acceptable to the Corporation substantiating such amount. In the event the Corporation disputes the accuracy of the amount of the LNR Expenditures, the Corporation shall have twenty (25) days following its receipt of the amount of the LNR Expenditures to provide LNR with written notice of such dispute. Within ten (10) days following the delivery of such notice to LNR, the Corporation and LNR shall select a neutral third party, who shall be a certified public accountant (the “**Neutral Third Party**”), to determine whether all LNR Expenditures submitted by LNR were actually spent by LNR in connection with the development of the Base. In the event LNR and the Corporation cannot agree upon the Neutral Third Party within such ten (10) day period, LNR and the Corporation shall each promptly appoint an independent certified public accountant, which accountants shall, within ten (10) days of the date the last of the independent accountants is selected, select the Neutral Third Party. The Neutral Third Party shall review all materials submitted by LNR to the Corporation in connection with the LNR Expenditures, shall gather any such additional information he or she deems necessary and, within thirty (30) days of his or her selection, shall determine in writing the amount of the LNR Expenditures. The written determination of the Neutral Third Party shall be binding upon LNR and the Corporation. In determining the amount of the LNR Expenditures, the Neutral Third Party may only consider whether a particular expenditure by LNR was actually made in connection with the development of the Base. The expenses related to the Neutral Third Party shall be borne equally by LNR and the Corporation.

2.4 Compliance With Usury Laws. This Agreement is hereby expressly limited so that in no contingency or event whatsoever shall the interest rate applicable to the LNR Reimbursement Amount exceed the maximum permissible under applicable law. As used herein, the term “applicable law” shall mean the law in effect as of the Effective Date, provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Agreement shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Corporation and LNR in the execution, delivery, and acceptance of this Agreement to contract in strict compliance with the laws of the Commonwealth of Massachusetts from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limit of such validity.

SECTION 3. MORTGAGE

Promptly following the Effective Date, the Corporation shall cause to be recorded the DDA Mortgage in favor of LNR, which shall secure the payment of the LNR Reimbursement Amount and shall encumber the FOST 1 Parcel and the FOST 2 Parcel (the “**FOST 1 and FOST 2 Mortgage**”). To the extent all or any portion of the FOST 3 Parcel, the CDR Parcel, or the Excess Federal Land is acquired by the Corporation (but only to the extent LNR delivers the Election Notice under Section 3.3 of the DDA with respect to the Excess Federal Land), promptly following the recording of a deed or deeds or other instruments conveying any such property to the Corporation, the Corporation shall cause to be recorded another DDA Mortgage (or an amendment(s) to the FOST 1 and FOST 2 Mortgage) in favor of LNR, encumbering the FOST 3 Parcel, the CDR Parcel, and the Excess Federal Land (but only to the extent LNR delivers the Election Notice under Section 3.3 of the DDA with respect to the Excess Federal Land) (collectively with the FOST 1 and FOST 2 Mortgage, the “**Mortgage**”). The property subject to the Mortgage is referred to herein as the “**Mortgaged Property**.” Any rights granted to LNR under this Agreement shall be cumulative with any rights granted to LNR pursuant to the Mortgage. If the Corporation fails to pay the LNR Reimbursement Amount on or before the dates required by Subsection 2.1 herein, and such failure continues for ten (10) days after written notice thereof to the Corporation, then at LNR’s sole option, LNR shall be entitled to foreclose the Mortgage by exercising the statutory power of sale. LNR’s failure to provide such written notice at the earliest possible date provided in this Section 3 shall not constitute a waiver of LNR’s rights under this Agreement, including LNR’s right to provide such written notice to the Corporation at a later date. The FOST 1 and FOST 2 Mortgage shall only be subject to those matters of record as of the effective date of the DDA. With respect to the FOST 3 Parcel, the CDR Parcel, and the Excess Federal Land, the Mortgage shall only be subject to those matters of record as of the date the Corporation acquires the FOST 3 Parcel, the CDR Parcel and the Excess Federal Land, respectively, from the Navy.

SECTION 4. FULL RECOURSE OBLIGATION

4.1 Primary Remedy. In the event the Corporation fails to pay the LNR Reimbursement Amount timely as provided in Subsection 2.1 above, LNR’s initial, but not exclusive remedy, which LNR shall have the right but not the obligation to pursue in LNR’s sole discretion, shall be to exercise its rights under the Mortgage.

4.2 Full Recourse. The obligations of the Corporation to pay the LNR Reimbursement Amount are full recourse, and the Corporation hereby guarantees full repayment of the LNR Reimbursement Amount. Therefore, in the event the net proceeds available to LNR as a result of LNR’s exercising its rights under the Mortgage are less than the LNR Reimbursement Amount, LNR may pursue any and all remedies available under law and equity to ensure that LNR receives the full LNR Reimbursement Amount. For purposes of this Subsection 4.2, “net proceeds” shall be equal to (a) the amount bid and paid by a third party as a result of a foreclosure of the Mortgaged Property; or (b) in the event the foreclosure process results in LNR’s owning all or any portion of the FOST Parcels or the CDR Parcel, the appraised value of the property so acquired by LNR, as determined by a qualified appraiser jointly selected by LNR and the Corporation. In the event the parties cannot mutually agree on an appraiser, the parties shall each select one appraiser, which appraisers shall jointly select an appraiser to

determine the value of such Mortgaged Property acquired by LNR. The appraisal costs shall be shared equally by LNR and the Corporation. For purposes of this Subsection 4.2, the amount of "net proceeds," regardless of whether calculated pursuant to (a) or (b) above, shall be calculated after deducting the reasonable third party out-of-pocket expenses incurred and paid by LNR pursuant to Section 15 of the Mortgage. In no event, however, shall any officer, director, employee, agent, or representative of the Corporation, in his/her/its individual capacity, be liable for repayment of the LNR Reimbursement Amount.

SECTION 5. DEVELOPMENT OF THE FORECLOSED PARCELS

5.1 Limitation on Operation of this Section. This Section 5 shall be operative only if LNR acquires any or all of the Mortgaged Property (the "**Foreclosed Parcels**") as a result of foreclosing the Mortgage and exercising the statutory power of sale.

5.2 Development. It is the intent of the parties that LNR shall have the right to develop the Foreclosed Parcels in substantial conformance with the Reuse Plan adopted by the Towns of Abington, Rockland, and Weymouth, effective as of March 1998 (the "**Reuse Plan**"), as it may be amended, provided that the Corporation shall not amend the Reuse Plan without LNR's prior written consent, which consent shall not be unreasonably withheld or delayed.

5.3 Good Faith Processing. The Corporation agrees to process expeditiously all applications and permits to grant LNR a vested right to develop the Foreclosed Parcels pursuant to the Reuse Plan, as it may be amended, in order to fulfill the objectives of the parties as set forth in this Agreement. The Corporation further agrees to assist (but without expense to the Corporation) in securing any and all approvals required by other governmental entities to develop the Foreclosed Parcels.

5.4 Development Fees. Any permit fees, exactions, and similar financial obligations imposed on LNR in connection with the development of the Foreclosed Parcels shall be consistent with those in place in the host communities and surrounding communities, or as otherwise provided in the DDA.

SECTION 6. REPRESENTATIONS AND WARRANTIES

6.1 Corporation's Representations and Warranties. The Corporation represents and warrants to LNR, to the best of the Corporation's knowledge, that:

6.1.1 Authority of Corporation. This Agreement is (i) is duly authorized, executed, and delivered by the Corporation; (ii) is the legal, valid, and binding obligation of the Corporation; and (iii) does not violate any provisions of any agreement, law, or judicial order to which the Corporation is a party or to which the Corporation is subject. All documents executed by the Corporation which are to be delivered to LNR pursuant to this Agreement (i) will be duly authorized, executed, and delivered by the Corporation; (ii) will be legal, valid, and binding obligations of the Corporation; and (iii) will not violate any provision of any agreement, law, or judicial order to which the Corporation is a party or to which the Corporation is subject.

