

From: Cohen, Jonathan <jonathan.cohen@lehman.com>
Sent: Thursday, October 4, 2007 3:27 PM (GMT)
To: Reilly, Gerard <greilly@lehman.com>
Cc: Bernard, Clement <clement.bernard@lehman.com>; Kebede, Abebual A <akebede@lehman.com>
Subject: RE: Archstone

The term loan is price flexed to make a point. The deal guys are working on the numbers, which are still changing a little. There is a bank loan meeting today and I imagine the issue of term loan pricing will be the hot topic. Even if we sold Term Loan A at 300 over at a price of 97, the equity would still yield 13%. We are also receiving total fees of \$233mm detailed as follows: (1) debt fees (structuring and underwriting) of \$96mm; (2) Bridge Equity fees, underwriting skim and priority sell down fee(allowed B of A to sell down first prior to Barclay's coming into the equity)of \$107mm; and (3) M&A fees of \$30mm. Some of that will be crystallized over the next month as FNMA and Freddie close, B of A provides us the \$5mm for priority sell down, the M&A advisory fee is paid and a small portion of the bridge equity is syndicated (only \$70mm of the total \$4.6bn will co-fund with us). On the FNMA and Freddie sale, it would crystallize somewhere between \$45mm - \$50mm. With the priority sell-down fee, the M&A advisory fee and the day 1 bridge equity syndication, we would have about \$80-\$85mm of real cash to mark into our remaining position. Our position would consist of \$2.1bn of bridge equity, \$2.8bn of debt and \$250mm of perm debt held by private equity. Thus, there is a lot of room for marking the equity conservatively and still taking some p&l by year end.

Jonathan Cohen
Senior Vice President
Real Estate Finance
>Lehman Brothers
399 Park Avenue, 5th floor
>New York, NY 10022
>Tel. (212) 526-2469
>Fax (646) 758-1570
jonathan.cohen@lehman.com

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

From: Reilly, Gerard
Sent: Thursday, October 04, 2007 9:27 AM
To: Cohen, Jonathan
Cc: Bernard, Clement
Subject: RE: Archstone

What would be the logic in not marking down the term loan?

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

From: Cohen, Jonathan
Sent: Thursday, October 04, 2007 8:30 AM
To: Reilly, Gerard
Cc: Bernard, Clement
Subject: RE: Archstone

Attached is what we went over on the ALCO call yesterday. I had a couple of business guys walk Paolo, Ian and Chris thru it. We are

funding \$2.25bn today consisting of our permanent equity and bridge equity. Tomorrow we will fund approx \$2.84bn of non-FNMA and non-Freddie debt. We will also fund our 47.3% share of FNMA's \$7.1bn and Freddie's \$1.8bn tomorrow. We will get reimbursed by FNMA within a day or two post closing and within 3 weeks by Freddie. Treasury is able to bridge this funding. Finally, we are also funding (warehousing) \$275mm for the Mezz Fund tomorrow as they are lending to The Irvine Companies in their purchase of some Archstone's assets. As an fyi, the term loan syndication is not going so well. No orders yet and it seems the investors want better pricing. Tishman is reluctant to accept the discount as it will impact equity. Let me know if you need anything else.

Jonathan Cohen
Senior Vice President
Real Estate Finance
>Lehman Brothers
399 Park Avenue, 5th floor
>New York, NY 10022
>Tel. (212) 526-2469
>Fax (646) 758-1570
jonathan.cohen@lehman.com

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

From: Reilly, Gerard
Sent: Thursday, October 04, 2007 8:16 AM
To: Cohen, Jonathan
Cc: Bernard, Clement
Subject: Archstone

Can you send me a summary of our status as this funds this week
