

From: Niebuhr, John J [jniebuhr@lehman.com].

Sent: 4/26/2008 9:21 PM.

To: Tonucci, Paolo [paolo.tonucci@lehman.com]; Gilhool Jr, Francis [fgilhool@lehman.com]; Walsh, Mark [mawalsh@lehman.com]; Hughson, Paul A [phughson@lehman.com].

Cc: Cyrus, Keith [keith.cyrus@lehman.com]; Fritzing, Jeffrey [jfritzin@lehman.com].

Bcc:

Subject: Re: Archstone Update.

Will do.

Sent from my Comstar Wireless Handheld (www.comstarinteractive.com)

----- Original Message -----

From: Tonucci, Paolo

To: Gilhool Jr, Francis; Walsh, Mark; Hughson, Paul A; Niebuhr, John J

Cc: Cyrus, Keith

Sent: Sat Apr 26 09:23:58 2008

Subject: Re: Archstone Update

I don't think the action would have any impact on our corporate rating. They are up to speed on the entire position on the corporate side and the rating of the loans are not particularly significant in their view.

In terms of financing, having a lower rating makes it more challenging to put in any structure. Better to have a private rating than nothing.

Would like to avoid a press release in either case. I think it is going to be better for John to use his contacts than for me to try and get the corporate team to help, but let me know if you want me to try.

Let me know how you get on with them on Monday, so we can prepare for any attention this gets.

Paolo

----- Original Message -----

From: Gilhool Jr, Francis

To: Walsh, Mark; Hughson, Paul A; Niebuhr, John J

Cc: Cyrus, Keith; Tonucci, Paolo

Sent: Sat Apr 26 07:59:02 2008

Subject: Re: Archstone Update

Yes, but we intend to maintain a private rating to ensure financing going forward. Even if we pulled the rating, the issue we are dealing with is that S&P has indicated that it is their policy to update the rating with a press release prior to going private or being pulled. As you and I discussed, we have spoken to the analyst about not doing that given (1) the debt had not been syndicated (it was never public), (2) in addition to the potential for a significant asset sale that would put us in-line with our original asset sale projections and (3) to commit to not selling the debt without going back to S&P -- the response back was that the rating would be downgraded

even with that new information/commitment. In an effort to prevent that outcome, I have asked John to help with a call into the senior relationship person at S&P to request that they do not make a press release given this unique situation. What we are now weighing is John's concern that this might bring a focus on Lehman's rating Vs our strong desire to have the rating go private quietly.

Francis X. Gilhool, Jr.
Managing Director
Global Real Estate Group
Lehman Brothers Inc.
399 Park Ave.
New York, NY 10022
Tel 212 526 6970 Fax 646 758 5334
Cell 917 930 5315

----- Original Message -----

From: Walsh, Mark
To: Hughson, Paul A; Gilhool Jr, Francis; Niebuhr, John J
Cc: Cyrus, Keith; Tonucci, Paolo
Sent: Fri Apr 25 19:59:58 2008
Subject: Re: Archstone Update

Frank can we still withdraw the r ating?

Sent from my BlackBerry Handheld.

----- Original Message -----

From: Hughson, Paul A
To: Gilhool Jr, Francis; Niebuhr, John J
Cc: Cyrus, Keith; Walsh, Mark; Tonucci, Paolo
Sent: Fri Apr 25 19:41:00 2008
Subject: Re: Archstone Update

S and P knows all about ASN as it relates to LB's rating-but we should circle up with Paolo on this re implications of a downgrade/withdrawal on our ability to finance-with a B rating we can still get leverage in our cdo's without a rating it makes it much more difficult to finance-although we can certainly give s and p and moody's sufficient info to shadow rate- bottom line is that we should reach out to Paolo and Mark, but my instinct is the benefit from keeping this a private rating -i.e. Not another andrew barry or wsj article outweigh's any corporate scrutiny we get as we are already being scrutinized, but that's just my view-

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Gilhool Jr, Francis
To: Niebuhr, John J; Hughson, Paul A
Cc: Cyrus, Keith
Sent: Fri Apr 25 18:09:26 2008
Subject: Re: Archstone Update

We gave them sufficient detail and an update on potential sale. The NY sale is the best possible good news and we already told him about it and specifically asked if he could delay his rating until we knew more on it. He said no to that. We spun him the best story possible. Nothing to add.

To your second question, none of this helps, but the debt has full flex -- the implication is more on the equity.

Paul, what conversations have been had with S&P regarding Archstone -- we are requesting that they not make a public release on the downgrade based on the fact that the debt never made it into the hands of the public. John (see below) has brought up a good question, in that if we reach out to senior management at S&P, are we putting a bright light on them looking into the impact this would have on Lehman?

Francis X. Gilhool, Jr.
Managing Director
Global Real Estate Group
Lehman Brothers Inc.
399 Park Ave.
New York, NY 10022
Tel 212 526 6970 Fax 646 758 5334
Cell 917 930 5315

----- Original Message -----

From: Niebuhr, John J
To: Gilhool Jr, Francis
Sent: Fri Apr 25 17:49:35 2008
Subject: Re: Archstone Update

Yes, they need to go through a committee process. Is there any follow-up information they requested? Is there anything we can send at the last minute to ask them to factor into their meeting? Anything more substantial on the NY asset sale? We'll reach out to our contact first thing, but timing will be close.

If they do downgrade, does that have implications for our mark on the debt we hold? What would that be? By alerting senior people to this, we may draw unnecessary attention to our own rating.

Sent from my Comstar Wireless Handheld (www.comstarinteractive.com)

----- Original Message -----

From: Gilhool Jr, Francis
To: Fritzing, Jeffrey
Cc: Niebuhr, John J; Cyrus, Keith
Sent: Fri Apr 25 17:39:55 2008
Subject: Re: Archstone Update

What is the procedure...they won't make a press release without going to committee -- and hopefully, that will give us time to follow up?

Francis X. Gilhool, Jr.

Managing Director
Global Real Estate Group
Lehman Brothers Inc.
399 Park Ave.
New York, NY 10022
Tel 212 526 6970 Fax 646 758 5334
Cell 917 930 5315

----- Original Message -----

From: Cyrus, Keith
To: Fritzingler, Jeffrey; Gilhool Jr, Francis
Sent: Fri Apr 25 17:34:38 2008
Subject: Re: Archstone Update

Monday

----- Original Message -----

From: Fritzingler, Jeffrey
To: Gilhool Jr, Francis; Cyrus, Keith
Sent: Fri Apr 25 17:25:22 2008
Subject: Re: Archstone Update

What did SP say abt going to cc at the end of the call.

Sent from my BlackBerry Handheld.

----- Original Message -----

From: Gilhool Jr, Francis
To: Fritzingler, Jeffrey; Cyrus, Keith
Sent: Fri Apr 25 17:11:28 2008
Subject: RE: Archstone Update

I haven't spoken to them. Keith, do you know?

-----Original Message-----

From: Fritzingler, Jeffrey
Sent: Friday, April 25, 2008 5:07 PM
To: Gilhool Jr, Francis
Subject: Re: Archstone Update

Did they say when the PR would go out.

Sent from my BlackBerry Handheld.

----- Original Message -----

From: Gilhool Jr, Francis
To: Niebuhr, John J
Cc: Fritzingler, Jeffrey
Sent: Fri Apr 25 16:40:35 2008
Subject: RE: Archstone Update

Thanks John.

-----Original Message-----

From: Niebuhr, John J
Sent: Friday, April 25, 2008 4:40 PM
To: Gilhool Jr, Francis
Cc: Fritzingler, Jeffrey
Subject: Re: Archstone Update

Perhaps, let me discuss with Jeff first. We'll get back to you.

Sent from my Comstar Wireless Handheld (www.comstarinteractive.com)

----- Original Message -----

From: Gilhool Jr, Francis
To: Niebuhr, John J
Cc: Fritzingler, Jeffrey
Sent: Fri Apr 25 15:48:48 2008
Subject: Archstone Update

John,

Jeff has followed up with George at S&P, who said he will follow up on our request to withdraw the public rating without a press release. Based on my conversations with Jeff, we thought it might also be helpful if we could discuss this at a more senior level at S&P. If you agree, is there a senior contact that you might reach out to at S&P to see if they could assist in reviewing our request?

Francis X. Gilhool, Jr.
Lehman Brothers
Managing Director
Global Real Estate Group
399 Park Avenue, 8th Floor
New York, NY 10022
Office: 212-526-6970 Fax: 646-758-5334
Mobile: 917-930-5315