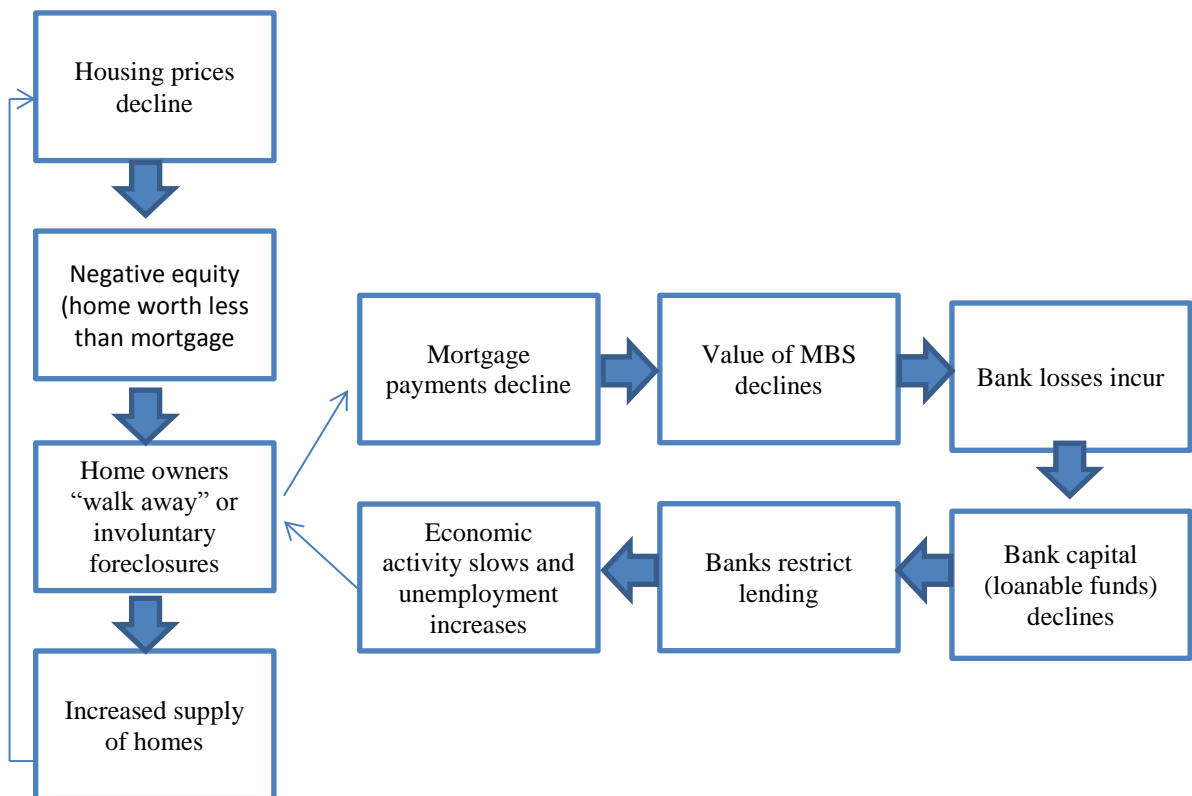


Inglês I
Época Normal
 17 January 2013
 15h – 17h

A. Writing (13.5 points)

What is shown in figure 1? Explain the chain of events. (250-400) words.

Figure 1



Your text will be marked on content; discourse organisation; range and appropriacy of vocabulary and structures; and grammatical accuracy.

B. Reading Comprehension (4.5 points)

Read the text, then answer the questions that follow.

Lehman to sell Archstone for \$6.5bn

By Tracy Alloway in New York

1. Lehman Brothers has agreed to sell Archstone, the apartment business it bought at the height of the US real estate bubble, to Equity Residential and Avalon Bay Communities in a \$6.5bn cash and equity deal.
The sale brings to a close one of Lehman's biggest gambles on US real estate and comes amid signs of an improvement in the US housing market.
5. It also replaces Archstone's plans to raise about \$3.45bn from what would have been one of the biggest initial public offerings this year. The companies would pay \$2.7bn in cash, \$3.8bn in common stock, and would also take on Archstone's \$9bn worth of debt, Equity Residential, part of Chicago mogul Sam Zell's business empire, and AvalonBay said in a statement.
10. The investment bank, under the leadership of its former head Dick Fuld, bought Archstone and its portfolio of luxury apartments in a leveraged buyout in 2007. The purchase helped add to the bank's \$30bn worth of illiquid property assets and edged Lehman into bankruptcy the next year. The company has been selling off securities and businesses in an effort to repay its thousands of creditors ever since.
15. Lehman this year bought the final 26.5 per cent of Archstone that it did not already own in an effort to pave the way for a public float or sale.
20. "The sale of Archstone to Equity Residential and AvalonBay is a very positive outcome for our creditors," Owen Thomas, chairman of Lehman's board, said in a statement. The failed bank's shareholdings in Equity Residential and AvalonBay will also provide Lehman with "the potential for further appreciation and substantial liquidity for our remaining investment", he added.
25. The deal will be one of the biggest in the US real estate sector this year and comes as the country's housing market is recovering. The Case-Shiller house price index turned positive on an annual basis in the second quarter of 2012 and there has been a recent pick-up in sales and housing starts.
30. "Archstone's assets will fit perfectly into the Equity Residential portfolio, further improve the overall quality of our assets and add scale to our operating platform in our core markets," said David Neithercut, Equity Residential's chief executive.
35. Tim Naughton, CEO of AvalonBay, said: "This is a rare opportunity to acquire a high quality portfolio of apartment communities concentrated in our markets."
40. Equity Residential will receive 60 per cent of Archstone's assets and liabilities, including 23,110 apartments. AvalonBay gets the remaining 40 per cent, or 22,222 apartments plus six apartment sites under construction. Equity Residential said it would issue 19m common shares to help fund the deal, which is expected to close in the first quarter of next year. AvalonBay will sell 14.5m shares.

The Financial Times 26 November 2012

B. Reading comprehension

(0.4 points each)

Answers

- | | |
|---|---|
| <p>1. The main purpose of the article is ...</p> <ul style="list-style-type: none"> a) to inform the public about recent events in the financial world. b) to explain how Lehman brothers is recovering after the financial crisis of 2008. c) to provide publicity for Equity Residential and AvalonBay Communities. | <p>1. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |
| <p>2. Which statement is true?</p> <ul style="list-style-type: none"> a) There was a continued downturn in the US housing market in 2012. b) The US housing market remained constant in 2012. c) There was an upturn in the US housing market in 2012. | <p>2. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |
| <p>3. Where is the money to buy Archstone coming from?</p> <ul style="list-style-type: none"> a) The buyers have taken a loan to raise the money. b) They buyers are paying for the whole deal in cash. c) The buyers are issuing shares to raise some of the money. | <p>3. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |
| <p>4. Which statement is false?</p> <ul style="list-style-type: none"> a) Lehman Brothers folded partly because they had bought Archstone. b) Lehman Brothers is making a \$23.5bn loss on the sale of Archstone. c) If Archstone were not sold to Equity Residential and Avalon Bay Communities, they would have gone public. | <p>4. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |
| <p>5. What is the core business of Equity Residential?</p> <ul style="list-style-type: none"> a) Residential rentals. b) Building new residences and apartment blocks. c) Luxury apartment sales. | <p>5. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |
| <p>6. Lehman Brothers ...</p> <ul style="list-style-type: none"> a) no longer owes money to its creditors. b) are optimistic about their future recovery. c) used borrowing to buy Archstone in 2007. | <p>6. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |
| <p>7. What is the general tone of the article?</p> <ul style="list-style-type: none"> a) Critical but objective. b) Neutral and objective. c) Positive but objective. | <p>7. <input style="width: 50px; height: 30px;" type="checkbox"/></p> |

B. Reading comprehension (cont.)

What do the following reference items (highlighted in the text) refer to? (0.34 points each)

- 8. *line 14* The purchase
- 9. *line 16* The company
- 10. *line 25* The deal
- 11. *line 26* the country
- 12. *line 34* This

C. Vocabulary (2 points)

Complete each sentence with a more technical expression for the explanation in brackets. The first letter of the keyword is given to help you. You may need to add a preposition and you will need to conjugate verbs. (0.4 points each)

- 1. Shares in the mining creation Bumi have **s**..... by almost 70% this year, while those in electricals group Volex (where he's a big investor) have lost by 75%. (dropped suddenly and substantially)
s.....
- 2. Proposing a state-sponsored corporation to sweep up **t**..... **d**..... held by teetering financial institutions, President Bush called for bipartisan action to restore confidence in the US economy." (money owed that will no longer be paid and is written off)
t..... d.....
- 3. The Italian 10-year bond has lost around 1%, pushing up its **y**..... up to 4.322% (from 4.27% on Friday). (the interest rate to be paid out to investors that reflects the borrowing costs of the bond)
y.....
- 4. Fears over a Greek exit from the euro and nervousness about Thursday's Irish referendum about Europe's proposed fiscal pact added to **m**..... **j**..... (uncertainty in the markets)
m..... j.....
- 5. This discrepancy is at the heart of the question with which European policymakers are now grappling: should taxpayers in **d**..... countries expect "solidarity" – or, more bluntly, money – from taxpayers in creditor countries? ([countries] that owe money)
d.....

Answers

A. Writing (13.5 points)

Content should be the following:

- the figure refers to the situation in the US at the onset of the financial crisis in 2007-2008.
- There are two related cycles: that of the housing market (the vertical) and that of the banking sector (the horizontal).
- Events in the commercial banking sector (decline in mortgage payments) affect the investment banking sector because the mortgage repayments feed into the mortgage-backed securities (MBS).

Language should include cause and effect relations. Other language criteria are that of the CEF.

B. Reading comprehension (cont.)

Answers

- | | |
|---|--|
| <p>1. The main purpose of the article is ...</p> <ul style="list-style-type: none"> a) to inform the public about recent events in the financial world. b) to explain how Lehman brothers is recovering after the financial crisis of 2008. c) to provide publicity for Equity Residential and AvalonBay Communities. | <p>1. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="a"/></p> |
| <p>2. Which statement is true?</p> <ul style="list-style-type: none"> a) There was a continued downturn in the US housing market in 2012. b) The US housing market remained constant in 2012. c) There was an upturn in the US housing market in 2012. | <p>2. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="c"/></p> |
| <p>3. Where is the money to buy Archstone coming from?</p> <ul style="list-style-type: none"> a) The buyers have taken a loan to raise the money. b) They buyers are paying for the whole deal in cash. c) The buyers are issuing shares to raise some of the money. | <p>3. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="c"/></p> |
| <p>4. Which statement is false?</p> <ul style="list-style-type: none"> a) Lehman Brothers folded partly because they had bought Archstone. b) Lehman Brothers is making a \$23.5bn loss on the sale of Archstone. c) If Archstone were not sold to Equity Residential and Avalon Bay Communities, they would have gone public. | <p>4. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="b"/></p> |
| <p>5. What is the core business of Equity Residential?</p> <ul style="list-style-type: none"> a) Residential rentals. b) Building new residences and apartment blocks. c) Luxury apartment sales. | <p>5. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="a"/></p> |
| <p>6. Lehman Brothers ...</p> <ul style="list-style-type: none"> a) no longer owes money to its creditors. b) are optimistic about their future recovery. c) borrowed money to buy Archstone in 2007. | <p>6. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="c"/></p> |
| <p>7. What is the general tone of the article?</p> <ul style="list-style-type: none"> a) Critical but objective. b) Neutral and objective. c) Positive but objective. | <p>7. <input style="width: 40px; height: 25px; border: 1px solid black;" type="text" value="b/c"/></p> |

(0.34 points each)

line 4	the sale	the sale of Archstone, the apartment business, to Equity Residential and Avalon Bay Communities
Line 6	it	the sale of Archstone, the apartment business, to Equity Residential and Avalon Bay Communities
line 14	The purchase	Lehman Brother's buying Archstone
line 16	the next year	2008
line 22	the failed bank	Lehman Brothers
Line 25	The deal	the sale of Archstone, the apartment business, from Lehman Brothers to Equity Residential and Avalon Bay Communities
line 27	the country	The US
line 34	This	[the fact that] Lehman Brothers are selling Archstone / the sale of Archstone

C. Vocabulary

(0.4 points each)

1. Shares in the mining creation Bumi have **slumped** / **sunk** by almost 70% this year, while those in electricals group Volex (where he's a big investor) have lost by 75%. (dropped suddenly and substantially)
2. Proposing a state-sponsored corporation to sweep up **toxic debts** held by teetering financial institutions, President Bush called for bipartisan action to restore confidence in the US economy." (money owed that will no longer be paid and is written off)
3. The Italian 10-year bond has lost around 1%, pushing up its **yield** up to 4.322% (from 4.27% on Friday). (the interest rate to be paid out to investors that reflects the borrowing costs of the bond)
4. Fears over a Greek exit from the euro and nervousness about Thursday's Irish referendum about Europe's proposed fiscal pact added to **market jitters**. (uncertainty in the markets)
5. This discrepancy is at the heart of the question with which European policymakers are now grappling: should taxpayers in **debtor** countries expect "solidarity" – or, more bluntly, money – from taxpayers in creditor countries? ([country] that owes money)