ARCHSTONE BANK MEETING AGENDA

TO:	**Lehman Brothers -**	Mark Walsh, Paul Hughson, Bob Ashmun, Cobie Packard, Harold DeBlanc, Charlie Manna, Keith Cyrus, Web Neighbor, David Lazarus, Steve Hash, Scott Levin
	Bank of America -	Rochelle Dobbs, Jason Ourman, Matt Masso, Jason LaBonte, David Fallick, Don Benningfield, Richard Lee
	Barclays -	Mike Mazzei, Scott Weiner, Aaron Welsh, Ben Eppley, Rhonda Neider, Carol Chen
CC:	**Archstone -**	Scot Sellers, Chaz Mueller, Jack Callison, Al Neely
	Tishman Speyer -	Rob Speyer, Paul Galiano, Steve Wechsler, Michael Benner, Fred Kelly, Brad Turk

FROM: David Augarten, Kevin Siebers

DATE: July 9, 2008

LOCATION: 45 Rockefeller Plaza, New York, NY 10111

1. Development Update

- Archstone has partnered with Hines to develop the Convention Center Site in Washington, D.C.; Al Neely will provide a verbal update on the status of this project
- Old Town Gaithersburg is a development deal where Archstone is contractually obligated to acquire the land in Q3 2008 (or walk form the deal and forfeit its deposit); Al Neely will provide a verbal update on the status of this project

2. Development JV Equity Raise

- Archstone is currently out in the market looking for JV equity for four development deals (and is also informally marketing several additional development projects as buyers have expressed interest in certain deals and/or markets)
- To date, 50+ potential equity partners have been contacted
- Several groups have engaged in due diligence and site tours, but the Company has not yet received any attractive proposals
    - Both L&B (on behalf of the Florida State Board) and GE suggested that they would want an initial IRR hurdle of 15% before Archstone would get any promote
    - TIAA has also expressed interest, but their underwriting is generally very conservative and Archstone would probably need to reduce its land basis in select projects in order to meet TIAA's target equity returns
- The Company is considering reducing the land price (below its basis) for some of these development deals (and asking for a bigger promote on the back end), if necessary, in order to move forward with certain investors

3. Disposition Summary

- Since closing:
    - Archstone has formally listed $4+ billion of real estate for sale or $7+ billion when you include potential sales that were marketed directly rather than through a sales broker

- Archstone has sold approximately $1.5 billion of assets and generated $195 million of financing proceeds to pay down approximately $1.1 billion of Mezz debt, Term Loan, Development Loan and Revolver borrowings
  - The sales were completed at prices that were on average 12% below the original appraised values
  - Nearly 44% of the sales volume since closing occurred in the last 4 weeks, which finally allowed the Company to satisfy the initial $500 million Term Loan A 100% net sale proceed cash sweep
- The Company currently has $476 million of assets under contract for sale, which could generate up to $151 million of net sale proceeds before Term Loan sweeps

4. Liquidity Forecast

- Today, the Company has $177 million of Revolver capacity remaining and $211 million of Interest Reserve capacity remaining; this should be enough liquidity to allow the Company to operate through year-end

<u>2008 Liquidity Forecast</u>

- The Company's updated liquidity analysis projects $189 million of Revolver capacity and $153 million of Interest Reserve capacity at December 31, 2008; the Company's forecast is based on the following assumptions:
  - All assets currently under contract are sold in 2008 (except for Lake Shore East which is a 2009 disposition)
  - In addition, the forecast assumes $1 billion of speculative sales from assets that are not currently under contract (including the Crystal City portfolio, Kenmore, Reading, Emerald Park, Cedar River, Vanoni Ranch and Bradbury Park), which generates $209 million of net sale proceeds before the 50/50 Term Loan sweep
  - Archstone hopes to raise JV equity for four development deals currently in the market (National Gateway, Avenir, North Braeswood and 1st & M) and two additional JVs in December (Parkland Gardens and Las Colinas), which generates $131 million of net sale proceeds before the 50/50 Term Loan sweep
  - The forecast prepared by Archstone assumes $70 million of equity is invested in elective development projects and land acquisitions (Old Town Gaithersburg, Sherman Village and Las Colinas)
  - Archstone invests $17 million of equity in new mezzanine loans (through the Pru Mezz JV) and $13 million in new acquisitions (through the SWIB JV)
  - Archstone is required to post a $25 million LC as collateral for certain surety bonds
  - Archstone pays $26 million to release the development assets being financed by Prudential and TIAA from the Development Loan
  - North Point, several NY assets and Calabasas are all refinanced and $363 million of Term Loan is repaid with the net financing proceeds
- Based on the above assumptions, the Company is projected to have the following debt amounts outstanding as of December 31, 2008: $485 million of Term Loan A, $3.014 billion of Term Loan B, $160 million of the Development Loan, $24 million of the Ground Lease Loan and $864 million of Mezzanine Loans.

2009 Liquidity Forecast

- Looking forward to 2009, on a preliminary basis subject to the upcoming 2009 budget process, the Company is forecasting a cash need of $539 million before drawing on the interest reserve and before core asset sales; the Company's forecast is based on the following assumptions:
  - The Company is anticipating net operating losses (NOI less G&A less Interest Expense) of approximately $285 million in 2009; after deducting for $108 million of projected capital expenditures, the forecast shows a $393 million operating cash shortfall in 2009 from the core portfolio
  - Gross development expenditures are projected to be $298 million in 2009 net of JV equity contributions; after deducting $178 million for assumed financing proceeds and $44 million of cash available (after the TL sweep) from the formation of several development JV's in 2009, the forecast shows a $76 million total development cash use in 2009
    - There are six significant committed development deals that will still be under construction in 2009, which will require approximately $9 million of equity
      - Most of this cash will be contributed to the River's Edge JV where Archstone has an obligation to contribute $8 million of equity in 2009
    - In addition, the Company currently believes that it will make sense to start construction on eleven new development projects in the 2nd half of 2008 and in 2009 (and purchase six related pieces of land during the same period); assuming that the Company can find a 90% JV equity partner for all eleven deals, the elective development projects will require $67 million of equity in 2009
      - Approximately $63 million of equity is assumed to be spent on three elective land acquisitions (and related pre-development costs) with closings in 2009 (Santa Monica and Mansfield, Playa Del Mar and Camp Springs); this amount is net of assumed financing proceeds and JV equity proceeds
      - In addition, Mission Gorge has a projected equity spend of $10 million in 2009
      - The other elective development projects actually produce $6 million of cash (after Term Loan sweeps) through the formation of several speculative JV's
  - The forecast assumes new mezz investments of $35 million in 2009 (through the Pru Mezz JV)
  - In addition, the forecast assumes new equity investments of $35 million in 2009 to take advantage of attractive buying opportunities that may present themselves
- Approximately $153 million of the forecast 2009 cash need can be funded from the Interest Reserve, but this will likely cause the Interest Reserve to be entirely depleted in Q3 2009
- The balance of the 2009 cash shortfall, approximately $386 million, will need to come from asset sales or from other sources
  - If the operating properties have 70% property level leverage on average and 50% of all net sale proceeds are swept to pay down the Term Loan, then the Company will need to sell roughly $2.6 billion of assets in the next year to generate enough cash proceeds (after the 50% Term Loan A sweep) to cover the balance of the 2009 cash shortfall, and/or it will need to find a way to sell a large portfolio of underleveraged assets, like the NY 80/20 portfolio that Related is looking at
    - The NY portfolio could potentially generate in excess of $600 million of net sales proceeds if it is successful
- The potential cash needs could increase further if the Term Loan, Development Loan or Mezz Loans are sold and the interest rate is "flexed" or OID is incurred; the cash needs could also increase if there are any settlement costs related to the outstanding unitholder disputes

5. Financing Summary

- The Company is in various stages of obtaining additional financing and continues to work toward maximizing proceeds to pay down the Term Loan and Development Loan. The most significant financings, expected closing dates and respective proceeds are shown below:
  - $230 million construction loan with Prudential for Gateway/Orange, Esplanade and Santan
    - Scheduled to close July 31
    - Generates $68 million to pay down the Development Loan
    - A $1 million draw on the Revolver will be required to release these properties from the Development Loan
  - $172 million construction loan with Teachers for Towne Center South, Contee and Srour
    - Scheduled to close July 15
    - Generates $96 million to pay down Development loan
    - A $25 million draw on the Revolver will be required to release these properties from the Development Loan
  - $90 million construction loan with NEBF for Avenir
    - Scheduled to close this week
    - Does not produce any net refinancing proceeds to pay down the Development Loan
  - $140 million loan with Wachovia for North Point
    - Scheduled to close July 31
    - Generates $134 million to pay down Term Loan A (after funding a $6 million interest reserve)
  - $168 million loan with Fannie Mae for the NY Seconds (Aston, Sonoma, Gershwin, Foundry, 101 West End)
    - Scheduled to close July 31
    - Generates $168 million to pay down Term Loan A
  - $60 million loan with Fannie Mae for Calabasas
    - Scheduled to close July 10
    - Generates $60 million to pay down TLA
  - $70 million of land loans proceeds from five assets
    - Expected to close in August; however, some of the lenders are struggling with the Company's financials so there is an increased level of uncertainty with respect to these loans

6. Summary of YTD Operations

- As of the end of May 2008 (June financials have not yet been finalized), the Company had a negative revenue variance from budget of 0.4%; however, this was offset by a positive expense variance of 4.1%, which resulted in NOI that was 1.7% ahead of budget through May
- Across the portfolio, continuing macroeconomic pressures and resulting higher than normal exposures are showing up as a contra-seasonal decline in new rents
- Tax savings in many areas, especially in Southern California, will offset a meaningful portion of the decline in rents
- The Company is working on a complete property level re-forecast of NOI by asset, including expenses, which will include actuals through June and will be ready for distribution in early August (after the regional teams have committed to the numbers)
- The Company is also on-track to realize the capital expenditure savings that were forecast a few months ago, and an updated memo on the subject will also be distributed by the end of the month

7. **Pru Mezz JV**

- The Company is in the final stages of negotiating business points and also discussing several mezz transactions with Prudential Investment Management, Inc. ("PIM") to form a $353M mezzanine loan investment venture (the "PIM Venture") on favorable terms:
  - Archstone will commit up to 15% of the PIM Venture capital and PIM affiliates will commit the remaining 85%
  - The PIM Venture's investment program generally calls for the deployment of capital through mezzanine loans positioned between 60% and 85% of the underlying investment's capital structure (on a loan-to-value basis) focusing primarily on existing multifamily assets
  - The current economics of the deal provide that distributions will occur as follows subject to certain events and conditions: (a) 85% to PIM and 15% to Archstone until PIM receives an IRR equal to 9.25%; (b) 70% to PIM and 30% to Archstone until PIM receives an IRR equal to 13.25%; and (c) 55% to PIM and 45% to Archstone thereafter
  - Archstone will also receive an upfront 50 bps acquisition fee and a 50 bps annual servicing fee based on invested equity

8. **SWIB Acquisition JV**

- SWIB has confirmed its desire to invest the remaining $50 million of equity that was previously committed to this JV; together with $13 million of Archstone's equity, the JV will look to acquire new assets in Archstone's core markets
- The JV plans to utilize an existing Fannie Mae credit facility in place to provide debt financing for new acquisitions, which together with the equity, should provide enough capacity to acquire in excess of $150 million of new assets
- The terms of the SWIB JV are as follows:
  - Equity Contribution - 80% SWIB, 20% Archstone
  - Sponsor Promote - 20% over 9% hurdle (splits go to 60% SWIB, 40% Archstone)
  - Asset Management Fee - greater of 7.5% of NOI or 40 bps on book value of assets
  - Acquisition Fee - per transaction, 100 bps of first $20 million, then 75 bps thereafter
  - Disposition Fee - 150 bps with broker (Archstone pays broker out of its fee) or 75 bps without broker
  - Property Management Fee - market based fee

9. **Other Items?**