Archstone Smith
Sellco Floating Rate Pool
Term Sheet
September 5, 2007

Borrowers: Single purpose entities ultimately owned and controlled by post-merger Archstone-Smith.

Seller and Lenders: Lehman Brothers Holdings Inc. (the "Seller") will sell at par to Freddie Mac the mortgages (the "Mortgages") made by the Borrowers and secured by the Properties listed below, no later than 30 days from closing. At the Seller's option, the Mortgages may be originated by the Seller, Banc of America Strategic Ventures, Inc., and Barclays Real Estate Capital, Inc. (collectively, the "Lenders"), and assigned to the Seller; provided, however, that (i) the Seller, not the Lenders, must assign the Mortgages to Freddie Mac, (ii) the Seller must make all of the representations and warranties required by Freddie Mac in the Seller's capacity as a Special Structured Transaction Seller, and (iii) except for the foregoing differences with respect to the process of origination and documentation of the Mortgages, Freddie Mac shall be entitled to consider the Seller to be the "Seller" in all respects for purposes of the Mortgages.

Mortgage Amount: Seller may select one of the options listed below, where the underwritten debt service coverage ratio is based on an interest rate that includes a fixed swap rate of 4.98% (or less) plus a mortgage and servicing spread as described below. The debt service coverage ratio would be equal to a loan amount based on Freddie Mac's determination of a Net Operating Income, as described herein.

Option A: A maximum total commitment amount equal to 55% of Total Costs and a minimum interest only DCR of 1.25x. The DCR is calculated on all of the properties in the pool. "Total Costs" includes the allocated purchase price of the Properties based on the number of units and the costs of the transaction subject to Freddie Mac's reasonable approval (including financing fees being paid to Lenders.)

Option B: A maximum total commitment amount equal to 60% of Total Costs and a minimum interest only DCR of 1.15x.

Net Operating Income Freddie Mac will determine Net Operating Income (NOI), based on Freddie Mac's analysis, which shall include such things as actual or market: income, vacancy, collection expense, expenses, and real estate taxes (adjusted to recognize the sale). NOI must also include a deduction for replacement reserves of $250 per unit per year. (The replacement reserve will be underwritten but not be collected.)

Debt Service Reserve A debt service reserve will be required for those individual Properties that are below their stabilized occupancy due to being a new acquisition or construction; Freddie Mac will underwrite using stabilized rents for these properties. Should the difference between actual rents and stabilized rents generate a NOI that results in the DCR being below 1.0x, a debt service reserve will be required. The amount of the reserve will be an amount sufficient to equal 110% of the amount necessary to achieve a 1.0x DCR for the expected shortfall period, based on current monthly leasing rates.

	The balance of the reserve will be released when the property generates a 1.0x DCR for six months based on actual income and expenses, as underwritten by Freddie Mac. Notwithstanding the foregoing, in lieu of cash, Borrower may post a letter of credit acceptable to the Lender. Freddie Mac may also accept, subject to Freddie Mac's reasonable judgment, that sufficient un-drawn capacity exists under the revolving credit facility under the Bank Debt (described herein), to draw funds as needed from the Bank Debt to pay for debt service shortfalls during the term of the Loan.
Properties:	21-multifamily properties comprising 6,824 units located throughout the United States (the "Property"). The properties include Archstone Terracina, 736 units, Archstone Woodsong, 262 units, Archstone Agoura Hills, 178 units, Archstone Long Beach, 206 units, Oakwood Village, 191 units, Archstone Stamford, 160 units, 180 Montague, 192 units, Palms at Carmel Valley, 168 units, Parkway Plaza, 113 units, Archstone Monterey Grove, 224 units, Archstone San Jose, 948 units, Archstone Sausalito, 198 units, Archstone Canyon Creek, 336 units, Archstone Canyon Creek II, 222 units, Archstone Redmond Hill, 774 units, Archstone Redmond Hill, 108 units, Archstone Delray Beach, 196 units, Westchester at Clairmont, 298 units, Archstone Memorial Heights, 616 units, Archstone Woodland Park, 392 units, and The Flats at Dupont Circle, 306 units.
Security:	Cross-collateralized/defaulted first mortgage liens on Borrower's fee and/or leasehold interest (as applicable) in the Properties.
Term:	Five year term.
Underwriting Interest Rate:	The underwriting interest rate shall be a certain number of basis points (the "Spread") above the fixed swap spread of 4.98%, depending on the Option selected and the Servicing fee negotiated.
Mortgage Spread:	Option A: The net Spread would be 68 bps. Option B: The net Spread would be 94 bps.
Base Rate	The base rate will be the 30 day Libor rate.
Spread Lock	Upon acceptance of these terms, Seller will be required to select an Option and lock its Mortgage Spread with Freddie Mac. Spread lock must occur within the list of dates set out below. A Good Faith Deposit (the "GFD") must be posted with Freddie Mac as per the Early Spread Lock Agreement.
Good Faith Deposit	A Good Faith Deposit of 1% of the total Mortgage amount is required to complete the Spread Lock. The GFD can be paid by issuance of a Letter of Credit by an A-rated institution, by establishing an escrow, or issuance of a guaranty in form and substance acceptable to Freddie Mac from entities acceptable to Freddie Mac. A minimum of $1,000,000 of the GFD must be in the form of cash. The GFD will be refunded after purchase by Freddie Mac.
Mortgage Fees and Costs	Freddie Mac will charge a mortgage fee of 2bps. This fee is required and earned at Spread lock and is not refundable. Freddie Mac will bill the Seller for Freddie Mac's Legal Fees, currently expected to be around

$20,000 and will be due at loan purchase from the Seller and deducted from the returned GFD.

Costs

The Seller will bear all other reasonable costs of closing the transaction, including producing all third party reports usually necessary for Freddie Mac to purchase a mortgage. Freddie Mac shall review the existing draft third party reports as soon as possible to determine if the form and scope are acceptable.

Interest Rate Protection:

Borrower shall be required to purchase and assign to Freddie Mac one or more interest rate swaps for the first three years of the term with a strike price or fixed rate payment obligation of not greater than 4.98% (in the event the strike price is greater than 4.98%, Freddie Mac shall have the ability to reduce loan proceeds to the extent DCR is impaired). The swap notional amount must be at least equal to the size of the mortgages.

After the expiration of the swap, the Borrower shall be required to purchase an interest rate cap with a strike price, when combined with the Spread, shall result in a DCR of equal to or greater than 1.15x for Option A, or 1.05x for Option B based on Freddie Mac's underwriting of the NOI at such time. Or the Borrower can purchase a swap or a fixed rate payment obligation which, when combined with the Spread, shall result in a DCR equal to the DCR required initially for the Option selected.

For all swaps, caps and letters of credit the counterparty must maintain a AA- rating on senior unsecured debt from two of three rating agencies during the applicable loan term. Notwithstanding the foregoing, rated affiliates of Lehman Brothers, Banc of America and Barclays Capital shall be pre-approved as swap and cap counterparties, and letter of credit issuers, so long as no rating downgrade occurs to each of the respective parties.

Cap Escrow

An escrow will be established one year prior to current swap maturity, where the Borrower will deposit an equal monthly amount of the funds necessary to purchase a replacement cap at its expiration. The escrow will be used to purchase an interest rate cap at the expiration of the current swap, expected at the third anniversary of the financing.

Notwithstanding the foregoing, in lieu of cash, Borrower may post a letter of credit acceptable to the Lender. Freddie Mac may also accept, subject to Freddie Mac's reasonable judgment that sufficient un-drawn capacity exists under the revolving credit facility under the Bank Debt (described herein), to draw funds as needed from the Bank Debt to pay for the replacement cap discussed above during the term of the Loan.

Amortization:

None.

Prepayment and Spread Maintenance:

Spread maintenance required for the first year. However, up to 10% of the Mortgage Amount maybe prepaid without spread maintenance if prepayments occur in connection with asset sales after the first six months of the loan.

Any prepayments within the first year in excess of 50% of the original loan amount will require payment of a 1% exit fee on the amount prepaid in addition to the spread maintenance.

Servicing

Seller will select a Program Plus Seller/Servicer in good standing, who is also acceptable to Freddie Mac, to service the portfolio. The Servicer must be paid a servicing spread that will ensure adequate servicing as determined by Freddie Mac. This spread is not included in the Spreads discussed

	elsewhere in this term sheet.
Seller Status	Seller will agree to provide documents necessary to renew its standing as a Structured Transaction Seller. There will be no fee for this process.
Releases:	Borrower shall be able to obtain releases of Mortgages (i) upon paydown of 110% of the Allocated Loan Amount and subject to the DCR interest only not being less than the greater of (i) the DCR (interest-only) at closing and (ii) the DCR (interest-only) immediately prior to the release and the LTV not being greater than the lesser of (i) the LTV at closing and (ii) the LTV immediately prior to the release. No fee is required. OR (ii) upon paydown at par, provided Freddie Mac re-underwrites the balance of the pool to meet the following DCR/LTV requirements: 1.30x/55% DCR/LTV interest only for Option A, or 1.20x/60% DCR/LTV interest only for Option B. Freddie Mac would charge a fee of $5,000 per asset underwritten.
Substitution:	Freddie Mac will allow no more than three properties to be substituted during the term of this loan. Each substituted properties must be of equal or better value and generate equal or better cashflow, as determined by Freddie Mac. The substitution must be as the result of an existing pool property being sold, movement of an asset between Holdco and Sellco. Freddie Mac will charge a fee of 25bps of the mortgage amount substituted.
Mortgage Documents	Freddie Mac intends to use previously negotiated documents between Archstone-Smith and Freddie Mac so long as such modifications do not conflict with the terms set forth in this Term Sheet or any Commitment issued by Freddie Mac in connection with the Mortgages. In addition, if applicable, such modifications will be revised to conform to Freddie Mac's required form of loan documents as of the date of this Term Sheet and otherwise negotiated in good faith.
Recourse:	Non-recourse, except for standard carve-outs, as negotiated, that will run only to the Archstone Smith Operating Trust or an equivalent parallel corporate entity acceptable to Freddie Mac, but not to Lehman Brothers, Tishman Speyer, or any of their respective direct or indirect members, shareholders, partners, managers, directors, officers, agents of employees.
Transfers:	Upper tier transfers of ownership interests in the borrowers to commonly controlled affiliates shall be permitted. Transfers of ownership interests shall be permitted provided that either Tishman Speyer or Lehman Brothers maintains operational control of Archstone Smith and Tishman Speyer and/or Lehman Brothers (and/or their respective affiliates) maintain a minimum equity investment of not less than 9.8% of the equity in Archstone Smith post merger. Transfer/Assumption of the entire pool of Properties shall be allowed subject to Freddie Mac criteria for loan assumptions to be negotiated in the Loan Documents.
Mezzanine and Other Financing	Mezzanine financing (the mezzanine borrower shall not be the mortgage borrower) secured only by direct and/or indirect ownership interests in the mortgage borrower, up to an amount not to exceed 70% of Total Costs or a

0.80x combined DCR (assuming Libor plus 375bps) based on an interest only payment, and subject to a mutually acceptable intercreditor agreement between Freddie Mac and the mezzanine lender. The mezzanine lender must be a Qualified Institutional Buyer with real estate ownership or lending experience commiserate with the size of this transaction. All funds generated by the purchase of the mezzanine loan must be used to pay for the merger transaction concerning the subject properties. The interest payment must be required to be made monthly and not accrued.

Archstone-Smith Corporate Term Loan and Revolving Credit Facility (currently estimated to be $[3.5] billion and $[750] million, respectively) secured by assets other than the Properties securing the Mortgage Loans, and by direct and/or indirect ownership interests in the mortgage borrowers (together, the "Bank Debt") subject to a mutually acceptable intercreditor agreement between Freddie Mac and the holder of the Bank Debt.

Calendar

Term Sheet Acceptance by Wednesday, September 5.

Execution of a Freddie Mac Early Spread Lock Agreement and Spread Lock no later than September 6, 2007 and receipt of the GFD and Fees on September 7, 2007, as per the Spread Lock Agreement.

Full Package Delivery Required by September 10th. Inspections of properties will occur by September 21th. Inspections by Freddie Mac personnel are required to issue commitments.

Commitments issued by Freddie Mac by September 28th

Freddie Mac recognizes that time is of the essence for this transaction. If accepted, we will use the resources necessary to meet the closing date of October 5, 2007. Our ability to meet the closing date is contingent on Seller's timely delivery of all necessary documents, including third party reports, borrower statements, title documents, and Seller status renewal. We look forward to completing another transaction in our two firms' long relationship.

The terms set forth herein were calculated effective as of September 5, 2007 and will remain in effect until September 5, 2007. If Seller fails to lock the spread on September 6, 2007, Freddie Mac may recalculate one or more of the terms set forth above.

Notwithstanding anything to the contrary contained in this letter, Freddie Mac and Seller are not under any obligation to consummate any transaction in connection with the Mortgages and neither party has reached an agreement on any terms with respect to the proposed transaction. Freddie Mac or Seller may terminate the negotiations for the purchase of the Mortgages at any time and for any reason prior to the acceptance of a spread-lock agreement.

This term sheet does not constitute a contract or an agreement to purchase or sell the Mortgages, or an offer by Freddie Mac to purchase the Mortgages. Freddie Mac can only make an offer to purchase the Mortgages or enter into a contract for the purchase of the Mortgages after Seller has furnished to Freddie Mac the documentation and fees described in this term sheet and such additional information or documentation as Freddie Mac may request.

For Freddie Mac:

By: MWKoff
Name:
Title: VP
Date: 9/5/07

For Lehman Brothers Holdings Inc.:

Option Selected: ______________________

By: ______________________
Name:
Title:
Date: ______________________

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For Freddie Mac:

By:______________________________
Name:____________________________
Title:_____________________________
Date:_____________________________

For Lehman Brothers Holdings Inc.:

Option Selected: _______________________

By: Charlene
Name: CHARLENE THOMAS
Title: AUTHORIZED SIGNATORY
Date: 9/5/07