Archstone Exposure Overview

($ in millions)

Overview

Property type:	Multifamily
Location:	Nationwide
Transaction value:	$22,172.8
Sponsors:	LB / Tishman Speyer
Lehman role:	Advisory
	Debt financing
	Bridge equity

Initial Capitalization

	Total $ Amount	Lehman $ Amount	% of Total
Mortgage debt (1)	9,529.2	272.4	43.0%
Mezzanine debt	1,096.7	505.7	4.9%
Assumed debt	$1,390.9	0.0	6.3%
Term loans	4,764.0	2,253.2	21.5%
Preferred Equity	292.0	0.0	1.3%
Total Debt	**$17,072.8**	**$3,031.3**	**77.0%**
Bridge equity	$4,600.0	$2,142.0	20.7%
LEH GP equity (2)	250.0	245.9	1.1%
TS GP equity	250.0	0.0	1.1%
Total Equity	**$5,100.0**	**$2,387.9**	**23.0%**
Total Capitalization	**$22,172.8**	**$5,419.2**	**100.0%**

Fees & Marks

Advisory fee	$30.1
Debt origination & placement	96.3
Bridge equity commitment & funding	106.7
Gross Projected Fees	**$233.0**
Marks to date:	**$436.1**

1. *Includes development acquisition and ground lease loans.*
2. *Includes $4.1mm of ASN management rollover equity.*
3. *Includes $44.3mm anticipated to be drawn by the end of June and $70.4mm that may only be used to fund OID upon sale of the term loans.*

Lehman Exposure as of May 14, 2008

Type	Term	Rate	Initial	Repaid	Current Hold	Carrying Value $	Carrying Value %
Funded Debt							
Mortgages (floating) (1)	2, 25	L + 247	$272.4	($45.5)	$226.9	$216.9	95.6%
Mezzanine (fixed)	5, 7, 10	S + 272	242.3	(0.0)	242.3	239.9	99.0%
Mezzanine (floating)	5 yrs	L + 288	263.3	(14.0)	249.3	246.8	99.0%
Term loans	4, 5	L + 316	2,253.2	(287.8)	1,965.3	1,941.1	98.8%
Funded Permanent Debt			**$3,031.3**	**($347.4)**	**$2,683.9**	**$2,644.6**	**98.5%**
Revolver	5 yrs	L + 300	0.0	217.2	217.2	215.1	99.0%
Total Funded Debt			**$3,031.3**	**($130.1)**	**$2,901.1**	**$2,859.7**	**98.5%**
Funded Equity							
Bridge equity			$2,142.0	$0.0	$2,142.0	$1,705.9	79.6%
LEH GP equity			245.9	0.0	245.9	195.9	79.7%
Total Equity			**$2,387.9**	**$0.0**	**$2,387.9**	**$1,901.8**	**79.6%**
Total Funded Exposure			**$5,419.2**		**$5,289.0**	**$4,761.5**	**90.0%**
Unfunded Commitments							
Revolver	5 yrs	L + 300	$354.7	($217.2)	$137.5		
Incremental term loan (3)	5 yrs	L + 325	114.7	0.0	114.7		
Total Unfunded Commitments			**$469.4**	**($217.2)**	**$252.2**		
Total Exposure			**$5,888.6**		**$5,541.2**		

Exit Strategy & Other Comments

- Majority of senior mortgage debt placed with Fannie & Freddie
- Asset-level mezzanine debt of $1.04Bn (Lehman: $492mm) to be opportunistically sold to mezz buyers and/or repaid with proceeds from asset sales
- Term loan marketing was indefinitely postponed
  - Initial term loan reduced $579mm (Lehman: $288mm) through asset sales
- Company is aggressively pursuing asset sales to repay debt
  - $468mm sold to date; $495mm under contract or LOI; $3.0Bn currently in the market
- Lehman evaluating all strategic alternatives for equity including M&A and IPO

Archstone Capitalization

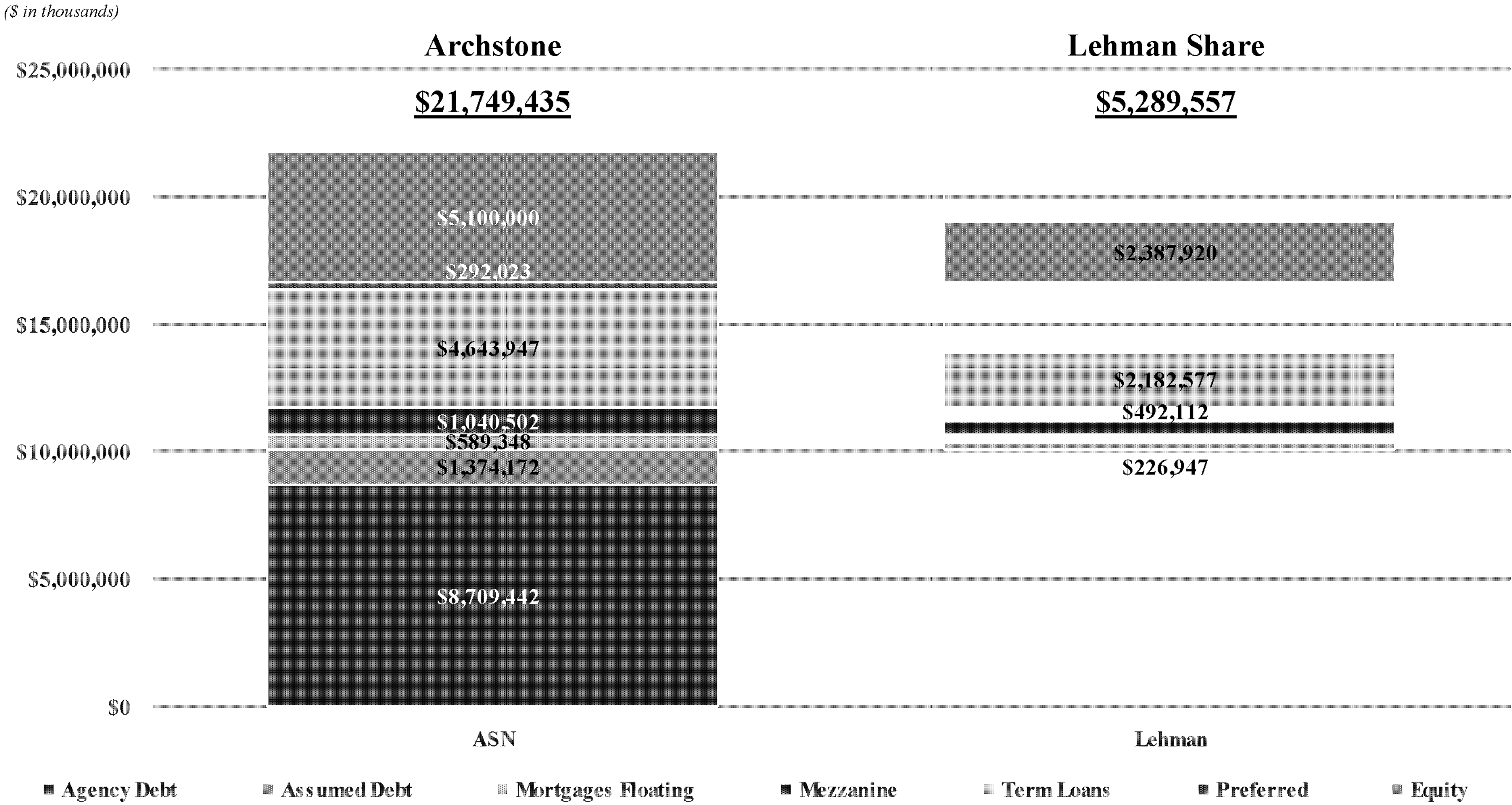
($ in thousands)

Lehman Funded Exposure as of May 14, 2008

	Capitalization 11/27/07 Update	Adjustments Through 05/14/08	Capitalization As of 05/14/08	Lehman Exposure
Tishman Speyer GP Equity	$250,000	-	$250,000	
Lehman GP Equity	250,000	-	250,000	245,900
Third Party Equity	4,600,000	-	4,600,000	2,142,020
Total Equity	**$5,100,000**	-	**$5,100,000**	**$2,387,920**
New Preferred (OP Rollover)	$242,023	-	$242,023	$0
Assume Series I Preferred	50,000	-	50,000	-
Total Preferred	**$292,023**	-	**$292,023**	**$0**
New Revolver	-	459,300	459,300	217,229
New Term Loan A	1,750,000	(579,353)	1,170,647	539,857
New Term Loan B	3,014,000	0	3,014,000	1,425,491
New Development Acquisition Loan	500,000	(96,152)	403,848	191,003
Fannie Mae	7,069,326	(125,542)	6,943,784	0
Freddie Mac	1,801,875	(36,217)	1,765,658	0
Mezzanine Behind Fannie and Freddie	1,069,171	(28,669)	1,040,502	492,112
OC/SD Debt	109,500	-	109,500	0
New Ground Lease Financing	76,000	-	76,000	35,945
Assumed Mortgage Debt	1,390,917	(16,745)	1,374,172	-
Total Debt	**$16,780,789**	**(423,377)**	**$16,357,412**	**$2,901,637**
Less: Interest Reserve	(500,000)	225,231	(274,769)	
Less: Additional Reserves	(54,942)	-	(54,942)	
Net Debt	**$16,225,847**	**(198,146)**	**$16,027,701**	
Total Enterprise Value	**$21,617,870**	**(198,146)**	**$21,419,724**	**$5,289,557**

Archstone Capitalization vs. Lehman Share

Archstone Capitalization vs. Lehman Share (1)



1. *Figures as of May 14, 2008.*

Valuation Overview

Valuation by Segment

	Property Information		PURCHASE PRICE			CURRENT VALUE			Variance	
Property	Total Units	2008 Budget NOI	Value	Per Unit	2008 Cap Rate	Value	Per Unit	2008 Cap Rate	$ Var	% Var
Core Assets										
Assets Sold	1,447	13,822,894	289,865,600	200,322	4.77%	289,800,000	200,276	4.77%	(65,600)	(0.02%)
Assets with Bids	10,723	170,669,254	3,893,888,842	363,130	4.38%	3,656,236,185	340,968	4.67%	(237,652,656)	(6.10%)
Asset Listed or Pulled	3,333	30,434,286	658,484,406	197,565	4.62%	652,100,000	195,650	4.67%	(6,384,406)	(0.97%)
Hold Assets	39,034	504,887,449	12,942,952,855	331,583	3.90%	12,942,952,855	331,583	3.90%	-	0.00%
Total Core Assets	**54,537**	**719,813,883**	**17,785,191,703**	**326,113**	**4.05%**	**17,541,089,041**	**321,637**	**4.10%**	**(244,102,662)**	**(1.37%)**
Other Assets										
Assets Sold		657,817	145,094,740			145,082,240			(12,500)	(0.01%)
Assets with Bids		16,310,816	336,000,000			317,675,900			(18,324,100)	(5.45%)
Asset Listed or Pulled		6,299,764	297,600,000			282,600,000			(15,000,000)	(5.04%)
Hold Assets		1,555,986	752,924,860			752,924,860			-	0.00%
Total Core Assets		**24,824,382**	**1,531,619,600**			**1,498,283,000**			**(33,336,600)**	**(2.18%)**
Development Assets										
Assets Sold		2,099,153	92,940,000			92,900,000			(40,000)	(0.04%)
Assets with Bids		-	38,000,000			38,528,815			528,815	1.39%
Asset Listed or Pulled		960,863	19,500,000			19,450,000			(50,000)	(0.26%)
Hold Assets		3,557,872	1,294,974,788			1,294,974,788			-	0.00%
Total Core Assets		**6,617,889**	**1,445,414,788**			**1,445,853,602**			**438,815**	**0.03%**
Total Portfolio		**$751,256,154**	**$20,762,226,090**			**$20,485,225,643**			**($277,000,447)**	**(1.33%)**
Platform Value						1,000,000,000				
Cash Reserves						329,711,000				
Other Assets & Net Working Capital						(65,501,643)				
Total Enterprise Value						**$21,749,435,000**				

Valuation Overview

IRR Valuation

- The current equity valuation of $1,706 bn (or 79.6% of par) would produce a range of IRRs based on stress tests to key assumptions:

Exit Cap

Exit Cap Rate					Net Investor IRR if Equity Syndicated at:		
Base Case		Flex		Stressed	09/30/07	09/30/08	12/31/08
4.89%	+	0.00%	=	4.89%	16.40%	19.45%	20.40%
4.89%	+	0.25%	=	5.14%	15.45%	18.30%	19.20%
4.89%	+	0.50%	=	5.39%	14.50%	17.18%	18.01%
4.89%	+	0.75%	=	5.64%	13.61%	16.10%	16.88%
4.89%	+	1.00%	=	5.89%	12.70%	15.03%	15.75%

Rent CAGR

Rent CAGR					Net Investor IRR if Equity Syndicated at:		
Base Case		Flex		Stressed	09/30/07	09/30/08	12/31/08
5.62%	-	0.00%	=	5.62%	16.40%	19.45%	20.40%
5.62%	-	0.25%	=	5.37%	15.76%	18.65%	19.55%
5.62%	-	0.50%	=	5.12%	15.16%	17.92%	18.78%
5.62%	-	0.75%	=	4.87%	14.53%	17.18%	18.00%
5.62%	-	1.00%	=	4.62%	13.85%	16.36%	17.14%

Historical Sales Performance

Historical Sales Volume and Unlevered Returns

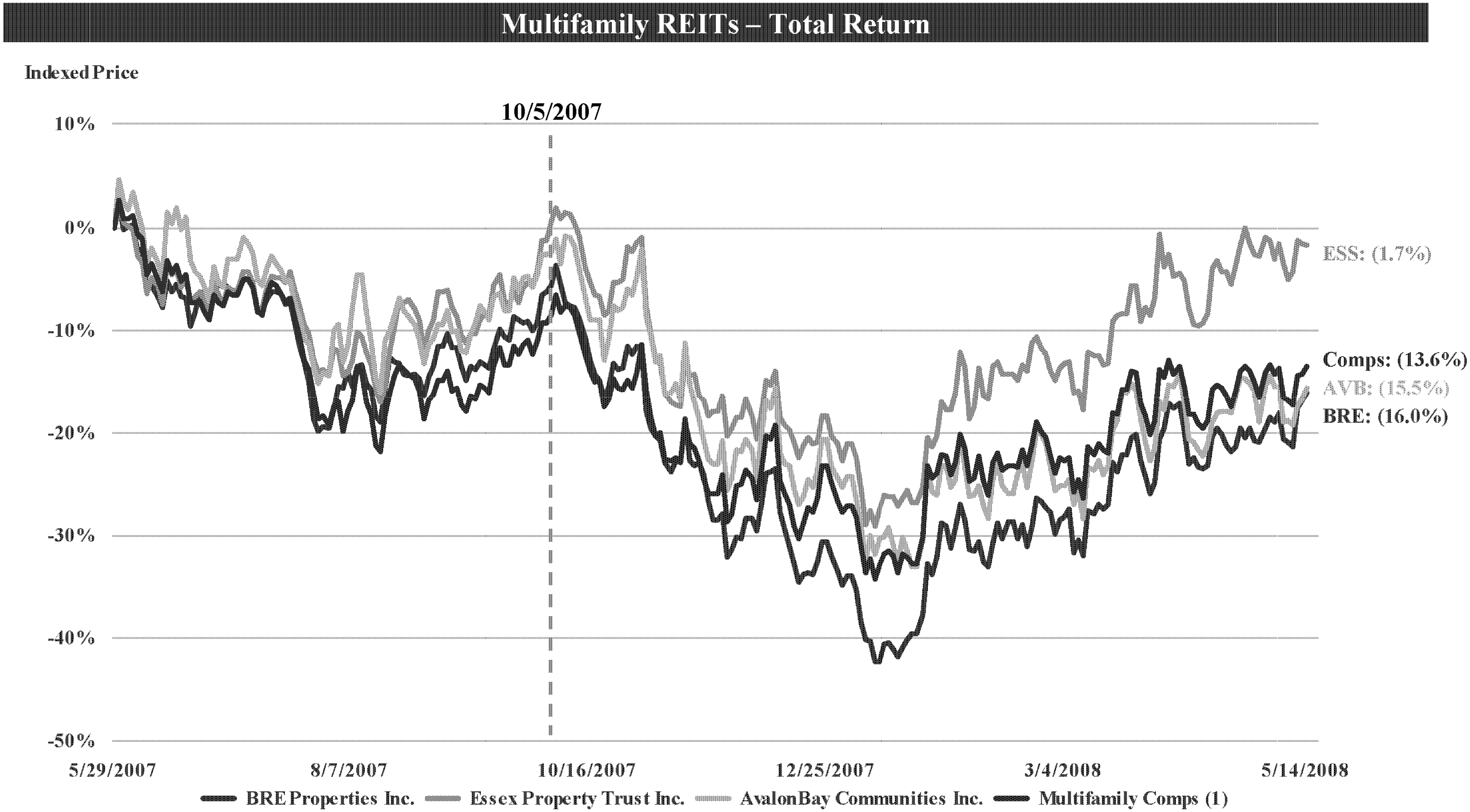
- The Company has achieved unleveraged returns of approximately 15% and 22% on core portfolio and Ameriton dispositions, respectively

($ in thousands)

	Core Portfolio				Ameriton Portfolio			
Year	Properties	Units	Gross Sales Proceeds	Unleveraged IRR	Properties	Units (1)	Gross Sales Proceeds (1)	Unleveraged IRR (1)
1995/1996	23	6,469	$304,507	12.6%	-	-	-	-
1997	26	7,250	304,640	14.1%	-	-	-	-
1998	21	7,164	405,505	14.2%	-	-	-	-
1999	40	11,338	589,313	12.4%	-	-	-	-
2000	41	13,820	793,212	12.1%	5	1,574	113,725	8.8%
2001	58	18,473	1,201,228	10.6%	2	690	80,450	16.0%
2002	15	4,747	407,632	18.6%	4	1,570	179,100	21.2%
2003	48	15,599	1,383,125	13.0%	6	1,662	224,000	19.2%
2004	21	9,430	1,406,171	13.8%	12	2,618	359,950	36.6%
2005	26	8,558	1,100,409	14.2%	11	2,797	454,529	23.7%
2006	34	11,534	1,457,249	20.1%	10	2,551	393,550	16.7%
1H 2007	14	4,775	742,597	20.3%	5	967	148,660	7.4%
Total	**367**	**119,157**	**$10,095,588**	**14.7%**	**55**	**14,429**	**$1,953,964**	**21.5%**

(1) Amount shown excludes land transactions.

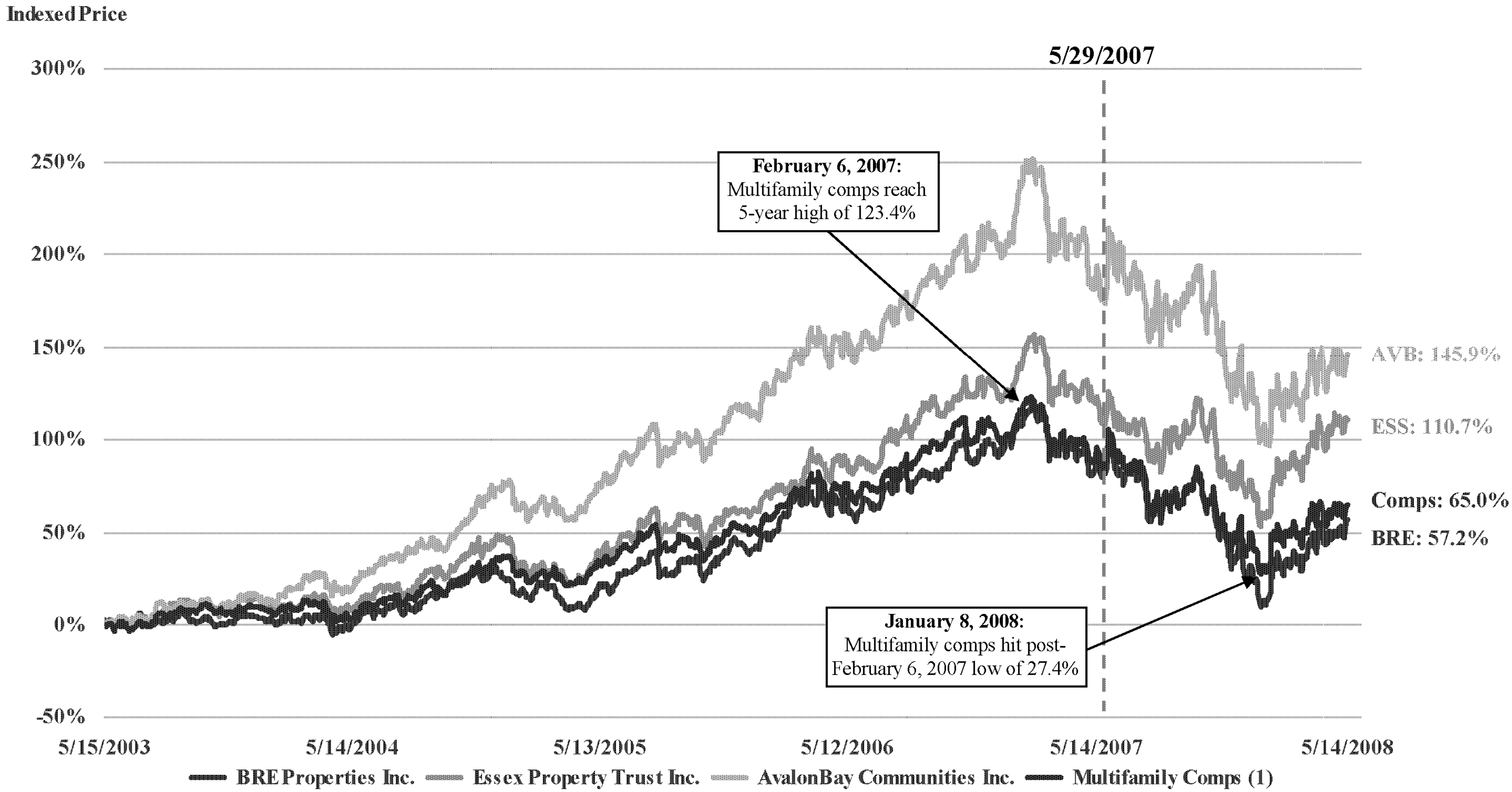
Multifamily REITs – Total Return



1. *Multifamily Comps include: AIMCO (AIV), Associated Estates (AEC), AvalonBay Communities (AVB), BRE Properties (BRE), Camden Property Trust (CPT), Equity Residential (EQR), Essex Properties (ESS), Home Properties (HME), Mid-America Apartments (MAA), Post Properties (PPS) and UDR (UDR).*

Multifamily REITs – Indexed Share Price

Multifamily REITs – Indexed Share Price



1. *Multifamily Comps include: AIMCO (AIV), Associated Estates (AEC), AvalonBay Communities (AVB), BRE Properties (BRE), Camden Property Trust (CPT), Equity Residential (EQR), Essex Properties (ESS), Home Properties (HME), Mid-America Apartments (MAA), Post Properties (PPS) and UDR (UDR).*

Peer Valuation

Comparable Company Analysis - Valuation

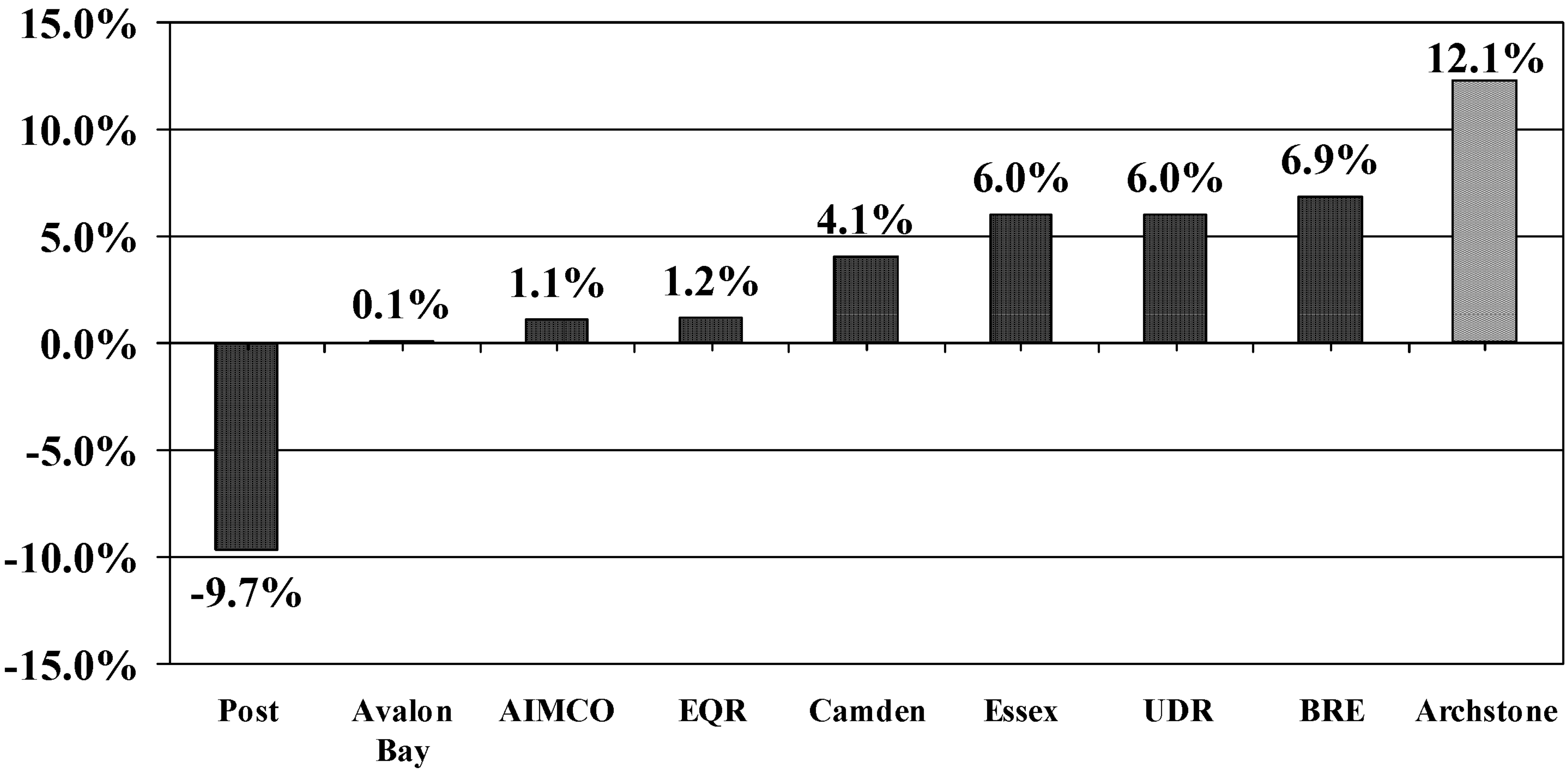
				Valuation (2)			
Company	Price 05/13/08	Enterprise Value	Units Owned (1)	NAV/ Share	Premium/ (Discount) to NAV	Applied Nominal Cap Rate	Implied Nominal Cap Rate
AvalonBay Communities	$102.47	$11,539,931	45,151	$119.15	(14.0%)	5.0%	5.7%
Essex Properties	120.36	5,196,605	28,621	116.66	3.2%	5.6%	5.4%
BRE Properties	50.39	4,746,649	26,760	56.34	(10.6%)	5.6%	6.0%
Primary Comps - Mean					**(7.1%)**	**5.4%**	**5.7%**
Primary Comps - Median					**(10.6%)**	**5.6%**	**5.7%**
Equity Residential	$43.31	$22,199,488	149,769	$46.00	(5.8%)	5.8%	6.0%
AIMCO	39.83	11,581,429	127,116	48.18	(17.3%)	7.3%	8.0%
United Dominion	25.05	6,770,601	43,559	27.89	(10.2%)	6.3%	6.8%
Camden Property Trust	51.26	6,231,807	62,918	66.02	(22.4%)	6.2%	7.2%
Home Properties of N.Y.	51.05	4,506,900	36,898	48.10	6.1%	6.9%	6.7%
Post Properties	36.61	2,783,190	19,206	48.47	(24.5%)	5.8%	7.1%
Total Comps - Mean					**(10.6%)**	**6.1%**	**6.5%**
Total Comps - Median					**(10.6%)**	**5.8%**	**6.7%**

1. *Source: Company filings.*
2. *Source: Green Street Advisors.*

Historical Operating Performance

Cumulative Same-Store NOI Growth 2001-2006

- Archstone has consistently delivered superior performance relative to its peer group



Peer Operating Performance

Comparable Company Analysis – Operations

	Occupancy (1)			1Q08 Same Store y-o-y (1)			2008 Same Store y-o-y (2)		
Company	**Current**	**y-o-y Change**	**In-Place Rent/Unit**	**Revenue Growth**	**Expense Growth**	**NOI Growth**	**Revenue Growth**	**Expense Growth**	**NOI Growth**
AvalonBay Communities	96.4%	0.3%	$1,897	4.4%	4.2%	4.4%	3.3%	2.5%	3.8%
Essex Properties	95.9%	0.4%	1,354	5.7%	4.4%	6.4%	3.8%	3.3%	4.5%
BRE Properties	94.3%	1.0%	1,412	4.6%	5.6%	4.2%	4.3%	3.5%	4.3%
Primary Comps - Mean	**95.5%**	**0.6%**	**$1,554**	**4.9%**	**4.7%**	**5.0%**	**3.8%**	**3.1%**	**4.2%**
Primary Comps - Median	**95.9%**	**0.4%**	**$1,412**	**4.6%**	**4.4%**	**4.4%**	**3.8%**	**3.3%**	**4.3%**
Equity Residential	94.4%	(0.4%)	$1,284	3.5%	1.6%	4.7%	3.5%	2.9%	3.9%
AIMCO	94.8%	0.4%	934	3.6%	4.0%	3.4%	3.0%	2.5%	3.5%
United Dominion	94.6%	0.6%	1,168	5.0%	0.5%	7.7%	4.3%	3.3%	5.3%
Camden Property Trust	93.8%	(0.7%)	948	1.5%	1.6%	1.4%	2.5%	3.1%	2.8%
Home Properties of N.Y.	94.9%	0.5%	1,116	3.5%	3.0%	4.0%	3.5%	3.6%	3.5%
Post Properties	94.5%	0.5%	1,287	3.1%	5.1%	1.9%	3.3%	NA	NA
Total Comps - Mean	**94.8%**	**0.3%**	**$1,267**	**3.9%**	**3.3%**	**4.2%**	**3.5%**	**3.1%**	**3.9%**
Total Comps - Median	**94.6%**	**0.4%**	**$1,284**	**3.6%**	**4.0%**	**4.2%**	**3.5%**	**3.2%**	**3.8%**
Archstone	**94.3%**	**(0.2%)**	**$1,605**	**5.1%**	**7.9%**	**3.7%**	**5.0%**	**4.2%**	**5.5%**

1. *Source: SNL Financial.*
2. *Mid-point of company's guidance.*

Peer Operating Performance

1Q08 REIT Operating Update

- **Avalon Bay**

  "Our same store portfolio performed largely as expected with revenue growth of 4.4%, expense growth of 4 2%, resulting in **NOI growth of 4.4%**. Overall the portfolio remains well positioned, with solid occupancy averaging 96.4% for the quarter. **The strongest regions continue to be Northern California and Seattle, both posting double-digit NOI growth.** In fact, if you look at the portfolio performance, it really is a tale of two coasts, with the West Coast reporting average revenue growth at twice the rate of the East Coast; 6.5% on the West Coast, 3.3% for the East Coast and the Midwest. We expect Northern California and Seattle to continue to show strength, while we would not be surprised to see increased weakness in the New York metropolitan area."

- **BRE**

  "Year-over-year, same-store **NOI growth was 4.2%**, reflecting same-store revenue growth of 4.6% and property-level expense growth of 5.6%. The expense growth for the quarter was higher than our guidance for the full year, which we indicated at about 3 to 4%. This is largely related to the timing of expenses in 2007. For the quarter, the expenses came in on target, and our expectations for the full year are unchanged. As we indicated in the earnings release, we continue to see **positive operating conditions in San Francisco, Seattle and San Diego. Year-over-year revenue growth in these markets ranged from 5 to 9%.** Those operating markets with the greatest exposure to single-family housing, specifically…the Inland Empire...continued to struggle. In the Inland Empire, revenue growth was up 2.5%."

Peer Operating Performance

◆ <u>EQR</u>

"On a same-store, quarter-over-quarter basis, revenues were up 3.5%, operating expenses increased 1.6% and **net operating income increased 4.7%.** Overall, the primary driver of the revenue growth was a 3.9% increase in average rental rates, offset by a slight decline in occupancies. Operating expense growth in the quarter was minimal and in line with our expectations. Our expense control initiatives continue to pay dividends in the quarter, resulting in very limited expense growth. Our results also benefited from comparatively high 5.2% quarterly expense growth in the first quarter of 2007. We would expect second quarter expense growth to trend to the high-end of our range, and annual expense growth we feel will comfortably be within our range of 2.5 to 3.25%."

"While utilities expenses were up 8% in the quarter, we expected a 7% increase for the whole of 2008. We saw a reduction, a 13% reduction in our insurance expense and saw payroll come in at about a 2.2% increase. **Our G&A expenses were up in the quarter, due primarily to severance costs we incurred as part of our reduction in force. We have spoken before about our commitment to having an operating structure that is appropriate in size to our transformed portfolio.**"

Peer Operating Performance

1Q08 REIT Operating Update

- **Essex**

  "As expected, **Northern California reported superior results leading the company with 11.8% same-property revenue growth**, well above guidance of 5.5 to 7%. Our Seattle results were also stronger than expected and above guidance. In Southern California, our revenue growth was within our 2008 guidance range of 1.5 to 3%, although we continue to see deterioration in operating performance in several submarkets attributable to increasing multifamily supply and/or job losses in specific areas. Operating expenses grew at 4.4% for the quarter, slightly above our guidance range of 2.5% to 4%."

- **UDR**

  "Revenue was up 5% at...same community homes. Expenses actually decreased by .5% resulting in **NOI being up 7.7%.** The revenue growth is the result of effective rent growth at 3.6% and an increase in occupancy of 60 basis points from 94.0% last year to 94.06% this year. 15 our 22 markets had higher occupancy year-over-year and 19 of the markets had higher revenue."