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Sent: Thursday, March 13, 2008 10:40 PM (GMT)
To: Morton, Andrew J [amorton@lehman.com]
Cc: Bernard, Clement [clement.bernard@lehman.com]
Subject: Archstone bridge equity

Andy,

Pleasure meeting you the other day. We are actually carrying the Archstone bridge equity assuming an investor yield of approx 16% (the scenario assuming a 15% yield, which was quoted to you earlier was too aggressive). The 16% yield assumes a failed syndication and the investor redeems all of the bridge equity plus carry one year after the transaction close (Oct 2008). If we assume a failed syndication and the investor redeems all the equity 15 months after transaction close without paying us carry, the yield would rise to 18%. Since we are not accruing this carry, the second scenario would be p&l neutral.

In either case, each additional \$100mmm mark down (currently marked at 89.6) would add another 1.2 points of yield to the investor.

Please let me know if you need additional information.

Regards,

Jonathan

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