

MONTHLY RESULTS (ED GRIEB)

- July monthly revenues were slightly below the 07 avg, at \$1.6 billion, and Ed said that August was anyone's guess. That said, he still expected the quarter to be in the \$4.5 to \$5 billion range.
- July was reasonably strong – while FID was down, customer flow in equities was very strong.
 - FID: credit markets were down 70% (HY and CDOs) while LMP was strong. Securitized products earned \$81 million on the back of ABX positions. Securitization volumes were light at \$12 billion during the month. \$3.9 billion was originated (versus \$5 billion average month). RE revenues were up from a few asset sales and CMBS. In addition to the \$500 million write-down on acquisition facilities that we discussed before, there was a \$500 million gain on Lehman structured notes as their own spreads widened. Apparently this stuff, a BS liability, is fair valued under FAS 157. The gains will all have to be reversed out when the notes pay off. Income from this flows into the “principal transactions lines.” Into August, this had already generated a \$60 million MTM gain.
 - Banking: reasonably good, with Blackstone and Hilton leading the way. Equity origination was strong (Man Financial) while debt origination was off.
 - IM: AUM increased to \$270 billion in August, but Ed expects that number to be down slightly in August. PIM posted strong revenues. In addition, Ed expects a MTM loss on the DE Shaw incentive fees as they were hurt along with the other quant funds. They did not yet have a sense of the magnitude of that loss.
 - GPS was struggling over the last month, with \$100 million in losses in July and \$150 million so far in August.
- LBI (Tony Stucchio): SPG within the B-D took \$400 million in losses, which was offset by gains in LBSF (which is actually a sub of LBI). This led to what looks like negative net revenues of \$212 million, although there is also \$111 in equity in subs which I believe is the LBSF contribution. We discussed how this might affect the NYRO's exam of subprime securities in the B-D.
- LHI: capital is down \$300 million (?reflects a \$130 million intercompany receivable from LBIE).
- Regulatory issues: OTS began their 2007 exam, and bestowed upon Lehman the title of Complex International Organization (CIO). This means that rather than coordinate the audits regionally, they will now run through DC, with an increased staff focus on the holding company (their contact is Joe Donohue). They were asking lots of questions around private equity, where Lehman wanted to push back due to our work in this space. Also, OTS mentioned putting someone onsite 24/7, which also didn't go over that well. NYRO started its exam on Monday, focusing on documentation,

collateral management, etc. They expected to be there for around 3-4 weeks. The IDA approved LB Canada, which should be up and running in late August, and Lehman was talking later in the day of the meeting with the GAO about their subprime investigation.

CREDIT RISK (VINCE DIMASSIMO, STEVE SIMONTE)

Counterparty Credit Exposure

- Lehman does not have material credit exposure to the mortgage originators that have been facing liquidity problems. They do have some derivatives activity with Countrywide (CE? PE?). As of 7/31, Thornburg had \$37m in CE and \$58m in PE. Thornburg is reducing its portfolio, and has sold \$10bn of securities of \$30bn in assets. Whole loans cannot be disposed of quickly. Lehman provided \$500m of repo financing on AAA-rated collateral. Thornburg also has a large swap portfolio, which had been unwound as of the date of our meeting. Lehman had posted \$44m in collateral, with a MTM of \$31 million, so currently Thornburg owes Lehman \$12m resulting from the overcollateralization. They have an ad-hoc agreement in place where any excession on the swap can be used to cover the repo exposure if needed.
- Another name in the news is Sentinel, a leveraged cash fund who has suspended redemptions. They had repo-ed illiquid high grade corporate bonds while allowing daily redemptions (the classic problem). They have outstanding margin calls to Lehman in the amount of \$19 million. Lehman's exposure was basically flat when taking into account the haircuts (which ranged between 5 and 20%).
- Lehman has seen an increase in margin disputes, coming from two sources. First, there has been back and forth on valuations of illiquid products, especially from counterparties in distress. Lehman stands ready to defend the book, in litigation most likely, by clearly documenting their marks. They do use the same marks internally as they use for their counterparties. Steve mentioned that Basis in particular has been very hostile. As an aside, Steve mentioned that they have been succesful in getting counterparties with margin calls to work with them to sell down their positions. In working with Lehman to liquidate the positions, the counterparties get the force of the Lehman sales force behind the sale. Second, there have been large disputes with other dealers resulting from operational issues stemming from reconciliation breaks. This is not necessarily a new problem, but exacerbated by recent increases in volumes.
- CE and PE both increased significantly over the month. CE rose from \$34.2bn to \$37.1bn, and PE rose from \$110bn to \$118.9bn. The increases were caused by recent increases in market volatility as well as some new activity in the NIG space. This is seen clearly by the Berkshire Hathaway (BH) exposure to long-dated vol which saw PE rise to \$1.8bn from \$1.3bn and CE double from \$536m to \$1.02bn due to both market levels as well as some new business. BH sells ATM puts, and Lehman hedges the credit risk mtm as it can, but BH is not a particularly liquid name in the CDS space. (bought equity tranches on ABS? – I think that they made some remark about this being like equity tranches of a synthetic CDO – selling protection here?)

- IHOP is a new name on the top NIG list, with a CE of \$35m and PE of \$146m. The exposure comes from a 5-year deal-contingent interest rate swap in conjunction with IHOP's acquisition of Applebee's. Linn Energy has PE of \$497m (no CE). They have hedged their production from gas and oil wells to lock in cash flows.
- GSAM's Global Alpha fund has CE of \$38m and MPE of \$56m (PLC) and \$44m MPE (LP). Lehman has comfort in the fact that they are invested in liquid assets and would thus be able to unwind if needed. Steve commented that one of Lehman's largest clients recently unwound several billion dollars in 1-2 days (think it was Tyhke), so pockets of liquidity still exists.

Leveraged Finance

- Lehman continues to go back to sellers to rework deals in hopes of getting the terms acceptable to investors. The dialogue involves all aspects of the deals – pricing, covenants, and structure. A significant example is that all the banks involved with Home Depot Supply (\$3.317bn) are working on a complete restructuring.
- Joe Li gave us some market color. There has been more volatility in index markets, with the HY index down 4.2% and HG 24bp wider. CDX and iTraxx have widened 70-100% due to technicals as the index is being used as a macro hedge. In general, single names are not moving as much as the indices, although the monoline spreads have widened significantly. Liquidity on single names has dried up, especially in certain tranches such as equity, which has underperformed in August. Joe also noted that EM had outperformed in July, with good liquidity in the high beta names (e.g. Turkey) than in corporates.
- Joe also spoke about the muni market. Lehman is long munis hedged with treasury, thus they are a net seller of protection. The corporate spread widening has spread to the muni market. For AAA-rated CDS, sellers of protection had been getting 3-5bp and are now at 9-10bp. They have seen a flight to quality impacting treasury spreads and thus hitting them on the basis risk. The desk has an ABX position as a macro hedge.
- Vince gave us a new reporting package that breaks out deals by IG/NIG and Mandated versus Funded. The pipeline of commitments for leveraged debt currently stands at \$30.873bn, of which \$22.356bn is bank debt, \$7.417bn are bonds, and \$1.1bn are bridge equity commitments. Compare that number to the pipeline at the end of the 2Q which was \$43bn. The bridge equity commitments include First Data (\$250m), Harman (\$350m), and TXU (\$500m). Currently, Lehman has funded \$4.097bn, including \$3.351bn in bank debt and \$746m in bonds. The largest funding was for Allison Transmission (\$1.05bn, [get more detail](#)). ACTS (\$674m) is expected to close next week and will be funded. The deal consists of first and second lien bank debt, and they have found an investor who has agreed to take down the second lien. USIS (\$816m) is also expected to close soon and will be funded, after being repriced 50bp. Deals continue to be pushed back into late September/mid-October.
- On the high grade debt side, Lehman's commitment stands at \$15.224bn, of which \$360m is bank debt, \$13.903bn are bonds, and \$961m is equity (Imperial Tobacco). Four deals have been funded for a total of \$2,282m, including \$1,833m for IBM

International Group for a stock buyback, with permanent financing expected shortly. The largest commitments include GlobalSantaFe/Transocean (\$5.1bn) in a merger of equals, Imperial Tobacco (\$4.799bn), and Home Depot (\$2.5bn). The Home Depot deal is for share buybacks, and the sale of Home Depot Supply discussed earlier is to support the share buyback.

- The real estate pipeline stands at \$36.899bn, the largest of which is Archstone at \$10.549bn. Contrary to press reports, Lehman is not considering cancelling the deal, and they expect to settle in October. Fannie has been brought in to purchase \$7bn of the senior debt, as Fannie is one of the largest players in the multi-family housing market. They are working on syndicating the bridge equity (\$1.088bn in bridge equity, along with \$250m of permanent equity). Also, there is no longer talk of bringing DE Shaw in. CMBS levels continue to be wide, although some deals are getting done. They did a securitization of the Coeur Defense building. 50% of the senior loans were sold to Goldman. The remaining pieces were securitized (Windermere) and the bottom pieces (BBB and below) were sold, then they pulled the deal from the market (the A through AAA pieces) because of pricing levels, although they noted that the deal was still profitable. Lehman has several projects in the works in Europe, especially Italy and Germany, and almost everything is closed at this point except Archstone and 2 Italian deals.
- We asked about Lehman's use of monolines. Lehman expressed comfort with XL, in spite of the fact that they do not post margin. Their view was that it was better to have protection from a monoline than not to have any protection, and even if XL went away, Lehman would be happy to hold the assets.
- Additional credit items on the firmwide risk includes:
 - Credit exposure to ACA from four trades where Lehman has purchased protection (one on a super senior tranche of an ABS CDO and three on synthetically created AAA tranches backed by the ABX). CE is \$103m but the desk has reserved \$68m of that P&L and MPE is \$160m. This does not take into account \$276m of hedges where Lehman bought protection on other ABS CDOs.
 - United Rentals is a \$6.45bn acquisition financing for Cerberus' bid for the company. Financing package is \$6.45bn, comprised of \$1.5bn revolver, \$1bn ABL (Q), \$2.35bn second lien notes, and \$1.65bn senior notes. Lehman was asked to commit to 25% but expects to commit to no more than 15% of the deal (\$968m)
 - Structured Products Hedge Fund Risk: Highland Special Opportunity Master Fund, Lehman exposure \$3.1m repo vs. \$4m MH ABS; Horizon/United Capital, exposure is \$131m repo vs. \$212m collateral, predominately Alt-A resid; Footbridge Limited Trust and OHP Opportunity Fund, exposure is \$124m repo vs. \$148m collateral, mostly subprime home equity loans.
 - Basis Yield Alpha Fund – EM and corporate collateral was sold. Excess funds under PB will be used to repay \$18m in repo loans.
 - They expect \$2.7m of losses from American Home Mortgage. Lehman is partnering with DE Shaw and others to bid for the C-BASS assets.

- Sowood Capital exposure: \$924m of repo against \$1bn of corporate bonds and CDS and \$131m of repo against \$143m of corporate bonds and CDS.

MORTGAGE UPDATE (RICH MCKINNEY)

- Rich McKinney, head of mortgage trading, updated us on the current state of the market. The main problem is the lack of liquidity for originators. Thornburg was given as an example of a prime/Alt-A originator whose problems resulted from a lack of liquidity, not poor performance of originated loans.
- BNC production is down to \$300m from a peak \$1bn per month. There has also been a decrease in pullthrough (i.e., actually closing a loan that they process) due to both tougher underwriting standards (cracking down on massage parlor receptionists reporting \$4k/month in income) and the fact that brokers are posting loans with multiple lenders before closing, in the hopes that at least one will remain solvent. BNC performance was better than the market in 2007. EPDs were 2.5% in June from a high of 4-5% in the fall/winter. There was a slight uptick in July but Rich isn't sure if that is an isolated event or the beginning of a trend. BNC's cum loss was running 11-13% in 2006, while the ABX implies a much higher rate. Rich said that while figures weren't in yet for 2007 production, cumulative losses for the most recent production were estimated to be around 5%.
- Lehman made a \$1bn subprime purchase from HSBC in May, and was able to sell the residual from a June securitization to a large private equity fund. Lehman did two deals in August, acting as agent in one with the second being Lehman's own deal (the only risk was CP risk to a hedge fund). GSEs can support some parts of the securitization with purchases of AAA (which are currently L+90, with L+mid100s elsewhere).
- Lehman's current balance sheet for subprime and seconds is \$7 - 8bn, including \$2bn in BNC loans – this is down from a peak of \$13-16 billion. The second biggest mtm risk comes from seconds, currently at \$1.3bn balance sheet. These are primarily from Aurora's origination, with \$200m MV of First Franklin second liens. Performing seconds are marked at 90. Nonperforming fall into various buckets and are marked as low as 10. The First Franklin second liens are being marked at 15-30. The second liens are being hedged with the ABX when possible.
- Aurora currently has a \$12bn forward pipeline including closed inventory. They had \$4bn coming off in August, and I think that ¾ of this pipeline has already been sold (?). \$3-4 billion of this is third party origination, with the rest being Aurora. Volumes are generally \$2-2.5bn. Aurora is moving more into the jumbo market than Alt-A. The secondary market is not shut down for jumbos, compared to the primary market, with Thornburg recently selling a \$10bn jumbo securitization in order to meet margin calls. July securitization was north of \$6 billion – alt-A and prime.
- Historically Aurora had been 30-40% correspondent (i.e., purchasing closed loans from correspondent lenders as opposed to wholesale which gets loans from brokers which are then closed in Lehman's name), and that number is now 50%. This exposes Aurora to concentration risk to the largest correspondents – both CP risk and operating revenue exposure. Also, traditionally correspondent loans have performed

worse than wholesale, apparently due to less stringent QC. The largest funders of big correspondents are WaMu, Countrywide, and RFC. First Magnus is Aurora's largest correspondent lender, and Aurora issued them a default notice the day before our meeting under the MAC clause due to production problems (after Tom Wind had gone in person to visit them yesterday). First Magnus had provided Aurora \$500m/month in loans at the peak. Aurora's exposure is \$300m UPB in buybacks (rep & warranty claims, not EPDs) with a gross exposure of \$90m. A couple of mitigants are in place. First, First Magnus was due \$15m in volume incentives which will not be paid. Second, Aurora has a \$10m loan loss reserves in place. Third, the loans which Lehman owns have already been marked down. The second largest correspondent is Aegis, although there are not a lot of claims to them. Part of the reason for the large exposure to First Magnus is that Aurora went through every loan file under a new program to closely scrutinize loan files for delinquent correspondents. The majority of the rep & warranty claims are from incorrect DTI (debt to income) ratios. 12% of the loans are currently performing. Magnus had delegated underwriting, thus Aurora did not re-underwrite the loans.

- During our onsite visit to Aurora, they were working on an automated underwriting system. The system is in place internally and will be rolled out to brokers in September/October.
- Aurora is Fannie's 8th largest customer, as 50-60% of their production goes to GSEs as MBS. G-fees (guarantee fees) started around 30bps and are now up to 50bp. For hybrids, g-fees are 40-80bp.
- Other exposures for mortgage trading include \$8-9bn in TRS swaps (referencing AAA-index in subprime) to WamCo and State Street. These true up every week at L+17, with 6-month rolls. Rich noted that State Street wants out now, and was requesting an unwind price. \$3 billion of the TRS is coming off in August, October, and then January, and new buyers are scarce, so some hedging is now moving to the CMBX, which has some correlation with IG corporates. They are short \$650m Countrywide CDS, bought at 150 and are now trading at 700. They are long \$800m in servicing, with a WAC (weighted average coupon) of 6.5% and current coupon of 9%. They are also long agency IOs.
- Rich had a very "doom and gloom" outlook of the markets, given the day of our meeting was the day before the Fed's cutting of the discount window. Countrywide was very much on the bubble, and the thinking at Lehman was that if Countrywide went down, they would not post a rate sheet given that the markets would be extremely turbulent, and Aurora is not big enough to absorb that kind of market share. They would honor their locks on the wholesale side but might not honor them on the correspondent side. Rich also noted that Lehman was one of the 40 banks participating in CW's \$11.5 billion revolver. [Luckily that scenario has gone away for now.]
- Rich and Jeff noted the importance of marking customer flow (e.g. repos) at the same mark as the firm. Basis has apparently been very hostile and threatening in terms of filing lawsuits due to low unwind levels. Lehman has been trying to work with clients in order to find buyers for their assets (e.g. Sentinel, American Home, one of

the Basis funds). Rich said that BarCap had basically forced Thornburg into a firesale. Apparently the mark went from 97 to 87, and Thornburg sold off assets at 97 while BarCap sold product at 94 (neither mark was anywhere near 87). There is a sense that Thornburg will have a strong case against BarCap (and one other dealer apparently defaulted them as well).

MARKET RISK (JEFF GOODMAN)

VaR and Risk Appetite

- Risk Appetite usage as of July 2007 was close to the limit at \$3.3 billion, and was in fact over the limit in June. They are in the midst of revisiting that limit, ostensibly to raise it. The increase over the past 9 months is coming from basically every division and region, and resulted from both larger position sizes and increased volatility. Jeff said that until a month ago, the increase was driven by real risk-taking, especially in equities and RE. Now, however, the desks are reducing their positions but the volatility in the markets is moving risk measures. The stress tests are actually showing lower numbers, which show the reduced risk.
 - For this meeting, we used the RA numbers from the 8/14 daily report, but going forward we will use the RA from the Friday prior to the meeting. Jeff pointed out the largest users, such as credit markets (\$1.247 billion) and Real Estate (\$1.236 billion) and noted that in RE, bridge equity gets charged as through it is a long term position through a RE downturn, which is fairly onerous. FID is currently generated \$2.4 billion of RA, while equities is around \$500 million. The other big drivers are IM at \$852 million (seed capital and warehousing for their own funds, which we've also heard have been driving the VaR) and GTS at \$634 million (about 1/3 of this is from the event risk charge associated with deal break risk on merger arb positions).
- Lehman raised the VaR limit to \$125 million on July 25 (Jeff seemed to think that we had been told this, which we hadn't, but it didn't really seem worth contradicting at this point given the progress we are making in terms of staying informed). He said that there is still headroom at this level. The limits for FID and Equities were not changed.
 - Firmwide VaR stood at \$96.7 million as of 8/14, compared with \$90.9 million at the end of July. (We are moving to real-time VaR reporting at the monthlies, so going forward the numbers should be more comparable on a month-over-month basis). Equities VaR was at \$16.8 million, down from last month's \$22.4 million. The equity delta was down to \$1.2 to 1.5 billion, off a high of \$4 billion. FID was at \$65.2 million, up from \$56.5 million. FID VaR had edged up (~\$75 million) around July 20, as the desk got increasingly short rates, and then fell rapidly at the end of July as they flattened out their position (falling to \$40 million by August 2). VaR

then came back up in the first half of August and volatility picked up in spread widening series.

- Jeff noted that there is a good deal of intra-day trading right now, which obviously doesn't get picked up by VaR. The desks are changing delta positions rapidly and engaged in market marking, sometimes quite profitably – for example, one CMBS trader made \$1 million in a day just by hitting a wide bid-offer situation in the CMBS market. He also said that the biggest surprise was how far up the credit curve spreads had widened. He also mentioned that at spreads of 75-100 the real money was coming back in, but that BBB and below was still difficult.
- There was a methodology change in securitized products. Small business finance (SBF) had been mapped to home equity, but home equity is not a great benchmark right now due to its volatility, and SBF is not a distressed asset. SBF is now being mapped to CMBS.

Market Update

- Commercial Paper
 - Liquidity has been pulled, as the mortgage market spilled into ABCP. Also, Jeff noted that SIV and SIV-lite structures have been having difficulty maintaining their investors lately as well. As liquidity has dried up, financing vehicles have been drawing on back-up liquidity (that said, liquidity providers are supposed to cover market disruption rather than specific credit events). Jeff also noted that while it was possible to get some stuff funded, it was mostly on a short-term basis.
 - KKR: Jeff noted that they have had a big problem (KKR Financial), and told investors that a workout was necessary. Jeff thought that CP investors would agree, reluctantly, as they are not really “looking for losses” given the low yields that they earn.
 - Unlike with the Accredited Carmel Mountain facility that we heard about some months ago, ABCP programs have now been extended (at the time of Accredited, there was great reluctance to actually extend one of these facilities). As a result, the spread has widened out between extendible and non-extendible facilities.
 - In unique situations, Lehman is willing to help CP customers out with liquidity issues, although they have no legal responsibility to do so. Jeff said that they had purchased less than \$1 billion of paper under “stressed” circumstances to support clients (Aegis Finance and Stony Point Capital) and currently had about \$1.5 billion in inventory – “agent purchases”. Of that, \$500 million is ordinary course of business. It was noted that Lehman would often rather buy the paper and wait for the market to improve rather than immediately move assets, which sounds operationally intensive. On the lending side, Lehman does participate in some backup liquidity facilities (for relationship purposes) but had not yet been hit as of the meeting. Total ABCP backup is around \$900 million, including to FCAR and GMAC. The underlying securities are sometimes retail and not

necessarily mortgages. Lehman is also involved in backstops when they are financing their own conduits.

- EMG exposure – The firm-wide risk snapshot highlighted Lehman’s EMG exposure for two out of the last four weeks
 - The desk is long \$232 million in three Kazakh banks through CDS versus short \$215 million of another Kazakh bank
 - The desk is overall long credit exposure, equity, FX delta, and local rates, with some shorts in Latin America ex-Brazil. In an EMG contagion crisis there would be a potential loss of \$111 million
- AMD – Convertible Bond purchase
 - The desk bought a \$1.5 billion, 5Y convertible at a 5% discount (rated B/CCC+). As of August 13, they held \$1.27 billion which was down to \$848 by our monthly meeting. This resulted in a net AMD delta of \$388 million which was hedged by a \$200 million short in the Nasdaq index. Spread PV01 was 285K, hedged by HY CDX and AMD 5Y CDS. Vega was \$6m/vol point. This position obviously resulted in some fairly significant idiosyncratic risk to AMD’s stock and credit spreads. As of August 13, the position was flat from a P&L perspective.

Backtesting

- Lehman had a firmwide exception on 7/26, with a loss of \$148 million (VaR was \$82 million). Equities lost \$87m, munis \$18m on the back of muni/treasury basis, GTS \$26m on the back of equities positions, GPS \$28m on the back of credit spread moves.
- FID HY had an exception on 7/26 (\$41m) as all indices widened.
- FID CDO had an exception as Lehman priced and wasn’t able to sell an ABS CDO deal (Ceago – LBAM managed). This is a \$1 billion transaction that was currently 74.2% ramped. They did cover 85% of supersenior risk (\$850 million Class A1) with XCL (apparently losses would have to be 2-3X current levels to lose money at that level). Also, the desk took over \$30m of MTM losses on warehouse assets at the end of the month, but this really isn’t a 1-day move (I believe this results from deal-break risk). As noted in the firmwide risk report, the desk is also concerned about two fully ramped deals: Lightpoint (\$500 million, 85% ramped) and Empire Square/Blackstone (\$750 million, 49% ramped).
- FID Munis had an exception from the muni/treasury basis. Apparently the desk is having to buy back some tender offer bonds, and muni CP is widening with the rest of the CP market.
- GTS had three excessions (July 23,24,25) resulting from their top 14 positions. ¾ of the days in August so far have been down for GTS.
- As mentioned above, equities lost \$87 million on 7/26, with losses across the board (e.g. vol flow, equity strategies US and Asia, etc)
- GPS had excessions on July 23,25, and 26, and the back of spread widening and single name versus index basis. Like GTS, they have a hefty event risk charge (like with credit trading).

- In addition, Paul Shotton has emailed Matt about two firmwide excessions since the monthly meeting, one occurring on August 3 and the other on August 6. I'm not sure why these weren't discussed at the meeting, so we will discuss the time needed to clean the P&L at the next monthly.

FOR THE MEMO

- Lehman Brothers announced the closure of its subprime originator, BNC, resulting in the elimination of 1,200 jobs. BNC's loan production had fallen to \$300 million per month from a peak of \$1 billion due in part to more stringent underwriting standards. Plans had recently been announced to merge BNC, based in Irvine, California, with Lehman's Alt-A originator and servicer, Aurora Loan Services in Denver, Colorado into one Mortgage Capital Division. We will continue to monitor plans surrounding the future of Aurora.
- Lehman's pipeline of non-investment grade commitments has declined significantly from the second quarter of 2007, but still remains large at approximately \$30 billion. Lehman is a one-third investor in the Home Depot Supply commitment, which was recently restructured with the sponsors to provide more attractive terms to investors. A few deals were closed and funded by Lehman in the weeks prior to our meeting, and several deals are targeted to close beginning in late September. Treasury personnel are closely involved in monitoring this situation as well and funding contingencies are in place.
- The real estate pipeline remains large at close to \$37 billion, including a \$10.5 billion commitment to Archstone. A third party investor has agreed to purchase a large portion of the senior debt of Archstone, and the deal is expected to settle in October. One deal securitizing a large office building in France was only partially sold before being pulled from the market due to pricing levels. We will continue to watch this space for any further contagion from the fallout in the broader credit markets.