

**From:** Cyrus, Keith [keith.cyrus@lehman.com]  
**Sent:** Wednesday, December 19, 2007 4:57 PM (GMT)  
**To:** Hughson, Paul A [phughson@lehman.com]; Packard, Coburn J [cpackard@lehman.com]; Tujios, Constantine [constantine.tujios@lehman.com]; Chu, Ji Yeong [jichu@lehman.com]; Neighbor, Webster [rwebster.neighbor@lehman.com]; Zackowitz, David [david.zackowitz@lehman.com]; Ashmun, Robert [rashmun@lehman.com]; Wechsler, Jeffrey [jeffrey.wechsler@lehman.com]  
**Subject:** RE: Archstone: Asset Allocation  
**Attach:** ASSET SALES COMPARISON (\$1 billion platform).xls

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TS reallocated purchase price resulting in \$1.0 billion of platform value. This implies a 7.65% variance (\$1.06 billion on assets valued, \$1.47 billion if extrapolated) to the CBRE broker spot values. Revised analysis attached. We will prepare an analysis comparing the values / cap rates of the sell portfolio vs. the hold portfolio.

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

From: Hughson, Paul A  
Sent: Thursday, December 13, 2007 7:17 PM  
To: Cyrus, Keith; Packard, Coburn J; Tujios, Constantine; Chu, Ji Yeong; Neighbor, Webster; Zackowitz, David; Ashmun, Robert; Wechsler, Jeffrey  
Subject: Re: Archstone: Asset Allocation

Let's sit with Cobie in the morning-

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Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

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

From: Cyrus, Keith  
To: Packard, Coburn J; Tujios, Constantine; Chu, Ji Yeong; Neighbor, Webster; Zackowitz, David; Ashmun, Robert; Hughson, Paul A; Wechsler, Jeffrey  
Sent: Thu Dec 13 19:03:34 2007  
Subject: Archstone: Asset Allocation

Attached is an analysis that compares the CBRE broker spot values prepared in May to the preliminary purchase price allocations. TS is still working with AS to finalize individual asset values, but the interim allocation assumes a \$500 million platform value and \$187 million in OID savings. CBRE valued 165 of 203 core assets. In aggregate, CBRE's spot value for these assets is 11.6% / \$1.6 billion lower than the allocated purchase price. Extrapolating to the full portfolio, this variance would be \$2.2 billion. We all agree, that the

broker values are to some degree "low-balled" to give the brokers room to execute. The SUMMARY tab contains a sensitivity analysis of the overall value variance and implied platform value given various assumptions of this low-ball factor, ranging from 0% to the full 11.6%. For instance, if you believe the brokers underestimated true value by 5%, the platform value allocation would need to be \$1.76 billion for the allocated purchase price to equal market value; 10% = \$810 million. Assuming the broker variance is not extrapolated to the rest of the portfolio, the corresponding platform values would be \$1.416 billion and \$725 million.

The relevance of this analysis comes in to play as we evaluate asset sale bids. If TS allocates \$500 million to platform value, but the market clearing sales price implies a \$1.0 billion platform value and if we draw the sale / no sale line at allocated value, then assuming pro rata allocation, we would never sell anything. The real time examples are Monterrey Grove: We are holding out for \$58 million - the allocated purchase price. The high bid is \$56 million (retraded from \$58 million) and CBRE's spot value is \$53.8 million. Should we be holding out? Granted, this net proceeds after mortgage repayment are not overly material - but the logic holds. Fox Plaza - current high bid is \$103.5 million. We are holding out for \$110 - CBRE value is \$86 million, allocated PP is \$108 million.

This is all qualified by me being several steps removed from the market, not talking to one broker or ASN operations person and relying solely on a desktop analysis. But I want to raise the point that if we take the position that we will not sell below "allocated cost" the new asset sales / delevering plan may be somewhat academic. The BID SUMMARY sheet shows all deals currently in market. The DETAIL sheet has individual property values. Marketed deals are highlighted.

Keith

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<<ASSET SALES COMPARISON 12-10-07v3.xls>>