

CONFIDENTIAL

LEHMAN BROTHERS

MEMORANDUM

To: **BRIDGE LOAN COMMITTEE & INVESTMENT COMMITTEE**
Committee Members (Full Book)

As of 5/16/07

cc: (Full Book)

Steven Berkenfeld (Chairman) (20)
Madelyn Antonicic (29)
Charles Ayres (399 Park Ave-9)
Thomas Bernard (Memo Via E-Mail: Merchant Banking, Co-Investment, EuroMezz, Secondary)
J. Stuart Francis (SF) (Via E-Mail/Venture Capital Only)
Robert Hedlund (Memo & Appendices Via E-Mail: Merchant Banking, Co-Investment, EuroMezz, Secondary)
Patrick McGarry (29)
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Michael Odrich (399 Park Ave-9)
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Vittorio Pignatti (London) (Via E-Mail)
Bill Tudor John (London) (Via E-Mail)
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Mark Walsh (399 Park Ave-8)
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Ashvin Rao (399 Park Ave-9)
Chris Van Buren (399 Park Ave-11)

Evette Saldana (20)
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Committee Coordinators-2 Copies Total

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Global Real Estate Group: Mark Walsh

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<u>Lev. Finance:</u> Bill Hughes Chip Heflin		<u>HY Sales:</u> James Seery	<u>M&A:</u> Mark Shafir Lisa Beeson Deborah Smith Jim Dixon		<u>Credit Rating:</u> Mike Crehan

MEETING DATE: WEDNESDAY, MAY 16, 2007

TIME: 1:00 – 2:00 PM ET

LOCATION: ALLAN KAPLAN'S CONF. ROOM-20TH FL. (20D) (SOUTH EAST CORNER) 745 SEVENTH AVENUE
ALSO VIA CONFERENCE CALL-IN # 866-779-0772 (US) OR 334-309-0261 (INT'L)
CONF. ROOM # *5112211* (YOU MUST ENTER THE *)

SUBJECT: \$23.4 billion debt and equity financing commitment in connection with the potential acquisition of Archstone-Smith by Lehman Brothers and Tishman Speyer Properties

- \$19.3 billion debt commitment
 - \$1.9 billion junior mezzanine commitment
 - \$2.0 billion bridge equity commitment
 - \$250 million permanent equity commitment
-

Please call Scott Levin (5-5633) or Julia Atwood (5-9349) for additional information.

CORE Number: 36164.40

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I. INTRODUCTION AND RECOMMENDATION

A. Overview of the Transaction

Situation Overview

We are updating the Committee on the potential \$24 billion acquisition (the “Transaction”) of Archstone-Smith Trust (“Archstone”, “ASN”, or the “Company”) by Tishman Speyer Properties (“Tishman” or “TSP”) and Lehman Brothers (collectively, the “Acquisition Group”). Archstone-Smith is one of the largest U.S. multifamily REITs with asset concentrations in the best U.S. markets including Washington, D.C., New York City, San Francisco and Southern California. As of March 31, 2007, the Company owned or had an ownership position in 344 communities, representing 86,014 units, including units under construction. In addition, ASN has a robust development pipeline with a total estimated cost of \$4.4 billion, representing 14,237 units.

On May 2, 2007, the Acquisition Group submitted a non-binding indication of interest to acquire Archstone for \$64.00 per share, implying a \$24 billion transaction value (including costs). The acquisition price represents a 24.9% premium to the closing price of \$51.25 on Tuesday, May 1, and an 18.3% premium to the closing price of \$54.11 on Monday, May 14, 2007. Under the proposed transaction, Lehman and Tishman would form a core multifamily property fund (the “Fund”) consisting of the highest quality large-scale portfolio of multifamily assets in the sector. Benefits to Lehman include asset management fees, increase in assets under management, and advisory and financing fees, in addition to the underlying return on the investment, which we believe will be strong.

Lehman and Tishman would serve as 50/50 co-general partners of the Fund, with each investing \$250 million of equity. It is currently anticipated that Lehman’s Real Estate Private Equity Group will retain Lehman’s permanent equity position. Lehman would fund the remaining \$23.4 billion, comprised of new debt, mezzanine debt and bridge equity financing. Lehman’s overall commitment would consist of:

- A \$19.3 billion floating rate debt commitment (the “Facility”);
- A \$1.9 billion mezzanine debt commitment;
- A \$2.0 billion bridge equity commitment; and
- A \$250 million permanent equity commitment.

On Wednesday, May 9, the Company opened up a data room to the bidders. ASN is running a limited auction process through its advisor, Morgan Stanley. Lehman, Tishman and our respective legal counsels are currently performing in-depth corporate, property-level and legal due diligence. **We are planning to return to Committee on Friday, May 18th to request final approval for the commitment, at which time we will have completed our due diligence and financial model.** Final bids are due Monday, May 21, 2007.

Exit Strategy

Within a week or two of signing a definitive agreement, Lehman intends to syndicate up to 50% of the debt and bridge equity positions to 2-3 other banks. Additionally, the Acquisition Group will look to immediately sell approximately \$8.9 billion of assets to opportunistically take advantage of aggressive pricing in the apartment sales market, reducing leverage from 89.5% to 83.1%. The debt position will

be further reduced to 70% as the Acquisition Group intends to raise \$1.9 billion of equity after closing to repay debt.

Lehman Brothers intends to syndicate its \$2.0 billion of bridge equity in the Transaction. There is currently substantial institutional demand for direct investment in high-quality, cash flow generating real estate assets. However, the supply of such opportunities is limited. The Archstone portfolio represents a unique opportunity for “core-plus” investors to immediately acquire a significant equity stake in a large, well-diversified multifamily portfolio that would otherwise take years to assemble. More importantly, it gives access to a development and value creation platform that is very difficult to find.

Few institutional investors would be interested in financing the full equity need of this transaction. Therefore, we believe that the Archstone acquisition provides Lehman and Tishman the opportunity to capitalize on the supply/demand imbalance by marketing the opportunity to institutional investors. The bridge equity position will offer investors the opportunity to acquire an ownership interest in an identified portfolio of high-quality properties managed by a leading real estate operator. By prepackaging the investment, Lehman will reduce deal pursuit costs and improve efficiency for institutional investors attempting to place large quantities of capital with limited organizational resources.

Tishman Speyer Overview

Tishman Speyer was founded in 1978 by Robert Tishman and Jerry Speyer and is one of the leading owners, developers and operators of real estate in the world. Since its formation, the company has developed or acquired more than 230 properties totaling over 100 million square feet of real estate and over 14,000 residential units and manages a global property portfolio in excess of \$40 billion. Tishman is a long-time Lehman Brothers client with whom we have completed over \$6.0 billion worth of real estate transactions. TSP is considered one of the most successful and well-respected real estate investors / operators in the world and is the owner / operator of such New York City landmarks as The MetLife Building, Rockefeller Center, the Chrysler Center and 885 Third Avenue (the “Lipstick Building”).

In May 2005, Lehman Brothers provided a \$1.75 billion bridge equity and debt financing commitment to Tishman in connection with its acquisition of The MetLife Building. Lehman successfully exited its bridge equity position in June 2005 and the debt by September 2005. Lehman also provided bridge equity to Tishman in their \$533 million acquisition of One Federal St. in Boston. Most recently, Lehman provided a bridge equity and debt commitment for Tishman’s \$2.8 billion acquisition of the CarrAmerica Washington, D.C. office portfolio.

B. Transaction Sources and Uses

Under the proposed transaction, Lehman and Tishman will form a core multifamily property fund with each party contributing \$250 million of permanent equity to the GP. The remainder of the capital will be comprised of bridge equity (\$2.0 billion), junior mezzanine debt (\$1.9 billion) and new debt (\$19.3 billion).

The following table outlines the sources and uses for the acquisition:

SOURCES AND USES OF FUNDS (AT CLOSING)			
<i>(\$ in thousands)</i>			
Sources of Funds		Uses of Funds	
Tishman Speyer Equity	\$250,000	Purchase ASN Equity @ \$64.00	\$16,040,324
Lehman Permanent Equity	250,000	Liquidation of Series I Preferred	50,000
Lehman Bridge Equity	1,987,303	Repay Credit Facility	84,723
Total Equity	\$2,487,303	Repay International Term Loan	235,771
New Lehman Junior Mezz	1,944,834	Redeem Unsecured Debt	3,355,699
New Lehman Bank Loan	19,256,464	Repay Floating Rate Mortgage Debt	1,338,327
Total New Lehman Debt	\$21,201,298	Repay Fixed Rate Mortgage Debt	1,673,678
Assumed Fixed Rate Mortgage Debt	-	Repay JV Debt	410,079
Assumed JV Debt	-	Transaction Costs	500,000
Total Assumed Debt	\$0		
Total Sources	\$23,688,601	Total Uses	\$23,688,601

C. Pro Forma Capitalization

The table below summarizes the pro forma capitalization of the Company. Under the proposed transaction, Lehman and Tishman will each contribute \$250 million of permanent equity to the GP. Lehman will commit the remainder of the capital, comprised of \$2.0 billion of bridge equity, \$19.3 billion of debt, and \$1.9 billion of junior mezzanine debt.

Lehman will syndicate up to 50% of the debt and bridge equity positions to 2-3 other banks within a week or two of signing a definitive agreement. In addition, Lehman intends to immediately sell \$8.9 billion of assets in order to opportunistically take advantage of aggressive pricing in the multifamily sales market. 100% of the proceeds will be used to repay a portion of Lehman's debt commitment, reducing total leverage from 89.5% to 83.1%. The Acquisition Group intends to further reduce leverage to 70% by raising \$1.9 billion of equity after closing.

PRO FORMA CAPITALIZATION					
<i>(\$ in thousands)</i>					
	Pro Forma Transaction	Asset Sales Adjustments	Pro Forma Asset Sales	New Equity & CMBS Recap	Pro Forma Recap
Total Equity	\$2,487,303	\$0	\$2,487,303	\$1,944,834	\$4,432,137
Series I Preferred Stock	\$0	\$0	\$0	\$0	\$0
Debt					
New Lehman Junior Mezz	1,944,834	-	1,944,834	(1,944,834)	-
New Lehman Bank Loan	19,256,464	(8,929,274)	10,327,190	(10,327,190)	-
New Lehman CMBS	-	-	-	10,327,190	\$10,327,190
Unsecured Credit Facilities	-	-	-	-	-
International Term Loan	-	-	-	-	-
Unsecured Debt	-	-	-	-	-
Floating Rate Mortgage Debt	-	-	-	-	-
Fixed Rate Mortgage Debt	-	-	-	-	-
Pro-Rate Share of JV Debt	-	-	-	-	-
Total Debt	\$21,201,298	(\$8,929,274)	\$12,272,024	(\$1,944,834)	\$10,327,190
Total Enterprise Value	\$23,688,601	(\$8,929,274)	\$14,759,327	\$0	\$14,759,327
<i>Net Debt / Enterprise Value</i>	<i>89.5%</i>		<i>83.1%</i>		<i>70.0%</i>
<i>Net Debt + Pref. / Enterprise Value</i>	<i>89.5%</i>		<i>83.1%</i>		<i>70.0%</i>

D. Fees to Lehman Brothers

Lehman Brothers will act as sole financial advisor to Tishman in the Transaction. In addition, Lehman will act as lead arranger and administrative agent for the Facility, receiving approximately 50% of the economics after the sell-down of the initial commitment.

The Transaction also represents a strategic opportunity to build Lehman's real estate asset management platform. **We estimate that the total economics to Lehman would be approximately \$1.7 billion.** We believe Lehman's \$250 million investment would generate annual asset management fees of approximately \$13.8 million and would generate a total IRR over a 10-year holding period of 17.1% including asset management fees and promote.

TOTAL ECONOMICS TO LEHMAN					
<i>(\$ in thousands)</i>					
		Lehman Share of Debt / Bridge Equity Financing			
	Fee / Return	25%	33%	50%	TOTAL
M&A Advisory Fee	0.15% of Transaction	\$34,419	\$34,419	\$34,419	\$34,419
New Debt	1.00% Origination	48,141	64,188	96,282	192,565
Total Debt		\$48,141	\$64,188	\$96,282	\$192,565
Junior Mezz	4.00% Commitment	19,448	25,931	38,897	77,793
6 Month Carry	12.00% Return	29,173	38,897	58,345	116,690
Less: LEH Cost of Equity Capital	L + 0.40%	(13,906)	(18,541)	(27,811)	(55,622)
Total Bridge Equity		\$34,715	\$46,287	\$69,431	\$138,861
Bridge Equity	4.00% Commitment	19,873	26,497	39,746	79,492
6 Month Carry	12.00% Return	29,810	39,746	59,619	119,238
Less: LEH Cost of Equity Capital	L + 0.40%	(14,209)	(18,946)	(28,418)	(56,837)
Total Bridge Equity		\$35,473	\$47,298	\$70,947	\$141,893
Total LEH Fees in First 12 Months		\$152,749	\$192,192	\$271,078	\$507,738
Lehman Share of Annual Asset Management Fees (1)		13,762	13,762	13,762	13,762
Asset Management Fee Multiple		10.0x	10.0x	10.0x	10.0x
Value of Asset Management Fees		\$137,625	\$137,625	\$137,625	\$137,625
Return on LEH Permanent Investment over 10 Year Hold					
Return of & Return on Capital		1,310,536	1,310,536	1,310,536	1,310,536
Promote (1)		414,552	414,552	414,552	414,552
Less: LEH Investment		(250,000)	(250,000)	(250,000)	(250,000)
Less: LEH Cost of Equity Capital	L + 0.40%	(143,000)	(143,000)	(143,000)	(143,000)
Return on LEH Permanent Investment		\$1,332,088	\$1,332,088	\$1,332,088	\$1,332,088
Total LEH Profit over 10 Year Hold		\$1,622,462	\$1,661,905	\$1,740,791	\$1,977,451

E. Projected Returns

MODEL RETURNS SUMMARY				
<i>(\$ in thousands)</i>				
	Lehman (50% of GP) (1)	GP	LP	Deal
<u>Return Profile:</u>				
IRR	17.1%	18.3%	12.1%	13.4%
Multiple of Capital	7.8x	8.4x	5.2x	5.9x
<u>Gross Dollar Returns (2)</u>				
Return of Capital	\$250,000	\$500,000	\$1,987,303	\$2,487,303
Return on Capital	1,060,536	2,121,073	8,430,428	10,551,501
Asset Management Fee	137,625	393,214	-	393,214
Promote	414,552	1,184,434	-	1,184,434
Total	\$1,862,713	\$4,198,720	\$10,417,732	\$14,616,452
Less: Asset Management Fee	(137,625)			
Less: LEH Investment	(250,000)			
Less: LEH Cost of Equity Capital	(143,000)			
Total LEH Investment Profit over 10 Year Hold	\$1,332,088			

(1) Assumes LEH receives 35% share of asset management fees and promote.
(2) Exclusive of financing and advisory fees.

F. Preliminary Term Sheet

SUMMARY TERMS OF JOINT VENTURE	
Overview	Lehman will form a joint venture with Tishman Speyer (the “Sponsor”). Sponsor will then enter into a joint venture with another affiliate of Lehman as the bridge equity provider (the “Joint Venture”). The Joint Venture will acquire all of the interests in the Company. Lehman and Tishman will each invest \$250 million of long-term equity and Lehman will provide a bridge equity commitment to bridge the closing of the transaction.
Initial Capitalization	\$250 million (50% of GP) – Lehman Equity (subject to increase of up to \$100 million) \$250 million (50% of GP) – Tishman Speyer Equity \$2.0 billion – Lehman Bridge Equity
Percentage Economic Interests	35% – Lehman 65% – Tishman Speyer
Distribution of Promote	All distributions will be made pro rata based on contributed capital, except that after syndication (and subject to the Failed Syndication provisions below), Sponsor will be entitled to a twenty percent (20%) promote after the other partners receive an eight percent (8%) IRR; provided, however, that there will be no promote of Lehman’s capital so long as Lehman continues to own any equity interest in the Joint Venture.
Bridge Equity Commitment Fee	Four percent (4%) of Lehman’s bridge equity commitment, payable to Lehman at closing. If the transaction is consummated but Lehman’s equity commitment is not funded, Sponsor and all equity investors in the Joint Venture will be obligated to pay Lehman 3.00% of the commitment. If the transaction is not consummated, no bridge commitment fee is due.
Bridge Equity Return	In addition to its Bridge Equity Commitment Fee, Lehman shall be entitled to a return on equity, compounded quarterly, equal to 12.0% per annum on its equity investment in the Joint Venture.
Syndication of Lehman’s Equity	Lehman and Sponsor intend to jointly syndicate Lehman’s entire equity position in the Joint Venture to third-party equity investors within nine (9) months after closing at a price that provides Lehman with a return of its original capital plus the Bridge Equity Return accrued through the date of such syndication.
Failed Syndication	If the syndication of all of Lehman’s equity interest in the Joint Venture has not been completed prior to the end of the Syndication Period, then (i) such syndication shall be deemed a “Failed Syndication”; (ii) Lehman shall be entitled to assume sole control over the syndication and shall be permitted to sell its equity position to any investor in Lehman’s sole discretion; and (iii) Lehman shall have the sole authority to reduce or eliminate the promote and administration fees otherwise payable to Sponsor.
Administration Fees	[TBD]
Control	Control of Sponsor and the Joint Venture shall be as provided in the Sponsor Term Sheet.
Future Capital Services & Financings	Lehman shall have a right of first opportunity and refusal with respect to any services in connection with a capital transaction with respect to the Joint Venture or its subsidiaries. Lehman will also have the exclusive right to serve as placement agent for any future financing to the Joint Venture and its subsidiaries.

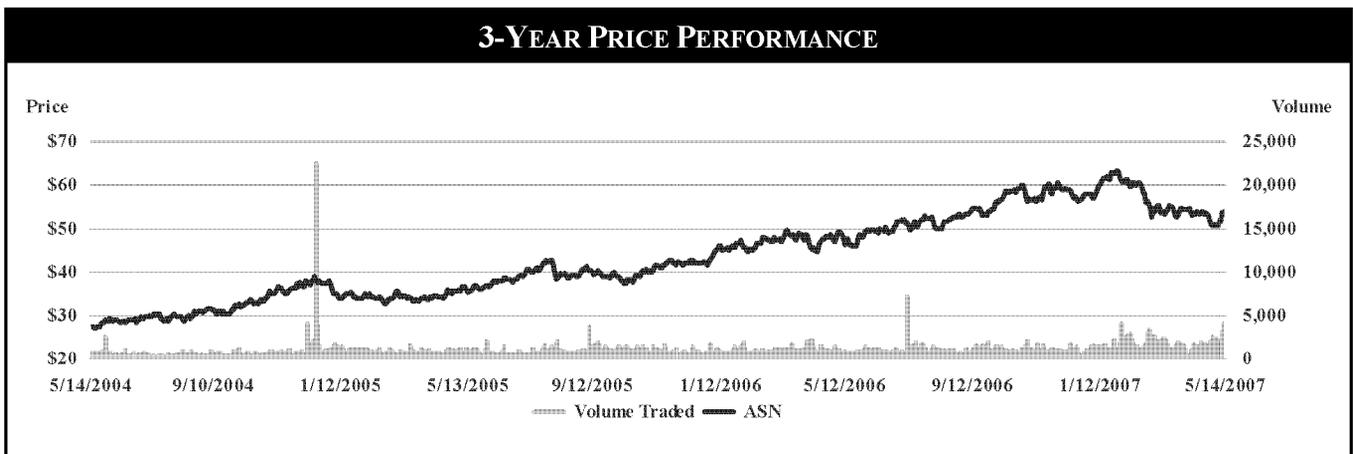
G. Overview of Archstone-Smith Trust

Company Overview

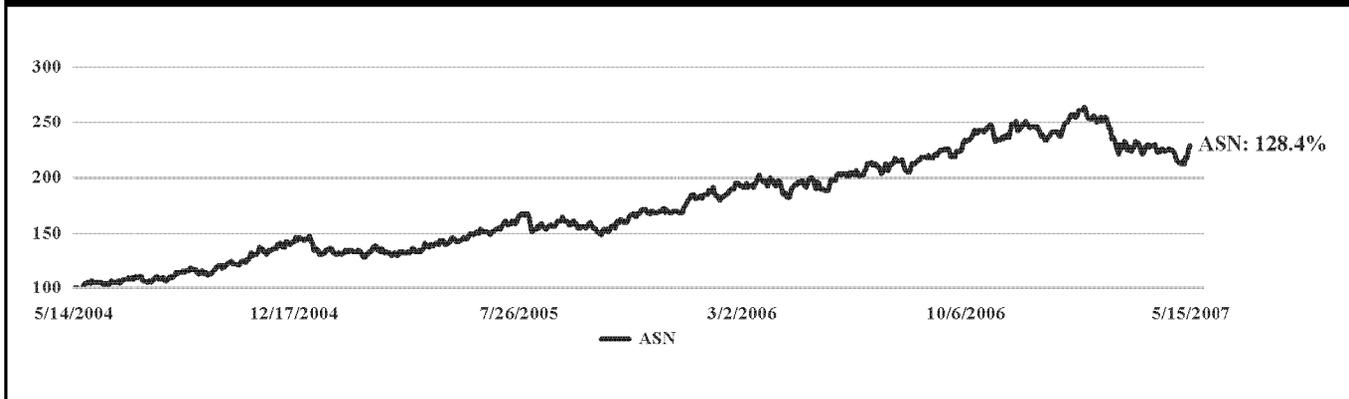
Archstone-Smith, an S&P 500 company, is a premier owner, operator and developer of high-quality apartment communities. The company owns and operates a portfolio of high-rise and garden apartment communities concentrated in many of the most desirable neighborhoods in the Washington, D.C. metropolitan area, Southern California, the New York City metropolitan area, the San Francisco Bay Area, Boston and Seattle. As of March 31, 2007, the Company owned or had an ownership position in 344 communities, representing 86,014 units, including units under construction. At the close of the first quarter, approximately 87% of the Company's NOI was generated from the properties in Washington D.C. (35.4%), Southern California (27.1%), New York (12.2%) and San Francisco (12.7%). In addition, the Company is expanding its German platform and currently owns an 8,334 unit portfolio with a dedicated team of 100 German employees.



Trading Performance



3-YEAR TOTAL RETURN PERFORMANCE



Capitalization

CAPITALIZATION SUMMARY

(In thousands except per share amounts)

Common Equity

Common Shares	222,754
OP Units	27,471
Total Common Shares and Units	250,225
Share Price (As of 05/14/07)	\$54.11
Market Value of Common Equity	\$13,539,675

Preferred Equity

Series I Preferred Shares	\$50,000
Total Preferred Equity at Liquidation Value	\$50,000

Debt

Unsecured Credit Facilities	\$275,900
Term Loan - International	171,730
Long-Term Unsecured Debt	3,321,702
Mortgages Payable	2,694,291
Pro Rata Share of Joint Venture Debt	197,408
Total Debt	\$6,661,031

Cash and Cash Equivalents	\$49,270
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Total Enterprise Value	\$20,201,436
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<i>Net Debt / Total Enterprise Value</i>	<i>32.7%</i>
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<i>Net Debt + Preferred Equity / Total Enterprise Value</i>	<i>33.0%</i>
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Core Assets

ASSET PICTURES

Archstone Chelsea
New York, NY



Archstone 101 West End
New York, NY



The Flats at DuPont Circle
Washington, DC



Archstone Santa Clara
Santa Clara, CA



Archstone Playa Del Rey
Playa Del Rey, CA



Archstone Marina Del Rey
Marina Del Rey, CA



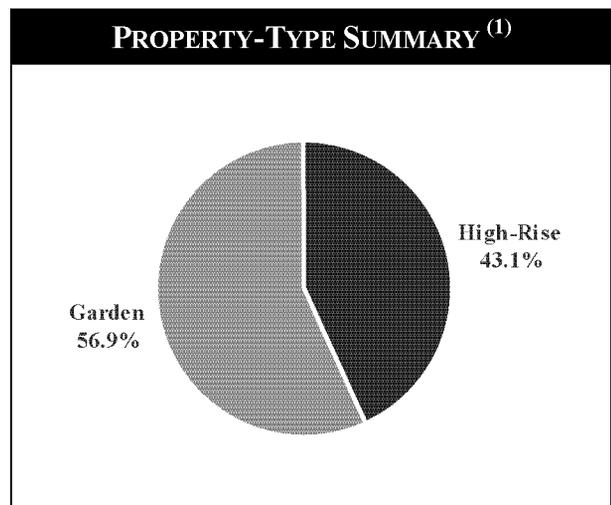
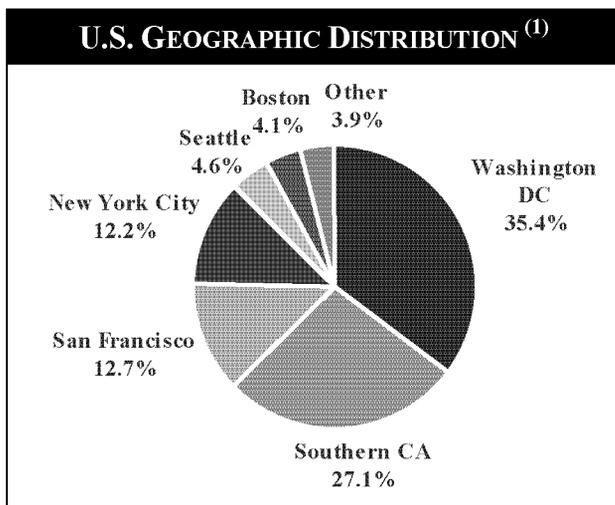
H. Issues Before the Committee – Pros and Cons

MERITS AND CONSIDERATIONS	
MERITS	CONSIDERATIONS
<ul style="list-style-type: none"> • High-Quality Portfolio • Lehman Brothers Core Multifamily Property Fund • Attractive \$4.4 Billion Development Pipeline • Tishman’s Operating, Management and Development Expertise • Tishman’s Ability to Raise Private Equity • Discount to Replacement Cost • Strong Markets with High Barriers-to-Entry • Strong Sales Market • Proven Track Record • Benefits of Going Private 	<ul style="list-style-type: none"> • Limited Financing Outs • Bridge Equity Risk • Potential for Publicity • High Leverage and Low Initial Coverage • Development Risks • Real Estate Considerations • Lehman’s \$19.3 Billion Floating Rate Bank Loan Commitment • Widening of Spreads • Business Plan Execution

Merits

High-Quality Portfolio

Archstone is one of the premier multifamily REITs with some of the highest quality assets in the sector located in the best multifamily markets in the U.S. ASN has an ownership interest in 86,014 units, located primarily in attractive markets with high barriers-to-entry. ASN also has the highest concentration of high-rise multifamily properties in the sector. In addition, the Company has an 8,334 unit apartment portfolio in Germany with a team of 100 full-time German employees to build a platform and capitalize on various opportunities in the market.



(1) Represents distribution of wholly-owned domestic communities as of 3/31/07 based on NOI for the three months ended 3/31/07, excluding JVs.

Lehman Brothers Core Multifamily Property Fund

This transaction is a strategic opportunity to build Lehman Brothers' real estate asset management platform. The acquisition will seed a long-term, core return vehicle with the highest quality large-scale portfolio of multifamily assets in the sector. The benefits to the Firm include asset management fees, increase in assets under management, and advisory & financing fees, in addition to the underlying return on the investment. The Fund will be structured as a closed-end vehicle with a ~70% leverage level, targeted levered IRRs in the 11-13% range and a 100bps asset management fee on LP equity.

Under the proposed transaction, Lehman Brothers can earn \$13.8 million of fees annually from the Fund, which will grow as the fund acquires more assets and/or the market values of the assets appreciate. Through this transaction, the Acquisition Group would be able to take advantage of institutional investors increasing appetite for high-quality U.S. real estate. We believe that the opportunity to buy one of the highest quality multifamily portfolios in a significant scale will be met with substantial demand from core property investors.

Attractive \$4.4 Billion Development Pipeline

As of March 31, 2007, ASN had 6,291 units under construction with an expected investment of \$1.8 billion, and 7,946 units in planning representing an expected investment of \$2.6 billion. The pipeline is concentrated in strong markets that include Manhattan, downtown Boston, Southern California, the San Francisco Bay Area and Washington, D.C. The Company is projecting a stabilized yield of approximately 7% and approximately \$2 billion of value creation.

DEVELOPMENT PIPELINE				
<i>(\$ in thousands)</i>				
	<u>Communities</u>	<u>Units</u>	<u>Investment - End of Period</u>	<u>Total Expected Investment</u>
Archstone-Smith				
Under Construction - Owned	5	2,150	\$466,532	\$742,668
Under Construction - JV	2	1,059	248,817	507,873
In Planning - Owned	4	1,514	94,970	592,082
In Planning - Under Control	5	1,454	10,863	671,281
In Planning - Under Control - JV	1	515	8,770	169,950
Subtotal Archstone-Smith	17	6,692	\$829,952	\$2,683,854
Ameriton				
Under Construction	8	2,756	\$252,802	\$480,635
In Planning - Owned	12	3,914	137,069	1,016,024
Under Construction - JV	1	326	12,217	44,974
In Planning - Owned - JV	2	549	32,708	127,092
Subtotal Ameriton	23	7,545	\$434,796	\$1,668,725
Archstone-Smith and Ameriton				
Under Construction	16	6,291	\$980,368	\$1,776,150
In Planning - Owned or Under Control	24	7,946	284,380	2,576,429
Total Archstone-Smith and Ameriton	40	14,237	\$1,264,748	\$4,352,579

In addition, ASN has a shadow pipeline of 2,833 units with a total expected investment of \$957.7 million.

SHADOW PIPELINE						
Project	Market	Status	Start Date	Units	\$/Unit	Total Est. Investment
National Gateway Phase II	Arlington, VA	Under contract	Q2 08	332	\$443,214	\$147,147,048
North Braeswood	Houston, TX	Under contract	Q4 08	490	174,280	85,396,994
101 Canal Street	Boston, MA	Under contract	Q3 07	241	608,247	146,587,635
Memorial Heights - redevelopment of future phases	Houston, TX	Owned	Q4 08	896	196,292	175,877,704
Arlington Post Office site	Arlington, VA	Under contract	2009	100	550,000	55,000,000
Archstone Mountainview redevelopment	Mountain View, CA	Owned	2009	332	390,348	129,595,489
North Chatsworth	Chatsworth, CA	Signed LOI	Q2 10	250	450,000	112,500,000
Los Robles & Villa	Pasadena, CA	Signed LOI	Q2 09	192	550,000	105,600,000
Total / Weighted Average				2,833	\$338,053	\$957,704,870

ASN's development platform provides investors with the opportunity to achieve outsized returns that they would otherwise not be able to access. The public markets do not properly value ASN's development activities. As a result, the Acquisition Group plans to expand the development portfolio to 20-30% of assets in order to take advantage of the current market environment. Development returns remain approximately 150-200 basis points north of acquisition returns.

Tishman's Operating, Management and Development Expertise

Tishman is a premier partner. Tishman is one of the leading owners, developers, fund managers and operators of first-class real estate in the world, having managed a portfolio of assets since its inception of more than 100 million square feet and over 14,000 residential units in major metropolitan areas across the United States, Europe, Latin America and Asia. Since 1978, Tishman has acquired, developed and managed a property portfolio representing over \$40 billion in total value, including signature properties such as New York's Rockefeller Center and the Chrysler Center, Berlin's Sony Center and Torre Norte in Sao Paulo, Brazil.

Tishman's Ability to Raise Private Equity

The proposed transaction will allow investors the opportunity to co-invest with Tishman and benefit from their deep capability and experience. Tishman's many real estate funds have attracted capital from numerous city and state pension funds including the State of Alaska, New York City Employees and New York City Teachers, university endowments including Brown University, Skidmore College and Barnard College and offshore investors including The Investment Office of Dubai, ABP and HSH Nordbank. Tishman has already sold 100% of the equity in its recent \$5.4 billion acquisition of Stuyvesant Town and Peter Cooper Village and was significantly oversubscribed.

Discount to Replacement Cost

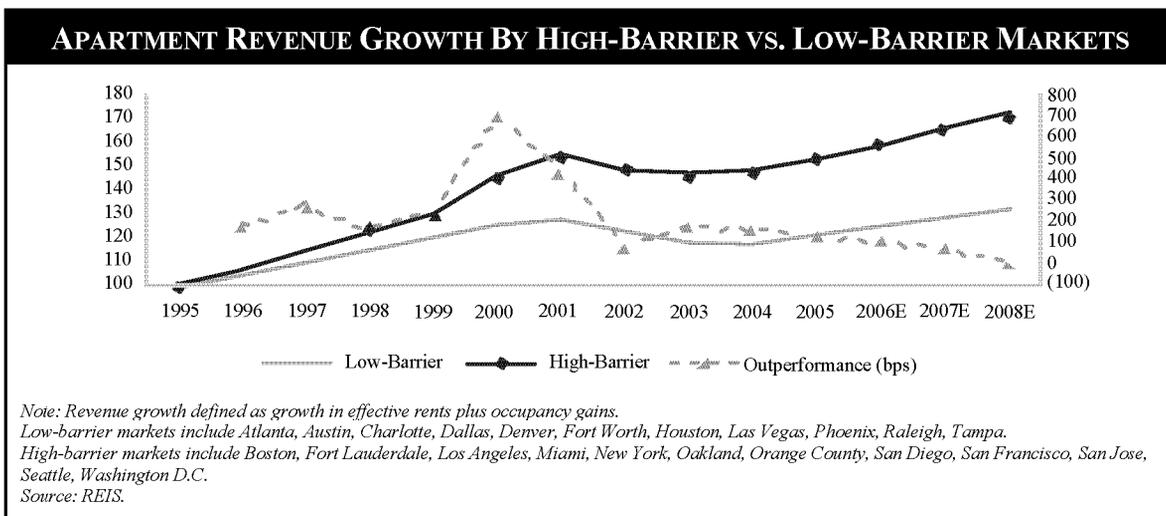
The Transaction represents an opportunity to acquire a premium multifamily portfolio at a significant discount to replacement cost. On the Company's recent earnings call, management stated that the portfolio's replacement cost is approximately \$390,000 per unit. The portfolio is being acquired at approximately \$325,000 per unit, significantly less than the estimated replacement cost of the portfolio.

Strong Markets with High Barriers-to-Entry

ASN's high-quality portfolio is located in the strongest multifamily markets in the country with strong growth prospects. High barrier-to-entry coastal markets are significantly outperforming the lower barrier markets. For example, in the fourth quarter of 2006, high barrier markets generated revenue growth that was roughly 300 basis points greater than that of low barrier markets. Approximately 87% of the Company's NOI is generated from properties located in four core markets with substantial growth prospects: Wash. D.C. (35.4%), So. Cal. (27.1%), New York (12.2%) and San Fran. (12.7%).

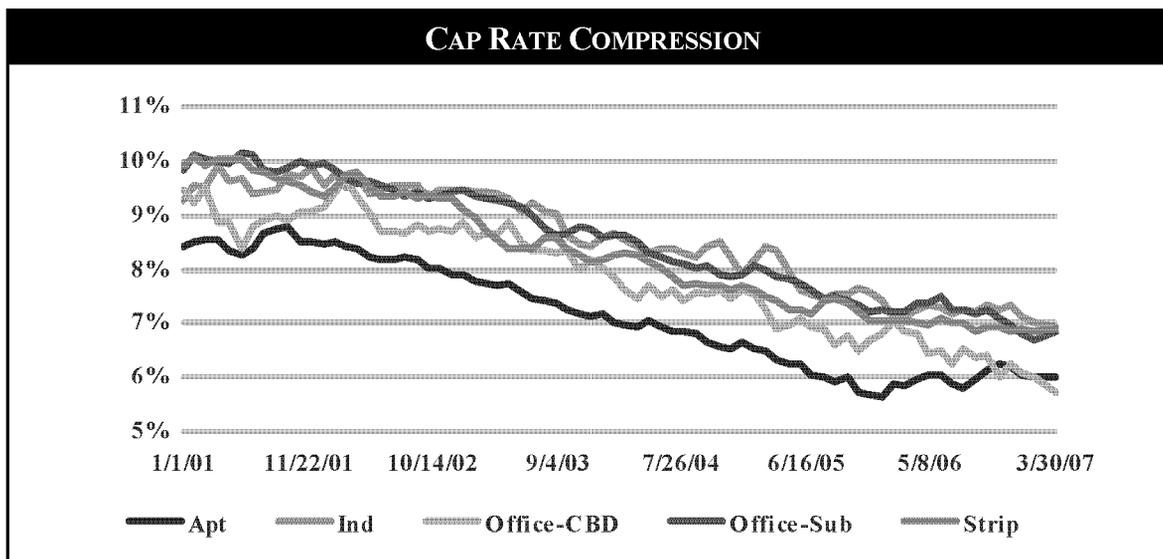


High barrier-to-entry markets are characterized by favorable supply and demand dynamics due to limited supply and high cost of land, strong job growth and relatively high cost of home ownership. Furthermore, the fact that Archstone is located in coastal markets is attractive as they generally have large, diversified economies as they serve as a gateway for international commerce and travelers and are cultural centers with strong employment and an educated work force. They are also thought of as the most prestigious places to live. As a result, high barrier-to-entry coastal markets have historically outperformed lower barrier markets and are projected to continue to outperform going forward.



Strong Sales Market

The Acquisition Group intends to immediately sell \$8.9 billion of assets in order to take advantage of aggressive pricing in the multifamily sales market. The asset sales will validate the initial pricing of the deal and also reduce the Acquisition Group's basis in the hold portfolio. 100% of the proceeds will be used to repay a portion of Lehman's debt commitment, reducing leverage from 89.5% to 83.1%.



Proven Track Record

Over the last 12 years, the Company has sold over \$11.9 billion of assets, generating an average unlevered IRR of 15.9%. ASN's has successfully executed its long-term business plan to exit its non-core markets and enter high-growth bi-coastal markets, substantially improving the quality and location of its portfolio. The Company has taken advantage of the compression in cap rates between lower barrier markets and higher barrier markets that transpired over the last few years. In the last 3 years, ASN has produced an average annual total return in excess of 30%, compared to 22.5% for its peer group. The Company is now in a position to benefit from its high-quality portfolio in supply-constrained markets with superior long-term growth prospects.

Benefits of Going-Private

The benefits of going-private include the following:

- Elimination of quarterly earnings pressure.
- Freedom to acquire and develop with reduced sensitivity to earnings volatility and increased focus on total return.
- Ability to increase leverage without public market pressure to stay in line with leverage of other multifamily companies.
- Increased ability to act opportunistically, such as through asset sales without pressures of dilution and reinvestment.
- Elimination of public costs, such as those relating to Sarbanes-Oxley compliance.

Considerations

Limited Financing Outs

As is customary in public company sales, the buyer will have very limited conditions under which it is not obligated to close the Transaction. Lehman's financing commitment outs mirror these limited circumstances. These outs relate only to a material adverse change in the condition of the Company, taken as a whole, and a standard market out for events such as war or a major disruption of the financial markets.

Bridge Equity Risk

Lehman will have a \$2.0 billion bridge equity position and has no hedge on potential losses. *This consideration is mitigated because of Lehman's intention to syndicate 50% of the position within 1-2 weeks after closing. It is also mitigated because of Lehman's bridge equity expertise in the multifamily sector, demonstrated by the successful syndication of \$650 million of bridge equity in connection with the acquisition of Gables Residential Trust. In addition, Lehman recently partnered with Tishman in the \$2.8 billion acquisition of the CarrAmerica Washington, D.C. office portfolio and has nearly fully syndicated its \$900 million bridge equity position. Tishman's expertise and experience as a premier real estate franchise and investment manager will reduce the risk that the equity commitment will not be fully syndicated.*

Potential for Publicity

Because of Lehman's role as an equity provider and investor, there is the potential for publicity. Additionally, the Archstone proxy would detail our involvement in the buying group. *This consideration will be mitigated by our attempts to limit publicity around Lehman's role.*

High Leverage and Low Initial Coverage

At the close of the Transaction, the Company is projected to be 89.5% levered. *This issue is mitigated by the fact that the Acquisition Group intends to immediately sell \$8.9 billion of assets and use 100% of the proceeds to repay debt, reducing leverage to 83.1%. The Acquisition Group is also intending to raise \$1.9 billion of equity after closing in order to reduce leverage to 70%. In addition, leverage is projected to decrease and coverage is projected to increase as developments stabilize and rental rates grow. We are also structuring an interest reserve to cover any cash flow shortfall.*

Development Risks

As mentioned above, the Company has a development pipeline that it plans to complete over the next several years. ASN will be subject to a variety of risks associated with development including construction, labor, and weather that could result in cost overruns or even non-completion. *This issue is mitigated by the fact that the Company has a proven track record and has created tremendous value through its development platform.*

Real Estate Considerations

Real estate investments are subject to varying degrees of risk and are illiquid investments compared to public companies. Real estate values are affected by a number of factors including: general economic climate, local market conditions, quality of the managers of the properties, competition based on rental rates and changes in operating costs. Real estate values are also affected by such macro factors as interest rate levels and potential liability under changing environmental and other laws. *This consideration is mitigated by the high-quality of the Company's assets, the positive outlook of the*

multifamily sector and the fact that a significant portion of the Company's portfolio is located in strong markets, such as California, New York and Washington, D.C.

Lehman's \$19.3 Billion Bank Loan Commitment

At closing, Lehman will have a \$19.3 billion floating rate debt position. This consideration is mitigated by the fact that Lehman intends to syndicate 50% of the position within 1-2 weeks after closing and also immediately sell \$8.9 billion of assets, using all of the proceeds to repay debt. Post-closing, we are also going to refinance our floating rate position with approximately \$10.3 billion of fixed rate debt, reducing our interest rate exposure. In addition, Lehman has proven its ability to syndicate large debt commitments, such as its successful syndication of its \$9.75 billion debt commitment in connection with General Growth Properties' acquisition of The Rouse Company.

Widening of Spreads

As CMBS prices are falling, rating agencies are warning of higher subordination levels and B-piece buyers are rejecting loans, lenders are becoming more cautious and underwriting more conservatively. Securitization programs are raising load spreads, requiring higher debt-service, insisting on higher levels of amortization and providing less leverage. Market players estimate that on some properties, loan sizes are down as much as 30% from a few weeks ago. The tighter loan standards could affect the sales market and hinder the Acquisitions Group's ability to capitalize on its asset sales strategy. This is mitigated by Lehman's CMBS expertise and conservative underwriting standards.

Business Plan Execution

The returns to investors are driven to a large extent by a large number of projected asset sales. Valuations are currently at all-time highs. A downturn in the market or an increase in interest rates could cause demand to soften. Mitigating this risk is the historical correlation between an increase in the relative value of rental housing and a rising interest rate environment, providing a hedge to the valuation of this portfolio. In addition, the globalization and securitization of real estate, longer-term demographic realities and the growing use of REITs in pension and retirement investment alternatives should mean that any upward movement in cap rate will be relatively modest.

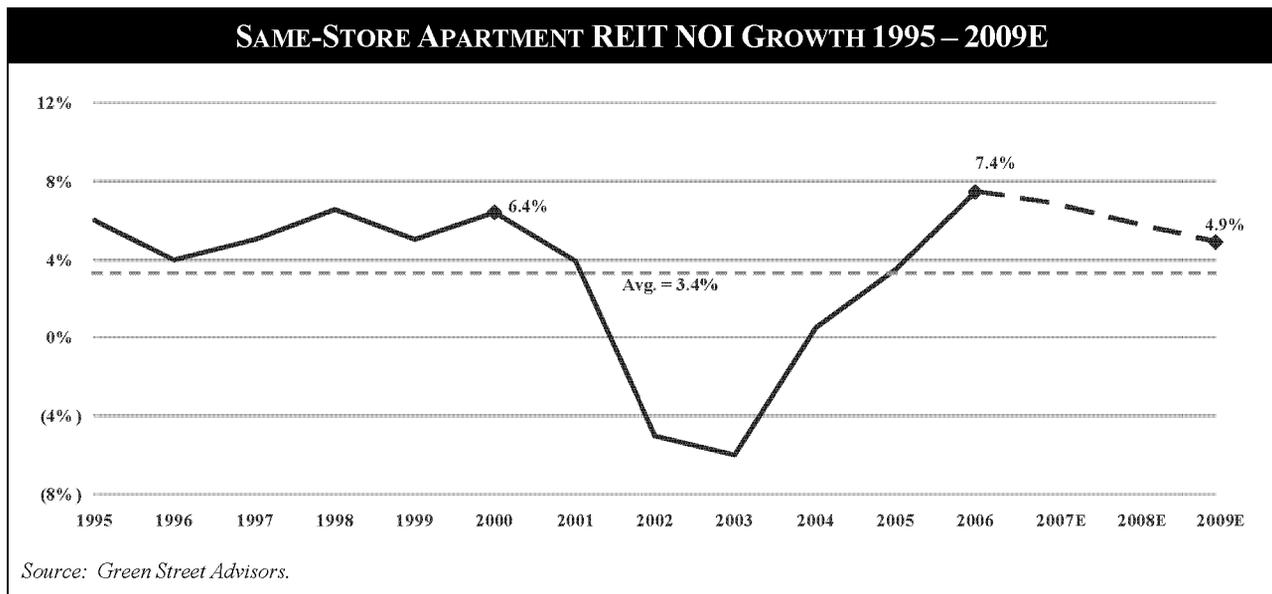
The preceding discussion of the "cons" with respect to this transaction is preliminary. We have not yet completed our due diligence investigation or our analysis of the Company. Upon further investigation, we may, with the advice of counsel, conclude that certain of these considerations are not relevant or material and therefore should not be included in the prospectus or offering document. For a final assessment of the risks associated with this transaction, please see the copy of the preliminary prospectus or offering document distributed to prospective investors.

I. Multifamily Sector Outlook – Pros and Cons

MERITS AND CONSIDERATIONS	
MERITS	CONSIDERATIONS
<ul style="list-style-type: none"> • Employment Growth • Decrease in Homeownership Rate • Decrease in Home Affordability • Credit Tightening • Demographic Trends • Limited New Supply • Reduced Rental Stock • Strong NOI Growth 	<ul style="list-style-type: none"> • Multifamily Cap Rates are Below Bond Yields • Multifamily Appears Expensive

Market Overview

After a sustained period of strong growth from the early 1990s to 2001, the national multifamily sector weakened from 2002 to 2004, driven primarily by job losses due to the slowdown in the national economy, coupled with strong demand for for-sale housing. The sector began a modest recovery in 2004, followed by income growth in 2004 of nearly 4% and robust growth of over 7% in 2006.

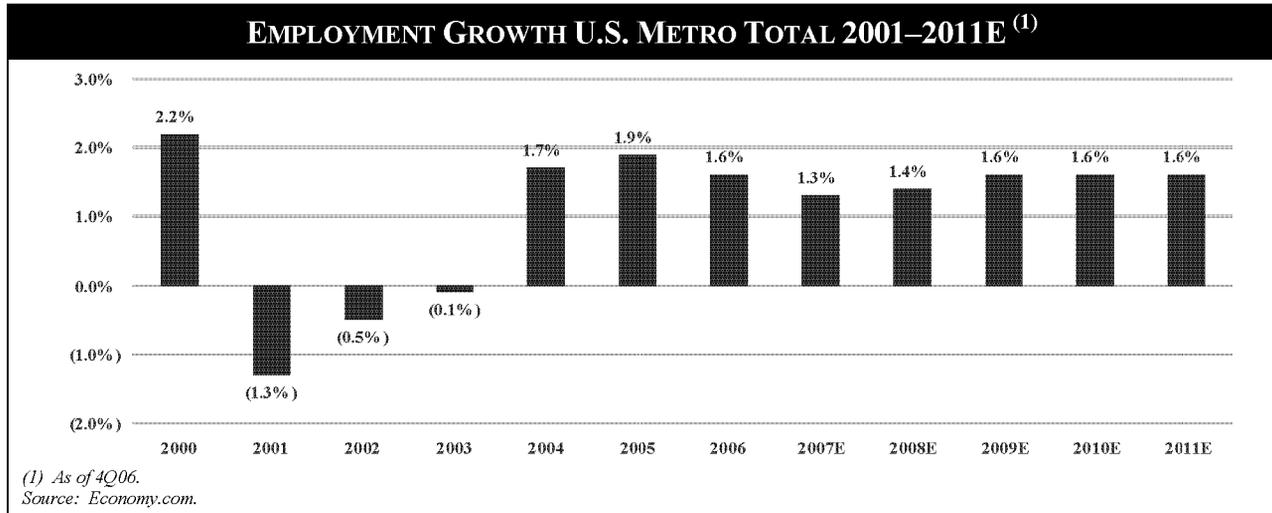


Merits

The sector is poised for continued strong rental and income growth driven by anticipated strong national fundamentals, specifically within the Company’s markets, including:

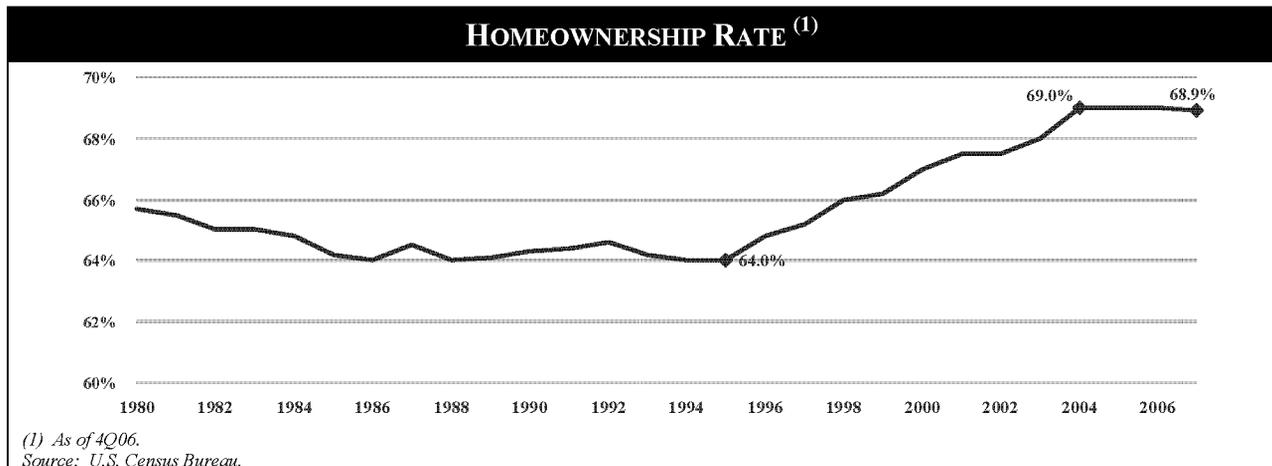
Employment Growth

Although employment growth, along with overall economic growth, is anticipated to slow in 2007, it is projected to continue at a healthy pace. The multifamily sector, as with most industries, is in large part driven by the overall U.S. economy. To the extent the economy does well, the multifamily sector should do well as increased jobs create demand for housing in general.



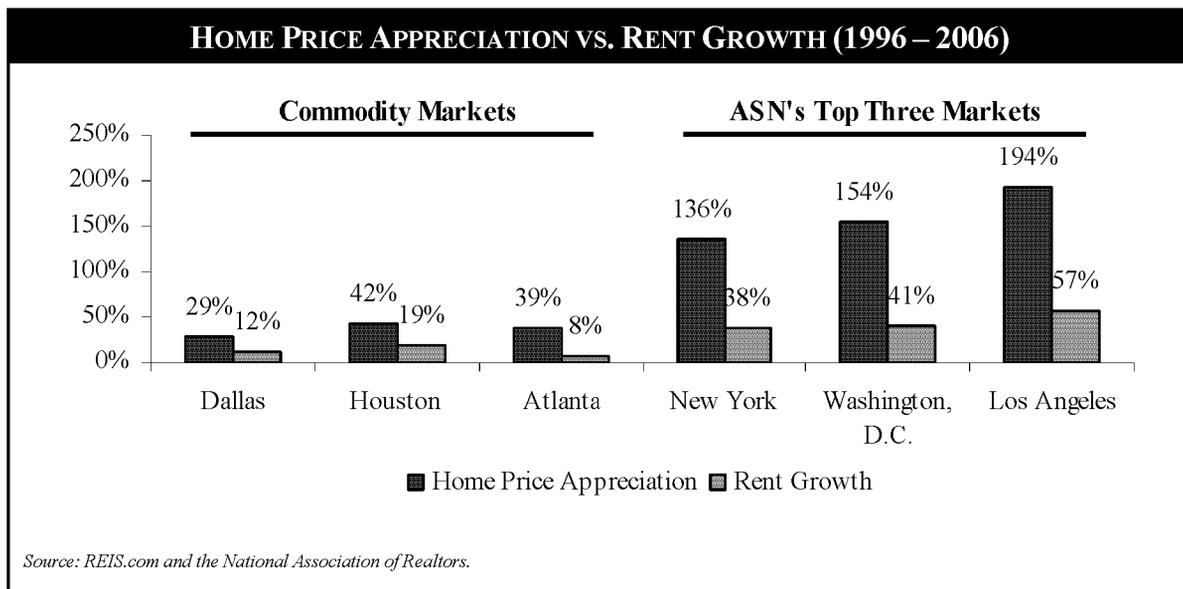
Decrease in Homeownership Rate

The homeownership rate in the U.S. has dramatically increased over the last 10 years, driven by strong economic and job growth and historically low interest rates. Since a portion of the growth was driven by unqualified buyers of homes, it is anticipated those buyers will become renters again over the next few years as they are unable to meet their mortgage payments. Over the last 12 months, despite continued historically low interest rates, home sales volume has declined dramatically and the homeownership rate has decreased as many buyers during the for-sale housing boom have been forced to become renters again. It is anticipated that the homeownership rate will continue to decline, which will in turn drive demand for multifamily product across the U.S.



Decrease in Home Affordability

Home affordability should also play an increasingly important role in determining the strength of overall rental demand. During the apartment market downturn that spanned from 2002-2004, rents across the U.S. declined below the 19-year average as a percentage of median income (9.5% compared to an average of 10.7%). At the same time, due to a run-up in home prices from the speculative for-sale housing boom, the multiple of after-tax mortgage payments to rents increased to 1.6x, compared to the 19-year average of 1.2x. It is estimated that rents across the U.S. must increase 13% and 24%, respectively, to bring these ratios in line with the historical average. In addition, home appreciation in coastal markets has far outpaced both the national average and the growth in apartment rents, and while the cost to own versus rent in these markets has always been well above the national average, the disparity has become even more lopsided in recent years. The table below illustrates that the spread is between home price appreciation versus rent growth is significantly greater in ASN's largest markets.

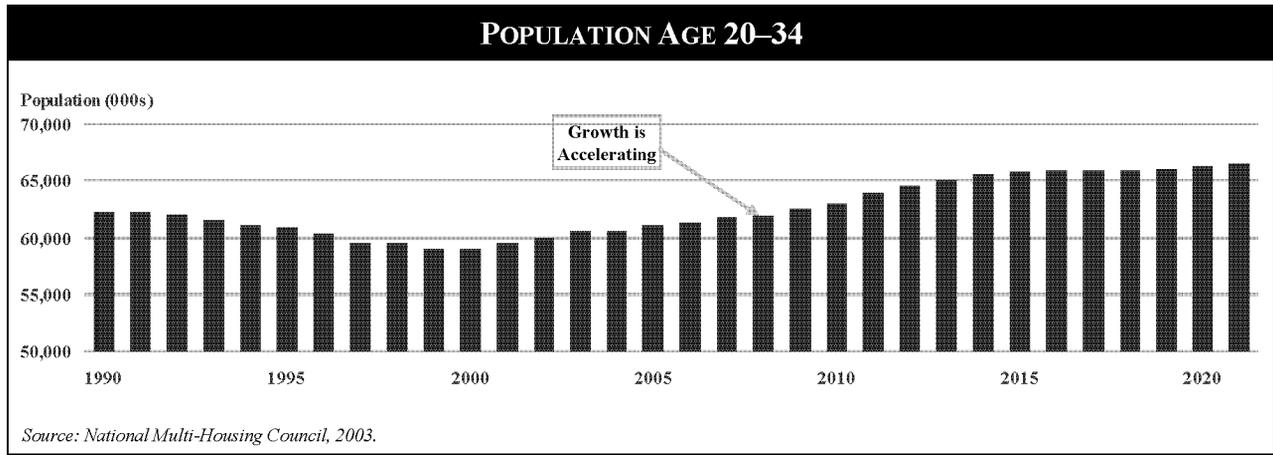


Credit Tightening

As a result of the perception that many unqualified homebuyers were manipulated or inappropriately incentivized to buy homes over the past several years (mainly related to defaulting subprime and now prime borrowers), many public officials are calling for tighter lending standards on home purchases. As a result, it is anticipated that many potential homebuyers will be “priced-out” from buying homes as credit standards become more stringent and larger down payments are required. In the near-term, due to concerns of further price declines in the single-family housing market, multifamily demand is expected to increase as many qualified potential buyers delay their decision to purchase a home. In the long-term, this is expected to increase demand for multifamily as potential buyers that are now unqualified indefinitely delay their planned purchase of a home.

Demographic Trends

In the U.S., “echo boom” households, which are the segment of the population that is age 20-34, are projected to grow by 5 million people over the next several years. This bodes well for the multifamily sector as this demographic is a key driver of apartment demand.



Limited New Supply

Escalating construction costs, strict zoning regulations and limited availability of land, particularly in coastal markets, will limit multifamily construction as potential developers struggle to develop to appropriate risk-adjusted return yields. Despite a significant portion of condominium conversions re-entering the market as rental product, new supply remains in check.

NEAR-TERM NEW SUPPLY PROJECTIONS						
	2002	2003	2004	2005	2006	2007E
Units to be Convert to Condos (1)	9,000	24,000	79,000	200,000	69,000	-
Total U.S. Multi-Family Units Started (5+ Unit Buildings)	308,000	315,000	304,000	313,000	297,000	275,000
% For Rent	79%	76%	66%	57%	53%	70%
Total Units Started for Rent	245,000	240,000	200,000	178,000	157,000	183,000
Less: Units to be Converted (above)	(9,000)	(24,000)	(79,000)	(200,000)	(69,000)	-
Plus: Condo Units Returning to Rental Pool (2)	24,000	33,000	60,000	60,000	98,000	83,000
Net New Units to be Rented	260,000	249,000	181,000	38,000	186,000	266,000

Source: Real Capital Analytics, U.S. Census Bureau, Green Street.

(1) Data through 4Q06. 2007 multi-family starts is a Green Street estimate. Condo units returning to rental pool are on a lagged basis.

(2) One-third of '02-'04 condo starts and conversions are assumed to have returned to the rental pool, with that estimate increasing to 40% in '05-'07.

Reduced Rental Stock

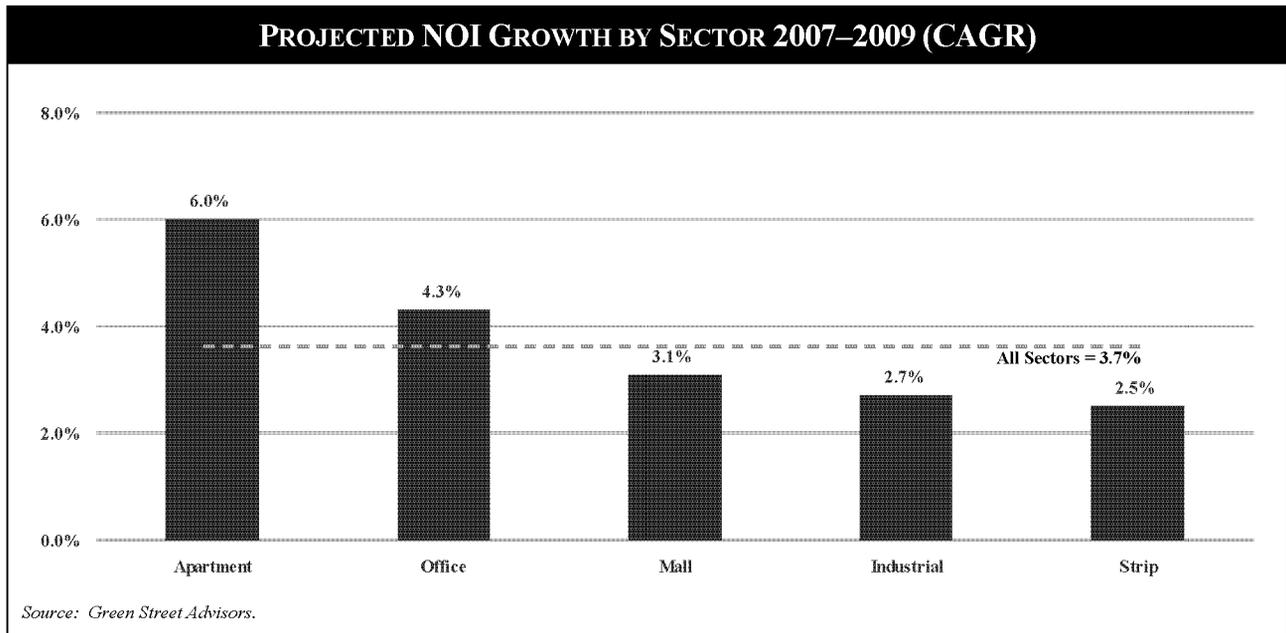
Although it is estimated that a significant portion of condominium conversions are re-entering the market as rental units, the reduction in the inventory of apartment product due to conversions is still significant.

CONDOMINIUM CONVERSIONS AS A % OF RENTAL STOCK ⁽¹⁾					
Market	2003	2004	2005	2006	Total (2003-2006)
Southeast Florida ⁽²⁾	2.1%	6.8%	12.0%	4.6%	24.5%
Orlando	0.2%	3.5%	15.2%	5.9%	24.2%
Tampa	0.7%	1.5%	13.4%	3.6%	19.0%
Las Vegas	0.3%	5.4%	5.4%	1.7%	12.8%
Jacksonville	1.5%	2.8%	6.4%	2.1%	12.3%
Charleston	1.5%	1.1%	5.8%	2.6%	11.1%
Phoenix	0.1%	0.7%	6.4%	2.8%	9.9%
San Diego	1.2%	4.3%	3.8%	0.3%	9.6%
Suburban Virginia	1.8%	2.8%	4.0%	0.4%	8.6%
Tucson	0.0%	0.4%	4.4%	1.6%	6.4%
New York	0.0%	1.1%	4.2%	0.5%	6.1%
Suburban Maryland	1.1%	0.7%	2.3%	0.9%	4.9%
Sacramento	0.0%	2.3%	2.0%	0.3%	4.6%
San Bernardino/Riverside	0.4%	1.1%	1.9%	0.5%	4.0%
Seattle	0.1%	0.3%	1.9%	1.4%	3.8%
Baltimore	0.0%	0.5%	2.9%	0.3%	3.8%
Chicago	0.2%	0.3%	1.9%	0.4%	2.8%
No NJ	0.0%	1.7%	0.8%	0.2%	2.8%
Boston	0.1%	1.2%	1.1%	0.2%	2.5%
Stamford	0.0%	0.0%	0.7%	1.4%	2.2%
Atlanta	0.3%	0.7%	0.7%	0.3%	2.0%

(1) Represents portion of rental inventory that was sold to condo converters, based on inventory at the beginning of the period.
 (2) Consists of Broward County, Miami and Palm Beach.
 Source: Real Capital Analytics.

Strong NOI Growth

Over the next few years, it is anticipated that the multifamily sector will outperform other asset types.

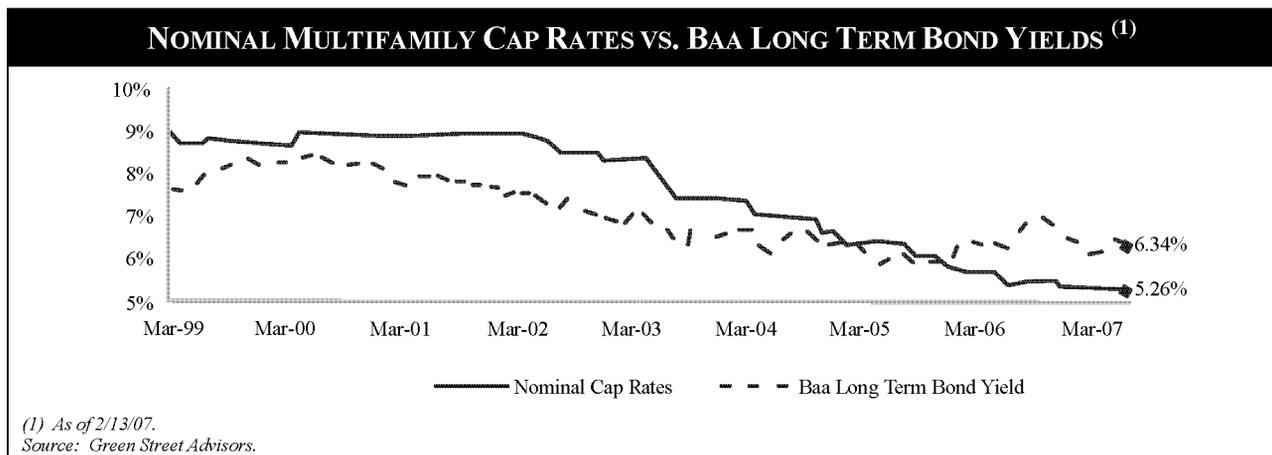


Considerations

U.S. multifamily valuations, along with U.S. real estate in general, are believed to be relatively high compared to historical norms, particularly when compared to other non-real estate asset classes in the U.S. The following is a discussion that will serve to identify key metrics to compare multifamily valuation to other non-real estate asset classes and whether real estate, and multifamily in particular, is being appropriately valued based on its risk and growth prospects.

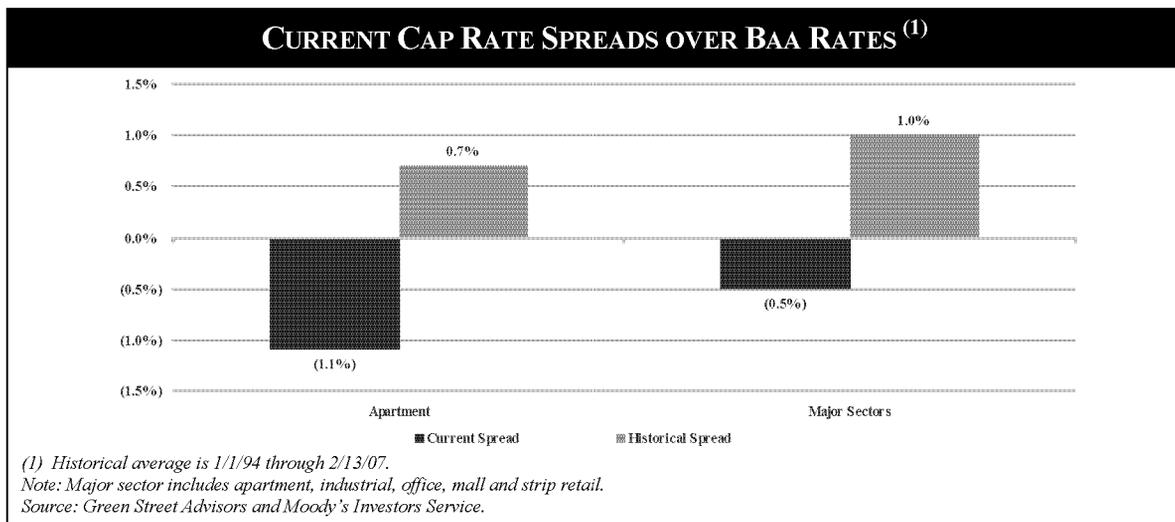
Multifamily Cap Rates are Below Bond Yields

Multifamily cap rates have historically been greater than the Baa long term bond yield, however, in the last few years, multifamily cap rates are now below that of bond yields. Mitigating Factor: Due to the long-term growth prospects of the income from real estate and the stability of cash flows, it is believed that real estate income is now being appropriately priced compared to bond yields. However, if bond yields increase, it is anticipated that cap rates will also increase as they are strongly correlated.

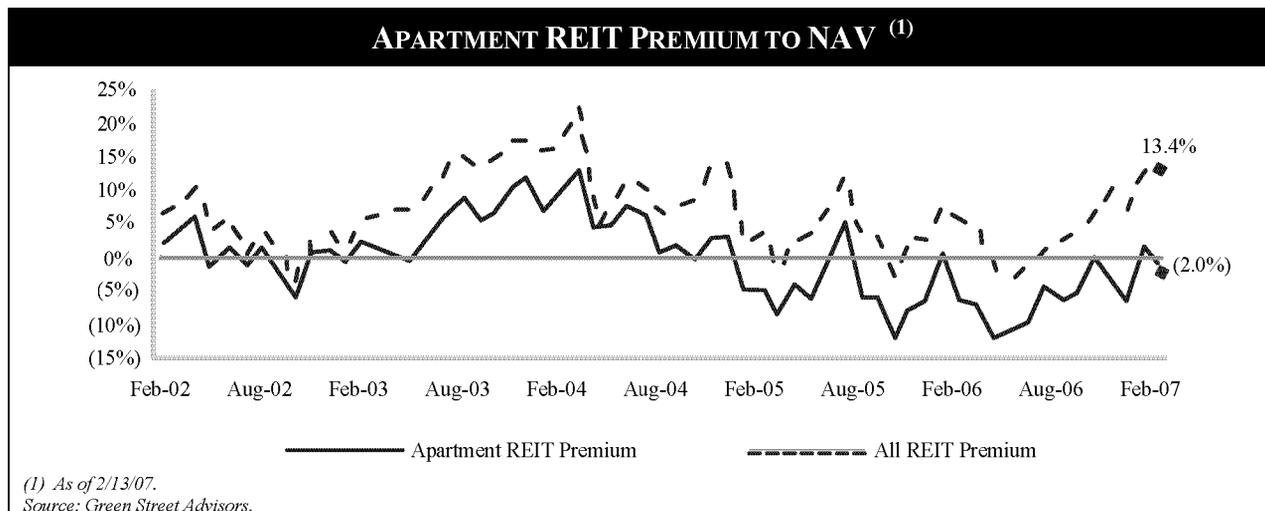


Multifamily Appears to be Expensive

Multifamily cap rates appear to be at a premium compared to other real asset classes when compared to the Baa long-term bond yield. Mitigating Factor: Again, due to the stability of cash flows for multifamily and its anticipated outperformance compared to the other asset classes, it is believed that multifamily valuation is appropriate in this context.



Mitigating Factor: When taken in the context of the public market valuation of multifamily compared to other real estate asset classes, despite the stronger growth prospects of multifamily, the multifamily sector continues to trade at a relative discount to its estimated private market valuation.



J. Due Diligence

Due diligence for the Transaction is being conducted jointly by Lehman Brothers, Tishman, Wachtell, Lipton, Rosen & Datz (“Wachtell”), Weil, Gotshal & Manges (“Weil”), DLA Piper (“DLA”) and Ernst & Young (“E&Y”).

Prior to the Acquisition Group’s initial indication of interest on May 2, 2007, Lehman and Tishman spent several weeks reviewing publicly available information. In addition to reviewing publicly available information, we are currently reviewing non-public information provided in an on-line data room. Lehman, Tishman, E&Y and the Acquisition Group’s legal counsels have reviewed all property-level data as well as corporate, tax and legal information on the site. On Monday, May 14, 2007, representatives of Lehman and Tishman also attended a presentation given by Archstone’s executive management team.

In addition, Lehman’s Private Equity Group and Principal Transactions Group and Tishman’s regional acquisitions teams have conducted market research and underwriting relating to the Archstone properties. They have visited/toured almost all of the operating properties and have extensively toured the development assets. Both teams have found the properties to be of superior quality and condition and determined that they appear to be well-operated and well-maintained. The construction projects are also of superior/excellent quality and are designed to target the upper echelon of the leasing market.

The following table outlines the due diligence that is being conducted by the team in connection with the proposed Transaction.

DUE DILIGENCE SUMMARY				
Due Diligence Area	Activity	Conducted By	Status	
1. Public information	Review ASN’s public filings, supplemental financial packages, recent earnings call transcripts, recent news, equity research reports	All	Completed	
2. Corporate financial information	Review financial schedules including balance sheet, account payables and receivables, cash rollforward, severance, change of control provisions, 280G, etc.	Lehman / TSP	To be completed by signing of commitment	
3. Operating property projections	Detailed review of the Company’s cash flow projections for each operating property, including assumptions for rents, growth rates, expenses and capex	Lehman / TSP	To be completed by signing of commitment	
4. Development pipeline projections	Review pro forma projections for each development project, including assumptions on construction costs, development period, rents, etc.	Lehman / TSP	To be completed by signing of commitment	
5. Valuation	Prepare LB valuation view for operating properties and development pipeline Review market data, sales comparables, etc.	Lehman / TSP	To be completed by signing of commitment	

6.	Audit of property projections	Audit cash flow projections and prepare property-by-property underwriting model	Lehman / TSP	To be completed by signing of commitment
7.	Property tours	Visit substantially all of ASN's multifamily properties and development sites Meet with the ASN management team to discuss the strategy and direction of the company Discuss conditions and trends in ASN's markets, including supply, rents and occupancies, etc.	Lehman / TSP	Completed
8.	Background checks	LB background checks on R. Scot Sellers, Charles Mueller, Jr., Jack Callison, and Gerald Morgan, Jr.	Lehman Due Diligence	Completed
9.	Litigation	Review pending litigation and contingent liabilities with ASN	Legal	To be completed by signing of commitment
10.	Real estate legal diligence	Review select titles, insurance policies, land surveys, lease abstracts, estoppels, management and service agreements and zoning opinions	Legal	To be completed by signing of commitment
11.	Corporate legal diligence	Customary corporate diligence	All	To be completed by signing of commitment

K. Recent Events / Transactions

DATE	EVENT
May 10, 2007	ASN announced that the City of San Bruno and the San Bruno Chamber of Commerce officially introduced Archstone San Bruno with a ribbon cutting celebration. The community is located in the heart of the San Francisco Peninsula.
May 9, 2007	ASN reported first quarter 2007 financial results. The Company announced net earnings per share (EPS) of \$1.27 for the quarter ended March 31, 2007, compared with \$0.58 per share reported for the same period in 2006. Funds from operations (FFO) for the first quarter of 2007 was \$0.50 per share, which is at the top end of the guidance previously provided by management.
May 7, 2007	ASN announced the promotion of Matthew Smith to SVP. In his new role, Mr. Smith will assume responsibility for oversight of the Company's East Region community operations, which is comprised of more than 30,000 apartment units primarily located in the greater Washington D.C. metropolitan area, New York City, and Boston, and represents more than 50% of the Company's NOI.
March 16, 2007	ASN celebrates the grand opening of Archstone Boston Common, a premiere 420-unit luxury apartment building on Washington Street, a short block from Boston Common.
February 9, 2007	ASN announced that leasing is currently underway at Archstone Clinton, a 24-story apartment building on 10 th Avenue. Archstone Clinton is a joint venture development of ASN and The Dermot Company, a leading luxury residential development company that was chosen in 2003 by the New York City Department of Housing Preservation and Development to redevelop the land.
February 1, 2007	ASN reported 2006 year end financial results. The Company announced record net earnings per share (EPS) of \$3.33 for the year ended December 31, 2006 – an 11% increase compared with the \$3.00 reported in 2005. The Company's FFO for the year ended December 31, 2006 was \$2.26 per share, compared with \$2.10 per share reported in 2005. FFO for the fourth quarter was \$0.53 per share, compared with \$0.52 per share for the same period in 2005.
January 17, 2007	ASN declared first quarter 2007 common stock dividend of \$0.4525 per common share, representing an annual dividend of \$1.81 per common share.
January 1, 2007	ASN announced that J. Lindsay Freeman, the Company's chief operating officer and a 13-year veteran, will retire at the end of 2007. The Company also announced a number of related management changes that will coincide with Mr. Freeman's retirement. Charles E. Mueller, Jr., who has been with the company for 13 years and has held the role of CFO for eight years, will become COO. Jack Callison, Jr., ASN's EVP – East Operations and 10-year veteran, will assume the newly created role of President-U.S. Operations. Finally, Gerald R. Morgan, SVP – National Operations, will take over as CFO. In addition to his seven-year tenure with ASN, Mr. Morgan brings six years of experience as a CFO with other large companies.

L. Research Opinion

David Toti and David Harris maintain equity research coverage. The Lehman research team currently rates ASN a 2-Equal weight with a price target of \$54.00 (latest report dated May 10, 2007).

ANALYST RECOMMENDATIONS

Firm	Analyst	Recommendation	Target Price	NAV	FFO Estimates		AFFO Estimates	
					2007E	2008E	2007E	2008E
A.G. Edwards	J. Sheehan	-	-	-	\$2.30	\$2.49	-	-
Banc of America	R. Nussbaum	Buy / Buy	\$65.00	\$57.59	\$2.38	\$2.58	\$2.16	\$2.35
BB&T Capital Markets	S. Krewson	Buy / Buy	\$70.00	\$59.50	\$2.28	\$2.48	\$2.83	\$2.71
Bear Stearns	R. Smotrich	Outperform / Buy	\$59.00	\$48.92	\$2.30	\$2.45	\$2.09	\$2.25
BMO Capital Markets	R. Anderson	Market Perform / Hold	\$58.00	\$49.19	\$2.26	\$2.44	\$2.07	\$2.25
Citigroup	J. Litt	Hold / Hold	\$66.00	-	\$2.24	\$2.45	-	-
Credit Suisse	J. Stewart	Neutral / Hold	\$50.00	-	\$2.28	\$2.54	-	-
Deutsche Bank	L. Taylor	Hold / Hold	\$60.00	-	\$2.32	\$2.60	-	-
Friedman Billings Ramsey	P. Morgan	Outperform / Buy	\$63.00	\$57.20	\$2.35	\$2.55	\$2.13	\$2.33
Goldman Sachs	J. Habermann	Neutral / Hold	\$60.00	\$62.00	\$2.31	\$2.48	\$1.80	\$1.85
Green Street Advisors	C. Leupold	Buy / Buy	-	\$58.67	-	-	-	-
J.P. Morgan	A. Paolone	Neutral / Hold	-	\$56.77	\$2.30	\$2.50	\$2.11	\$2.30
KeyBanc	K. Ford	Hold / Hold	-	\$49.16	\$2.33	\$2.56	\$2.10	-
Lehman Brothers	D. Toti	Equal-Weight / Hold	\$54.00	\$52.50	\$2.25	\$2.45	-	-
Merrill Lynch	S. Sakwa	Buy / Buy	\$62.00	\$58.82	\$2.29	\$2.47	\$2.07	\$2.23
Morgan Stanley	R. Stevenson	Equal-Weight / Hold	\$60.00	-	\$2.30	\$2.42	-	-
Raymond James	W. Crow	Outperform / Buy	\$58.00	\$51.76	\$2.31	\$2.52	\$2.10	\$2.30
RBC Capital Markets	D. Rodgers	Outperform / Buy	\$66.00	\$57.90	\$2.27	\$2.51	\$2.07	\$2.31
Stifel Nicolaus	R. Petrik	Hold / Hold	-	\$57.00	\$2.28	\$2.47	\$2.05	\$2.24
UBS Securities	A. Goldfarb	Neutral / Hold	\$60.00	\$56.00	\$2.32	\$2.47	\$2.15	\$2.31
Wachovia Securities	S. Swett	Market Perform / Hold	\$56.00	-	\$2.26	\$2.50	-	-
Mean			\$60.44	\$55.53	\$2.30	\$2.50	\$2.13	\$2.29
Median			\$60.00	\$57.00	\$2.30	\$2.49	\$2.10	\$2.30
Maximum			\$70.00	\$62.00	\$2.38	\$2.60	\$2.83	\$2.71
Minimum			\$50.00	\$48.92	\$2.24	\$2.42	\$1.80	\$1.85

M. Comparable Company Analysis

COMPARABLE COMPANY ANALYSIS											
<i>(\$ in thousands, except per share amounts)</i>											
Company	Ticker	Price 5/14/07	Dividend Yield	Capitalization		Leverage		Trading			
				Equity Mkt. Cap.	Enterprise Value (1)	Net Debt / EV	Net Debt + Pref. / EV	FFO Multiples (2)		FFO Growth	
								2007	2008	06-07	07-08
Primary Comps											
Avalon Bay	AVB	\$124.31	2.7%	\$9,916,132	\$12,584,584	20.4%	21.2%	26.4x	23.9x	7.5%	10.5%
Post Properties	PPS	\$53.82	3.3%	2,380,728	3,528,655	29.8%	32.5%	27.5x	26.3x	4.7%	4.5%
Essex Property Trust	ESS	\$127.67	2.9%	3,314,569	5,147,590	29.7%	35.6%	22.7x	21.7x	12.1%	4.7%
BRE Properties	BRE	\$61.50	3.5%	3,171,924	5,215,614	34.4%	39.2%	23.4x	21.2x	(1.6%)	10.5%
Equity Residential	EQR	\$47.45	3.9%	14,712,266	23,533,484	35.8%	37.5%	20.6x	19.2x	1.6%	7.3%
Mean - Primary Comps			3.3%			30.0%	33.2%	24.1x	22.5x	4.9%	7.5%
Median - Primary Comps			3.3%			29.8%	35.6%	23.4x	21.7x	4.7%	7.3%
Secondary Comps											
Camden Property Trust	CPT	\$72.21	3.8%	\$4,509,009	\$7,258,913	36.5%	37.9%	19.2x	17.9x	(3.2%)	7.6%
Home Properties	HME	\$56.00	4.6%	2,620,070	4,803,662	45.5%	45.5%	17.3x	16.1x	5.2%	7.4%
AIMCO	AIV	\$56.49	4.2%	6,041,944	12,872,354	46.0%	53.1%	17.1x	15.8x	7.7%	8.2%
United Dominion	UDR	\$29.92	4.2%	4,247,784	7,949,139	43.6%	46.6%	16.4x	15.2x	8.8%	7.7%
Mid America	MAA	\$55.77	4.3%	1,543,267	2,887,443	40.8%	46.6%	15.9x	14.8x	5.3%	7.4%
Associated Estates	AEC	\$15.37	4.4%	270,123	815,974	59.8%	66.9%	15.7x	12.5x	n/a	25.5%
Mean - Multifamily Sector			3.8%			38.4%	42.0%	20.2x	18.6x	4.8%	9.2%
Median - Multifamily Sector			3.9%			36.5%	39.2%	19.2x	17.9x	5.3%	7.6%
Archstone-Smith Trust	ASN	\$54.11	3.3%	\$13,539,675	\$20,201,436	32.7%	33.0%	23.6x	21.7x	1.6%	8.5%
Prem. / (Disc.) to Mean - Primary Comps			2.1%			2.7pts	(0.2pts)	(2.3%)	(3.3%)		
Prem. / (Disc.) to Mean - Multifamily Sector			(12.5%)			(5.7pts)	(9.1pts)	16.7%	16.8%		

N. Credit Analysis

Below is a synopsis of the most recent reports from Moody's and S&P. Archstone currently has a S&P's senior unsecured credit rating of BBB+ with a Positive outlook. In addition, the Company has a Moody's senior unsecured credit rating of Baa1 with a Stable outlook. Additional details on the current ratings are presented below:

SUMMARY OF MOST RECENT RATING AGENCY REPORTS	
MOODY'S	STANDARD & POOR'S
<p>Ratings: <i>Senior Unsecured: Baa1</i></p> <p>Outlook: <i>Stable</i></p> <p>Report Date: <i>January 26, 2007</i></p> <ul style="list-style-type: none"> Moody's views ASN's core markets as high barrier-to-entry markets, which has helped the REIT manage through economic slowdowns in multifamily while maintaining occupancies. In addition, Moody's notes that ASN has consistently run a high quality, well-managed apartment REIT. ASN has demonstrated efforts to reduce secured debt and to unencumber assets. Moody's views ASN's significant exposure to Washington D.C. and California as a credit challenge and would positively view more geographic diversity. Secured debt is high for the rating category, and any further increase in secured debt into the mid-20% range of gross assets would put pressure on the rating. Moody's would also be concerned by any sustained decrease in the fixed charge coverage below 2.1x. 	<p>Ratings: <i>Senior Unsecured: BBB+</i></p> <p>Outlook: <i>Positive</i></p> <p>Report Date: <i>May 19, 2007</i></p> <ul style="list-style-type: none"> On May 19, ASN's outlook was revised to positive from stable. The outlook revision acknowledges the portfolio's strength and above-average operating performance over the last cycle. Further, the portfolio continues to produce stable core cash flow to support fixed charges and the Company maintains a sizeable and moderately leveraged balance sheet. ASN's balance sheet leverage has been fairly consistent and the Company is currently one of the more lowly leveraged REITs, with debt and preferred stock-to-total book capital just over 48% at the end of the first quarter, compared to a five-year average of 50%. Market value leverage is 31%. S&P's recognizes that leverage and secured debt levels could increase as management builds out its large development pipeline and remains opportunistic, which may include additional investments outside the U.S. However, S&P's expects that management will manage its debt ratios at acceptable levels in the long term. ASN's liquidity position appears solid, and is supported by the Company's demonstrated access to the capital markets, favorable demand and pricing for its assets, and ample revolver capacity. These capital sources should be more than sufficient to meet property capital expenditures, acquisitions, remaining near-term development costs and near-term debt maturities.

O. Tishman Speyer Management & Directors

Tishman Speyer Overview

Tishman Speyer was founded in 1978 by Robert Tishman and Jerry Speyer and is one of the leading owners, developers and operators of real estate in the world. Since its formation, the company has developed or acquired more than 230 properties totaling over 100 million square feet of real estate and over 14,000 residential units, and manages a global property portfolio in excess of \$40 billion.

TISHMAN SPEYER SENIOR MANAGEMENT	
Name	Position
Jerry Speyer	President and CEO
Rob Speyer	Senior Managing Director and Head of New York
Paul Galiano	Senior Managing Director
Steven Wechsler	Senior Managing Director

Tishman Speyer Senior Management Biographies

Jerry Speyer, *President and Chief Executive Officer*

Mr. Speyer was one of the two founding partners of Tishman Speyer Properties, and has been President and CEO since TSP's formation in 1978. Prior to 1978, Mr. Speyer was a Senior Vice President and Director of Tishman Realty & Construction Co., Inc. An active advocate on behalf of New York City, Mr. Speyer has headed many community, business and cultural organizations. He is vice chairman of the Museum of Modern Art and New York-Presbyterian Hospital; co-chair of the New York City Partnership (also served as chairman of the Partnership in the early 90's); chairman emeritus of Columbia University; chairman emeritus of the Real Estate Board of New York; and past president of the Board of Trustees of the Dalton School. His board affiliations include the Federal Reserve Bank of New York; YankeeNets; the Rand Corporation; Carnegie Hall; the Real Estate Roundtable; and the Urban Land Institute. He is a member of the Council on Foreign Relations and The Economic Club of New York. Mr. Speyer graduated from Columbia College in 1962 and the Columbia University Graduate School of Business in 1964.

Rob Speyer, *Senior Managing Director and Head of New York*

Mr. Speyer is Chair of the company's Management Committee which oversees its business activities globally. Mr. Speyer is also responsible for Tishman Speyer's day-to-day business in the New York metropolitan area. Previously, he was responsible for several acquisitions and developments in New York, including Tishman Speyer's first new office development in Manhattan in over a decade.

Mr. Speyer was appointed by Mayor Bloomberg as Chair of the Mayor's Fund to Advance New York City, the not-for-profit corporation for the City of New York. Mr. Speyer also serves on the Board of Visitors of Columbia College, the Board of Trustees of the New York City Police Foundation, and the Executive Committee of the Board of Governors of the Real Estate Board of New York. He graduated magna cum laude from Columbia College in 1992, and was elected to the Phi Beta Kappa Society.

Paul Galiano, Senior Managing Director

Mr. Galiano is jointly responsible for supervising and coordinating Tishman Speyer's acquisition program throughout the United States, its capital markets program, its global disposition program and joint venture programs. He was formerly the company's Chief Financial Officer with responsibility for Tishman Speyer's worldwide financial activities. Prior to being the CFO, he was the company's Treasurer, and previously was responsible for Tishman Speyer's tax strategies. He is a member of the company's executive committee, investment committee, and management committee. Prior to joining the company in 1993, Mr. Galiano was with Arthur Andersen & Co. for seven years where he specialized in real estate taxation. He is a member of the Urban Land Institute and serves on The Board of Directors of The Better Business Bureau. Mr. Galiano graduated from Pace University in 1987 and earned a BBA in Accounting.

Steven Wechsler, Senior Managing Director

Mr. Wechsler is responsible for supervising and coordinating Tishman Speyer's acquisition program throughout the United States, its global disposition program, as well as its equity capital and joint venture programs. Prior to joining Tishman Speyer upon its inception in 1978, Mr. Wechsler was a Vice President of Tishman Realty & Construction Co., Inc. Mr. Wechsler serves on the Advisory Board of Columbia Business School's M.B.A. Real Estate Program, and as a Trustee of the Teachers College, Columbia University. Mr. Wechsler graduated from the State University of New York at Buffalo in 1970 and received his M.B.A. from the Columbia University Graduate School of Business in 1972.

P. Lehman Brothers Relationship

Both Dick Fuld and Mark Walsh have long and established relationships with Jerry Speyer, one of the two founders of TSP. In addition, Paul Hughson (MD), Ken Cohen (MD), Larry Kravetz (MD), David Lazarus (MD), Bob Ashmun (MD), Mike McNamara (MD) and Charlie Manna (SVP) all have established relationships with senior members of TSP's management team.

Lehman has completed both equity and debt transactions totaling over \$6.0 billion with Tishman, including the following:

- The \$900 million bridge equity commitment and \$1.6 billion debt commitment on Tishman's acquisition of the CarrAmerica Washington, D.C. portfolio
- The \$570 million bridge equity commitment and \$1,175 million mortgage/mezz commitment on Tishman's acquisition of 200 Park Avenue ("The MetLife Building")
- The \$400 million bridge equity commitment on Tishman's \$1.9 billion joint venture with GIC
- The \$375 million mortgage secured by 666 Fifth Avenue in New York City
- The \$260 million mortgage secured by MGM Plaza in Los Angeles, CA
- The \$220 million mortgage secured by the Chrysler Building in New York City
- The \$200 million mortgage secured by Chrysler East Building in New York City
- The \$200 million mortgage and a LBREP equity investment in 11 West 42nd Street in New York
- The \$75 million mortgage secured by 200 West Madison, Chicago IL
- The \$60 million mortgage secured by Glendale City Center, Glendale CA
- The \$54 million mortgage secured by 1325 G Street, NW in Washington, DC which LBREP sold to Tishman
- A LBREP equity investment to fund the construction of the CBX Tower in Paris, France
- A LBREP equity investment to fund the construction of 300 Spear Street a residential condominium development in San Francisco, California

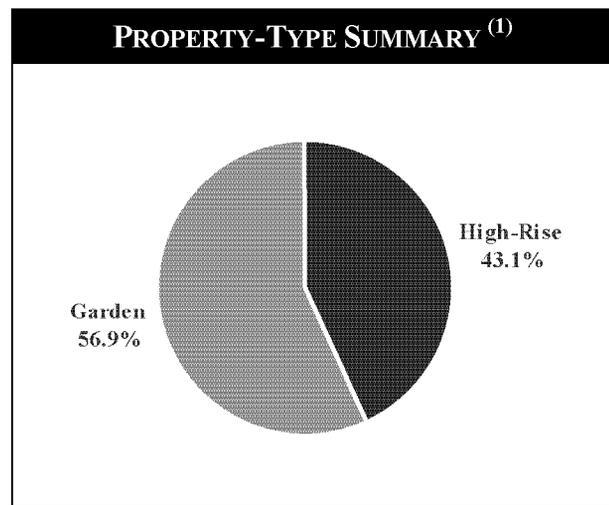
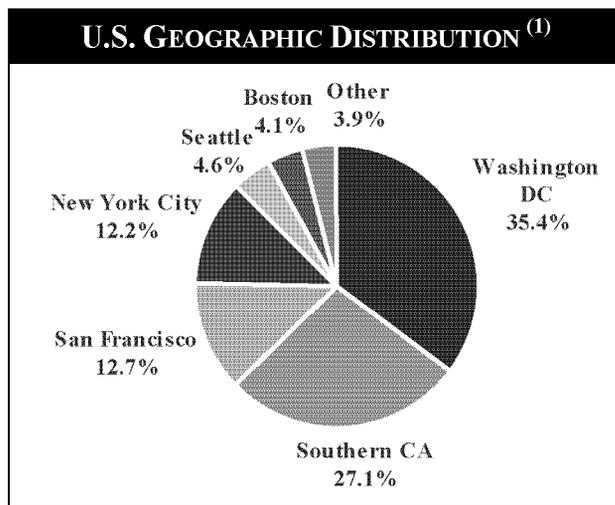
Q. Recommendation

We are going to update the Committee on Friday, May 18, 2007 after we complete our due diligence and finalize the structure of the Transaction.

II. BUSINESS OF THE COMPANY

General Overview

Archstone-Smith Trust is a Maryland real estate investment trust (“REIT”) headquartered in Englewood, Colorado. Archstone-Smith, an S&P 500 company, is a leading name in the multifamily sector. The company is engaged primarily in the acquisition, development, redevelopment, operation and long-term ownership of high-rise and garden apartment communities in desirable, high barrier-to-entry markets. The Company’s portfolio is concentrated in many of the most desirable neighborhoods in the Washington, D.C. metropolitan area, Southern California, the San Francisco Bay Area, the New York metro area, Seattle and Boston. ASN continually upgrades the quality of its portfolio through the selective sale of assets, using proceeds to fund investments in assets with superior growth prospects. As of March 31, 2007, the Company owned or had an ownership position in 344 communities representing 86,014 units, including units under construction. At the close of the quarter, the operating portfolio was concentrated in protected locations across the United States. In addition, Archstone has the highest concentration of high-rise multifamily properties in the sector.

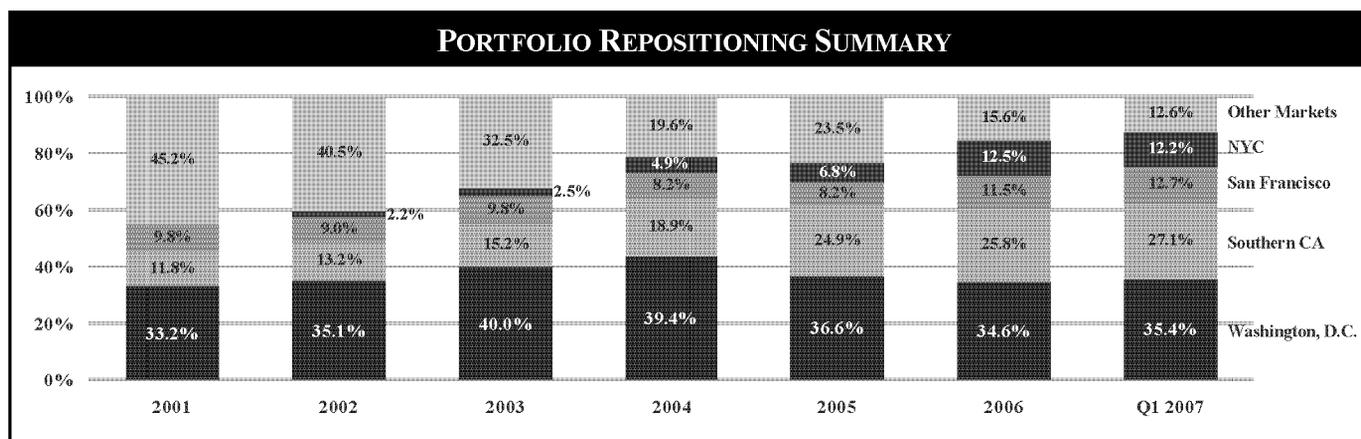


(1) Represents distribution of domestic communities owned as of 3/31/2007 based on NOI for the three months ended 3/31/2007, excluding JVs.

Archstone focuses its investment activities in its core markets, which are characterized by protected locations with high barriers-to-entry, expensive single family home prices and a strong, diversified economic base with significant employment growth potential. Since 2001, the Company has focused its efforts on minimizing its exposure to weaker domestic multifamily markets. Through its intensive capital recycling program, ASN has disposed of more than 70,000 units since 2001 at an average unlevered IRR of approximately 15%.

ARCHSTONE-SMITH DISPOSITION SUMMARY					
(\$ in thousands)			Gross Sales	Gross Gain on	Unlevered
	Communities	Units	Proceeds	Sale, Net	IRR
2001	58	18,473	\$1,201,228	\$21,398	10.6%
2002	15	4,747	407,632	73,478	18.6%
2003	48	15,599	1,383,125	180,455	13.0%
2004	21	9,430	1,406,171	285,643	13.8%
2005	26	8,558	1,100,409	302,357	14.2%
2006	34	11,534	1,457,249	403,069	20.1%
2007	11	3,817	655,750	224,145	20.4%
Total	213	72,158	\$7,611,564	\$1,490,545	15.1%

Moreover, in late 2005, ASN indicated that it would attempt to dispose of virtually all of its remaining non-core assets by year-end 2006. In 2001, ASN's primary core markets made up 54.8% of NOI; however, as of March 31, 2007, Washington, D.C., Southern California, New York City and San Francisco comprised 87.4% of NOI. In addition, Archstone's non-core markets now comprise less than 2% of NOI.



Archstone-Smith places considerable emphasis on the value created through its development of new apartment properties. Over the first quarter of 2007, the Company's development pipeline increased \$540 million to \$4.4 billion with the addition of four new Southern California projects. The Company's development pipeline is concentrated in markets that include Manhattan, Southern California, Washington, D.C. and downtown Boston. As illustrated in the chart below, as of March 31, 2007, ASN had 6,291 units, with a total expected investment of \$1.8 billion, under construction and 7,946 units, representing a total expected investment of \$2.6 billion, in planning.

DEVELOPMENT PIPELINE OVERVIEW

(\$ in thousands)

	Communities	Units	Investment - End of Period	Total Expected Investment
Archstone-Smith				
Under Construction - Owned	5	2,150	\$466,532	\$742,668
Under Construction - JV	2	1,059	248,817	507,873
In Planning - Owned	4	1,514	94,970	592,082
In Planning - Under Control	5	1,454	10,863	671,281
In Planning - Under Control - JV	1	515	8,770	169,950
Subtotal Archstone-Smith	17	6,692	\$829,952	\$2,683,854
Ameriton				
Under Construction	8	2,756	\$252,802	\$480,635
In Planning - Owned	12	3,914	137,069	1,016,024
Under Construction - JV	1	326	12,217	44,974
In Planning - Owned - JV	2	549	32,708	127,092
Subtotal Ameriton	23	7,545	\$434,796	\$1,668,725
Archstone-Smith and Ameriton				
Under Construction	16	6,291	\$980,368	\$1,776,150
In Planning - Owned or Under Control	24	7,946	284,380	2,576,429
Total Archstone-Smith and Ameriton	40	14,237	\$1,264,748	\$4,352,579

As is evidenced in the following table, Archstone's development projects are focused in its core multifamily markets. During the first quarter, the Company began construction on the residential tower of Wisconsin Place, a mixed use development in the Friendship Heights neighborhood of Washington, D.C. The development is expected to be completed during the end of 2008. In addition, Archstone delivered its first units at the 133-unit Archstone Santa Monica on Main Street in Southern California, the 185-unit second phase of Archstone San Bruno in the San Francisco Bay Area and the 627-unit Archstone Clinton in Manhattan.

APARTMENT COMMUNITIES UNDER CONSTRUCTION									
<i>(\$ in thousands)</i>									
	Location	Units	Investment - End of Period	Total Expected Investment	Actual / Exp.		Expected Stabilization	Percent Leased	Percent Ownership
					Start Date	Date for First Units			
High-Rise									
North Point Place I	Cambridge, MA	426	\$128,301	\$193,194	Q2/05	Q4/07	Q3/09	NA	100.0%
Archstone Clinton	New York, NY	627	244,706	313,236	Q3/05	Q1/07	Q4/09	26.0%	59.0%
Wisconsin Place	Chevy Chase, MD	432	4,111	194,638	Q1/07	Q4/08	Q4/10	NA	75.0%
Subtotal High-Rise		1,485	\$377,118	\$701,068	-	-	-	-	74.7%
Garden									
Archstone Warner Center	Los Angeles, CA	522	\$119,451	\$127,500	Q3/04	Q4/06	Q1/08	22.0%	100.0%
Archstone Santa Monica on Main St.	Santa Monica, CA	133	72,347	72,507	Q4/04	Q1/07	Q2/07	17.0%	100.0%
Archstone San Bruno Phase II	San Bruno, CA	185	68,372	79,335	Q1/06	Q3/07	Q2/08	14.0%	100.0%
Archstone Gateway	Orange, CA	884	78,061	270,131	Q3/06	Q1/08	Q1/11	NA	100.0%
Subtotal Garden		1,724	\$338,231	\$549,473	-	-	-	-	100.0%
Total		3,209	\$715,349	\$1,250,541	-	-	-	-	85.8%

Ameriton Properties Incorporated

Ameriton Properties Incorporated ("Ameriton") is a taxable REIT subsidiary "opportunity fund" that focuses on the acquisition, development and sale of apartment communities. Ameriton offers the ASN management team the opportunity to leverage its core competencies to capitalize on short- and mid-term real estate investment opportunities throughout the United States. Ameriton identifies under-managed operating communities, as well as development and redevelopment opportunities, with a target ownership horizon of one to two years. In 2006, the division sold 10 investments, producing an unlevered IRR of 16.7%. During first quarter 2007, Ameriton sold one investment, yielding an unlevered IRR of 11.0%. Currently, Archstone is the only public apartment company pursuing this strategy. As of March 31, 2007, Ameriton had 4 operating properties and 23 communities under construction or in planning, including joint ventures. The following table summarizes Ameriton's current development pipeline:

AMERITON INVESTMENT SUMMARY				
<i>(\$ in thousands)</i>				
	Under Construction or In Planning			
	Communities	Units	Investment - End of Period	Total Expected Investment
California	6	1,440	\$83,803	\$565,900
Washington D.C. Metro	4	1,579	132,219	347,384
Houston / Dallas	6	2,391	65,667	407,008
Atlanta	3	1,006	101,390	147,291
Southeast Florida	2	572	26,093	119,313
Phoenix	2	557	25,624	81,829
Total	23	7,545	\$434,796	\$1,668,725

German Platform

Since the fourth quarter of 2005, Archstone has been focused on expanding its international presence. Archstone believes there are substantial strategic benefits of a presence in Germany. A limited supply of new residential property, coupled with increased demand driven by an increasing number of households, should spur positive developments in rental rates and occupancy. In addition, portfolio rents at existing properties that were under corporate or municipal ownership are often below market levels, as these residential owners are generally focused primarily on providing affordable housing for their constituents.

Archstone has expanded its German platform considerably over the last year and a half. During the fourth quarter of 2005, ASN acquired an 822-unit portfolio in Mannheim and, in the second quarter of 2006, purchased a 657-unit portfolio in Berlin. In addition, in July of 2006, ASN acquired the residential real estate portfolio and management team of Deutsche WohnAnlage GmbH (“DeWAG”). DeWAG specializes in the acquisition, ownership, operation and re-sale of quality residential properties in the major metropolitan areas of Southern and Western Germany, as well as West Berlin. As of the acquisition date, the portfolio consisted of 6,296 multifamily units. The DeWAG acquisition also served as a means to establish an infrastructure in Germany. Collectively, the DeWAG’s senior management team has more than 60 years of experience and, following the acquisition, ASN hired a team of over 100 full-time German employees to support management in building out the platform. The team’s strong, long-term relationships with major German real estate owners is expected to create unique, off-market acquisition opportunities going forward. As of March 31, 2007, ASN’s German platform consisted of 8,334 units.

III. FINANCIAL PROJECTIONS

We intend to provide comprehensive financial projections, including assumptions, at the Committee meeting on Friday, May 18.

IV. HISTORICAL FINANCIAL RESULTS

ASN HISTORICAL BALANCE SHEET

(\$ in thousands)

	As of March 31,	As of December 31,		
	2007	2006	2005	2004
ASSETS				
Real Estate	\$12,101,054	\$12,214,034	\$10,893,008	\$8,808,902
Real Estate Held for Sale	975,821	973,606	466,256	412,136
Less: Accumulated Depreciation	(975,517)	(957,146)	(836,693)	(763,542)
Net Investments in Real Estate	\$12,101,358	\$12,230,494	\$10,522,571	\$8,457,496
Investments in and Advances to Unconsolidated Entities	252,014	235,323	132,728	111,481
Total Real Estate Investments	\$12,353,372	\$12,465,817	\$10,655,299	\$8,568,977
Cash and Cash Equivalents	49,270	48,655	13,638	203,255
Restricted Cash in Tax-Deferred Exchange and Bond Escrow	669,395	319,312	495,274	120,095
Other Assets	389,464	425,343	302,967	173,717
TOTAL ASSETS	\$13,461,501	\$13,259,127	\$11,467,178	\$9,066,044
LIABILITIES & SHAREHOLDERS' EQUITY				
Liabilities:				
Unsecured Credit Facilities	\$275,900	\$84,723	\$394,578	\$19,000
Term Loan - International	171,730	235,771	-	-
Long-Term Unsecured Debt	3,321,702	3,339,462	2,545,119	2,099,132
Long-Term Unsecured Debt - Held for Sale	-	16,237	-	-
Mortgages Payable	2,557,553	2,743,081	2,269,591	1,905,552
Mortgages Payable - Held for Sale	136,738	33,153	124,061	125,953
Accounts Payable	77,603	71,967	53,366	52,052
Accrued Interest	47,446	67,135	50,991	-
Accrued Expenses and Other Liabilities	342,403	365,260	260,682	273,079
Total Liabilities	\$6,931,075	\$6,956,789	\$5,698,388	\$4,474,768
Minority Interest	711,486	739,149	787,273	498,098
Shareholders' Equity:				
Perpetual Preferred Shares	\$50,000	\$50,000	\$50,000	\$50,000
Common Shares	2,228	2,201	2,124	1,996
Additional Paid-in-Capital	4,951,830	4,883,164	4,652,901	4,026,113
Accumulated Other Comprehensive Income / (Loss)	4,292	3,520	(1,720)	(4,425)
Retained Earnings	810,590	624,304	278,212	19,494
Total Shareholders' Equity	\$5,818,940	\$5,563,189	\$4,981,517	\$4,093,178
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$13,461,501	\$13,259,127	\$11,467,178	\$9,066,044

ASN HISTORICAL INCOME STATEMENT

(\$ in thousands)

	3 Months Ending March 31,		Years Ending December 31,		
	2007	2006	2006	2005	2004
Revenues:					
Rental Income	\$268,132	\$207,734	\$1,056,176	\$777,603	\$642,270
Other Income	15,754	16,216	77,410	56,030	19,208
Total Revenue	\$283,886	\$223,950	\$1,133,586	\$833,633	\$661,478
Expenses:					
Rental Expenses	\$63,430	\$45,330	\$248,837	\$182,546	\$155,350
Real Estate Taxes	26,240	18,897	94,505	69,836	55,397
Depreciation on Real Estate Investments	67,492	53,359	261,438	187,771	150,470
Interest Expense	67,293	45,527	245,895	164,035	125,108
General and Administrative Expenses	18,998	15,385	68,188	58,604	55,479
Other Expenses	955	10,354	13,715	49,232	13,563
Total Operating Expense	\$244,408	\$188,852	\$932,578	\$712,024	\$555,367
Earnings from Operations	\$39,478	\$35,098	\$201,008	\$121,609	\$106,111
Minority Interest	-	-	(30,541)	(21,164)	(20,465)
Income from Unconsolidated Entities	695	18,878	36,316	22,432	17,902
Other Non-Operating Income	2,026	176	2,338	28,807	28,162
Net Earnings before Discontinued Operations	\$42,199	\$54,152	\$209,121	\$151,684	\$131,710
Net Earnings from Discontinued Operations	282,728	89,740	518,313	464,488	410,632
Net Earnings	\$324,927	\$143,892	\$727,434	\$616,172	\$542,342
Preferred Share Dividends	(958)	(958)	(3,829)	(3,831)	(10,892)
Net Earnings Attributable to Common Shares - Basic	\$323,969	\$142,934	\$723,605	\$612,341	\$531,450
Interest on Convertible Debt	7,295	-	11,139	-	-
Dividends on Convertible Preferred Shares	-	-	-	-	3,755
Minority interest	-	-	708	352	509
Net Earnings Attributable to Common Shares - Diluted	\$331,264	\$142,934	\$735,452	\$612,693	\$535,714

V. LITIGATION / OTHER CONTINGENT LIABILITIES

In Archstone's first quarter 10-Q, the Company reported that during the second quarter of 2005, it entered into a full and final settlement in the U.S. District Court for the District of Maryland with three national disability organizations and agreed to make capital improvements in a number of communities in order to make them fully compliant with the FHA and ADA. The litigation, settled by this agreement, alleged lack of full compliance with certain design and construction requirements under the two federal statutes at 71 of ASN's wholly-owned and JV communities, of which the Company still owns or has an interest in 42. As part of the settlement, the three disability organizations all recognized that the Operating Trust had no intention to build any of its communities in a manner inconsistent with FHA or ADA.

In addition, the Company reported that it is a party to various other claims and routine litigation arising in the ordinary course of business. **ASN does not believe that the results of any such claims or litigation will have a material adverse effect on its business, financial position or results of operations.**

VI. APPENDICES