

TRIDENT COMMERCIAL ASSET INVESTMENT FUND

Commercial Distressed Loan Acquisition (CDL) - Policies & Procedures

CDL Recommended Personnel

Managing Directors

One Controller (initially shall act as Closing Coordinator)

One Director of Acquisitions

Two or three Asset Managers (who are also Acquisition Officers)

One In-house Legal Counsel (may be done initially by outside counsel)

Two Market / Financial Analysts

Section 1

ACQUISITION POLICIES AND PROCEDURES

1.1 INTRODUCTION

Trident's Commercial Discount Loan Department ("CDL") mission is to acquire non-performing commercial mortgage loans with balances in excess of \$2 million. The sources for these loans include the Wall Street Commercial Mortgage Backed Securities Servicing Companies, as well as other private sources, such as banks, insurance companies, pension funds and selectively through various brokers. In addition, CDL will work directly with developers who are having difficulty negotiating loan restructures with their lenders in an effort to design "pre-packaged" exit strategies.

CDL's primary objective is to identify loans that are collateralized by overleveraged but well maintained income producing properties with positive cash flow prior to debt service. CDL performs an in depth income/expense and bankruptcy analysis for each loan in order to determine exit strategies in advance for each loan. Exit strategies may include refinancing either through Trident's strategic alliances or outside third parties, discounted payoffs, partial paydowns and loan restructures or foreclosures. Market Analysts will target specific markets and property types and work with other members of the groups within Trident to jointly identify potential opportunities.

This Policies and Procedures Manual contemplates the CDL Acquisition Group's function subsequent to the Group's targeting an individual loan or loan portfolio for acquisition.

The CDL Acquisition Group's functions can be separated into four main areas: Pre-Bid Due Diligence, On-Site Due Diligence, Property Valuation and Asset Pricing.

1.2 DUE DILIGENCE

1.2.1 Pre-Bid Due Diligence

Prior to expending significant time on a project, CDL will perform a preliminary review of a potential acquisition. The objective of this review is to determine whether the individual loan or loan portfolio's characteristics meet Trident's standards for targeted acquisitions. Considerations include:

- a. Average loan balance;
- b. Property type;
- c. Property location;
- d. Local market conditions;
- e. Estimated Loan To Value ratio;
- f. Estimated Debt Service Coverage ratio;
- g. Vacancy percentage;
- h. Loan Status (performing, sub/non-performing); and
- i. Seller's motivation.

If it is determined that the loan or loan portfolio meets the preliminary acquisition criteria, a Confidentiality Agreement (usually supplied by the Seller) is executed by Trident and returned to the marketing source. As soon as it is available, the proposed Loan Purchase Agreement (usually supplied by the Seller) will also be reviewed by Legal Counsel and by an Asset Manager to determine the scope of due diligence that is required and allowed prior to bid submission.

Upon receipt of the signed Confidentiality Agreement, the loan Seller will provide additional information about the loans. In some cases, the information will include rent rolls, historical operating statements, appraisals, title reports, legal counsel correspondence and loan documents. In other cases, the information will be limited to Borrower names and property addresses. Upon receipt of the information, it will be reviewed by the CDL Acquisitions Officer. If it is determined that the portfolio meets CDL's acquisition criteria, a "Pre-Credit Committee Meeting" will be held with CDL's Managing Directors. The purpose of this meeting is to discuss the portfolio and make a determination as to whether Trident wishes to devote resources to the portfolio acquisition. If the Pre-Credit Committee decides to pursue acquisition of the portfolio, arrangements will be made to perform on-site due diligence for the portfolio.

1.2.2 On-Site Due Diligence

Immediately upon determining that a portfolio acquisition will be pursued, the CDL Acquisition Officer will work with the CDL Market Analyst to identify and contact real estate brokers and/or appraisers in the market area of the subject property and obtain rent/sale comparables and brokers price opinions ("BPO") for each property in the portfolio. (See BPO sample form Exhibit ____). The Market Analyst will also begin preparing a market study for each market and submarket within the portfolio. This will assess area economic data, employment trends, absorption rates and market rental rates on a macro and micro basis.

The CDL Acquisition Officer will assemble an on-site due diligence team to travel to the offices of the institution selling the loan (the “Seller”) to perform the on-site due diligence review. The on-site due diligence team will always include members of the CDL Acquisitions Group. If necessary, outside contractors may also be employed.

The on-site due diligence review is designed to fully compile information regarding the loans that are being offered for sale and the collateral securing the loans. The Acquisitions Officer will inspect every property in the portfolio in accordance with the inspection standards described below and the Financial Analyst will review all of the loan files and documentation available regarding the loans being offered for sale. To the extent possible, the on-site due diligence review of the loan files will always include the following:

- a. Review of all legal counsel and collateral documents relating to the loans;
- b. Review of all litigation files relating to the loans;
- c. Review of all correspondence files relating to the loans;
- d. Review of historical income and expenses for each property securing the loans including a review of all available operating statements and financial statements;
- e. Review of all leases for each property;
- f. Review of all title insurance policies, title updates, surveys and tax status reports for each property;
- g. Review of recent appraisals for each property;
- h. Review of all engineering and environmental reports for each property;
- i. Review of all credit reports, financial statements, partnership agreements and any other information relating to the organizational strength and structure of the Borrower.

The on-site due diligence team will review the information described above, verify data previously provided and gather additional information not previously made available by the loan Seller, which is necessary for pricing or which impairs a loan's value. The information reviewed by the on-site due diligence team will be reviewed by the Managing Director.

The on-site due diligence team will also identify any Legal documents, pleadings or correspondence that will require further review by CDL’s Legal Counsel. To the extent possible, copies will be made of significant documents, correspondence, operating statements, appraisals, Legal documents and other information for further review.

The scope of the on-site due diligence inspection and the information required prior to bidding on a portfolio may be expanded depending upon the representations, warranties and due diligence provisions of the proposed Agreement of Sale for the subject loan portfolio. In some instances, an Agreement of Sale will include a post-bid due diligence period to review legal counsel documents, title status and to perform engineering and environmental studies. Under these circumstances, outside experts will not be retained until after Trident's bid is accepted by the Seller. Outside experts may include: a) local counsel to review loan documents, b) environmental and engineering consulting firms (the decision to retain outside environmental and engineering firms will vary based upon the quality and dates of the reports provided by the

Seller) and c) a title insurance company to update the title report and provide a down dated title insurance endorsement. If the proposed Agreement of Sale is on a "where is as is" basis without representations and warranties, engineering and environmental experts may be retained prior to the bid depending upon the date and quality of reports already in file. Prospective sales which do not permit post-bid due diligence are not favored and therefore will only be done on a very selective basis. It is CDL's preference to avoid incurring unnecessary fees for outside consultants until a bid is won or offer accepted. Bids with "where is as is" Agreements of Sale will generally not be pursued unless: a) the security for the loans appears extremely strong, b) an exit strategy with a high likelihood of success can be identified, c) the property is of a type which Trident is confident it can submit a competitive bid and d) the loan files contain engineering, environmental, title and legal counsel documents which provide a preliminary indication that the property and loan meet Trident's underwriting criteria.

Following the on-site due diligence review, the Acquisitions Officer will visit each property securing the loans and complete the Loan Purchase Checklist Form. Prior to visiting the properties, the Acquisitions Officer will contact the broker who rendered the BPO, as well as other local brokers and/or appraisers familiar with the property type and market area. To the extent possible, efforts will be made to determine the level of deferred maintenance at each property and the estimated costs of repairs. The scope of this portion of the due diligence review will vary based upon the post-closing representations, warranties, put-back provisions and due diligence opportunities afforded under the Agreement of Sale.

1.3 PROPERTY VALUATION

After completing the on-site due diligence inspection and the property inspection, the information compiled will be analyzed to determine collateral value for each property. The property valuation process utilizes a variety of tools which may include an ARGUS real estate valuation software program and various financial spreadsheets that have been developed by CDL. Sources of information used to determine value include:

- a. Current and historical operating statements;
- b. Appraisals in file;
- c. Broker Price Opinions;
- d. Rent and Sales comparables;
- e. Industry statistics and reports regarding operating expenses such as those compiled by the Institute of Real Estate Management ("IREM");
- f. Leases; and
- g. Deferred Maintenance observed during site inspections or described in structural reports, environmental reports and correspondence found in the loan files.

The Financial Analyst reviewing the property will develop a projection of stabilized net operating income and cash flows, taking into account any perceived lease rollovers, anticipated tenant improvement costs and leasing commissions. Based upon this projection, an estimate of net cash flow available from the property will be established for property valuation. Prior to selecting a final underwriter's value, the cash flows and market values estimated by the

underwriter will be compared on a line item basis to all other estimates of value available from the due diligence process, including the BPO, appraisals, market comparables and general industry and regional statistics. The Financial Analyst will then reconcile all of the available value information and recommend a final value. The final value and all of its underlying assumptions will then be reviewed during the “Roll-Up” meeting described in section 1.4 below.

1.4 ASSET PRICING

CDL loan portfolios will be priced by using establishing an appropriate purchase price for each loan by projecting possible resolution outcomes and timelines based upon numerous factors. These factors include property value, current net operating income, stabilized net operating income, the likelihood and complexity of bankruptcy and foreclosure and the amount of deferred maintenance and unforecloseable liens that attach to the property in question.

After completing the on-site due diligence inspection, the CDL Acquisitions Officer will meet with the CDL Managing Directors and/or Director of Acquisitions to determine global assumptions that will be used to initially price the loans. Global assumptions are made with respect to a variety of factors including:

- a. Trident’s required rate of return for each of the major resolution alternatives;
- b. Bankruptcy and foreclosure costs and timelines;
- c. The amount of cash collateral a lender would expect to receive from a property prior to foreclosure;
- d. Loan restructure guidelines; and
- e. Marketing timelines and closing costs.

These assumptions will be used to determine a preliminary price for each loan in the portfolio. After completing the on-site due diligence review, the preliminary market valuations developed for each property will be calculated into a preliminary price for each asset. After this preliminary price is calculated, the Acquisitions Officer and Financial Analyst responsible for each loan will review the scenario and cash flows projected and consider them in conjunction with the information that was gathered during the due diligence review. In determining whether the price and scenario used is advisable for the loan, the underwriters must consider all correspondence, title updates, engineering reports, appraisals and litigation files that may provide information regarding the potential resolution of the loan.

The price of all loans is determined by examining the five most probable loan resolution scenarios. Each of the following scenarios are considered:

1. Default;
2. Delayed Default;
3. Performing;

4. Restructure; and

5. Cram down.

For every loan, the Acquisitions Officer and Financial Analyst initially underwrite and evaluate the price for Scenario 1 to establish a “worst case price” and Scenario 3. Recognizing that a Lender can always attempt to negotiate a restructured loan with a Borrower, the underwriter then contrasts the Scenario 1 and 3 prices, with Scenario 4, the price that one would pay if the loan was restructured in accordance with certain pre-selected parameters. Scenario 2 is examined if deemed necessary by the underwriter based upon pre-established debt service coverage ratio parameters that will be established for each pool. The underwriter will consider Scenario 5 if the loan and property include certain characteristics which would make a bankruptcy cram down likely.

After the preliminary pricing and any additional information is reviewed, the Manager will prepare a recommended price for the portfolio that will be reviewed in a CDL Department “Roll-Up Meeting”. The participants at the Roll-Up Meeting will include the CDL Managing Directors, Director of Acquisitions, Acquisitions Officer and the Financial Analyst. These individuals will review and discuss the pricing and valuation assumptions for each asset in the portfolio with the underwriter that performed the due diligence review. A consensus must be reached by the members of this group on each asset before a loan purchase price will be recommended to Trident’s Credit Committee.

Following the Roll-Up meeting, the underwriter will make any adjustments recommended during the Roll-Up Meeting and a portfolio bid recommendation will be presented to the Trident Credit Committee. A detailed presentation book is prepared for each member of the Credit Committee. The presentation book includes the income, expense and return projections calculated, comparable sales and rental information for each property, summaries of all BPOs and appraised property values, market summaries for the local economy and regional market place, summaries of the competitive properties, pictures, descriptions of the subject properties and a CDL Legal Counsel summary of the terms of the proposed Agreement Of Sale. The Credit Committee will review the portfolio presentation and either approve the suggested pricing scheme or make recommendations for adjustments. Should senior management disagree with any pricing strategy, the CDL will incorporate their suggestions into the recommended bid and resubmit the proposal. A bid will be submitted to the Seller only after all members of the Credit Committee are in agreement.

Section 2

CLOSING PROCEDURES

2.1 PRE-BID

Pre-Bid is defined as the time period prior to the Seller accepting the bid.

The Director of Acquisitions will provide a chart of possible loan sale acquisitions on which Trident may bid during the upcoming period. This chart will be used for planning purposes only. The chart will include a description of the type of property, location of the city/town, property size, name of the issuing title insurance company, date of the title policy and the unpaid principal balance of the loan. The Director of Acquisitions will distribute this preliminary information to the appropriate title insurance, environmental and structural consultants to obtain competitive bids and plan the time frames needed to complete the due diligence process.

2.1.1 Loan Sale Agreement

The negotiations for the Loan Sale Agreement (the “Agreement”) during the pre-bid time period will be conducted by a member of the Director of Acquisitions and a member of Legal. The Director of Acquisitions will be the main CDL contact in all communications with the Seller. All drafts of the Agreement will be reviewed by Legal. After the Agreement has been approved by Legal, Acquisitions will present the final Agreement to the Managing Director for approval and submission to the Credit Committee. If approved, the Managing Director will execute and the Director of Acquisitions will then forward the executed Agreement to the Seller and coordinate the transfer of an earnest money deposit. The Director of Acquisitions will provide the Closing Coordinator and CDL’s Legal Counsel with the original fully executed Agreement.

2.2 PRE-CLOSING ACTIONS

Pre-closing is defined as the time period from notification of winning a bid to the closing date.

2.2.1 Required Documentation:

Acquisitions will compile and complete the following documents (the “Pre-Closing Documents”):

1. Closing checklist;
2. Bid letter;
3. Confidentiality Agreement;
4. Deposit Agreement;
5. Credit Committee Book;
6. Credit Committee Minutes;
7. Due Diligence Deposit Wire Advice;
8. Additional Deposit Wire Advice; and
9. Other Important Documents.

During the initial phase of the pre-closing period, the Closing Coordinator will work with Acquisitions to develop a Pre-closing Checklist and a Litigation Summary to a) fully capture all information pertinent to each loan, b) assist in the loan closing and c) help formulate a loan workout strategy.

2.2.1.1 Closing Checklist

Acquisitions will provide the Closing Coordinator with a Closing Checklist for the transaction in order to identify all documentation that must be received at closing and to identify any immediate actions that must be taken prior to closing. The Closing Checklist will be reviewed by the appropriate Acquisitions personnel who have supervised the on-site due diligence inspection and file review.

Although the information will vary from loan to loan, the Closing Checklist will include information such as:

- all original loan documents and modifications to each specific loan;
- recording information;
- title insurance information;
- property insurance and carrier information;
- verification of any taxes owed on the property;
- environmental and structural report information; and
- any items needing immediate post closing attention.

This form will serve as the foundation for the closing and set-up processes. During loan closings, this form will fully summarize the documentation required by Trident for set-up purposes.

2.2.2 Litigation Summary

The Closing Coordinator, with the assistance of the VP of Acquisitions will prepare a Litigation Summary for each loan that is non-performing (the “Litigation Summary”). Non-performing includes loans in default, foreclosure and/or bankruptcy. The Closing Coordinator will provide CDL’s Legal Counsel with the Litigation Summary prior to closing in order for counsel to gain a more thorough understanding of each loan in default and enable CDL to anticipate future Legal Counsel requirements and evaluate current or pending litigation prior to closing. Legal Counsel will select and retain local counsel, as appropriate, for each non-performing loan.

The Litigation Summary will contain the following information, if available:

<u>Non-Performing Category</u>	<u>Required Information in Litigation Summary</u>
Delinquent Loans (No pending foreclosure)	- date of default - date of Demand Letter - date Notice of Default was filed - Borrower response, if any

Foreclosure	<ul style="list-style-type: none"> - date foreclosure action was filed - type of foreclosure (judicial/non-judicial) - date answer filed by Borrower - name/address of Trustee, if selected by Seller - date of Trustee sale, if available - name/address of Receiver, if appointed - name/address of Attorney, if engaged by Seller - if assignment of rents exercised
Bankruptcy	<ul style="list-style-type: none"> - date petition was filed - type of bankruptcy (7,11,13) - cash collateral status - Attorney engaged by Debtor/Seller - status of chapter, if available

2.2.3 Closing Document Preparation

The Closing Coordinator will prepare or review the Seller's drafts of the appropriate closing/transfer documents to be executed at time of closing. The documents may include, but not be limited to:

1. Bill of Sale/General Assignment: Generally, the Agreement requires the Seller to prepare this document. The draft is to be reviewed by the Closing Coordinator.
2. Assumption Agreement: Generally, the Agreement requires the Seller to prepare this document. The draft is to be reviewed by the Closing Coordinator. Once the form has been reviewed and approved, the execution copy is to be executed by the Managing Directors of CDL.
3. Allonge: Generally, the Agreement requires the Seller to prepare the allonge. The draft is to be reviewed by the Closing Coordinator.
4. Grant Deed: Generally, the Agreement requires the Seller to prepare this document. The draft is to be reviewed by the Closing Coordinator and title insurance company prior to closing to ensure that the document is in recordable form.
5. UCC Financing Statement: Generally, the Agreement requires that the Seller prepare this document. The draft is to be reviewed by the Closing Coordinator and forwarded to the title insurance company to ensure that the document is in recordable form.
6. UCC Assignment: Generally, the Agreement requires that Trident prepare this document. The document will be drafted by the Closing Coordinator and will be reviewed by the title insurance company to ensure that the document is in recordable form.
7. Settlement Statement: The Seller generally prepares this document. Acquisitions will assist the Closing Coordinator in calculating the closing adjustments and they will work together to review the settlement statement prior to the execution of the document. The Closing Coordinator will coordinate the execution of the settlement statement.
8. Assignment of Leases and Rents: Generally, the Agreement requires that the Seller prepare this document. The draft is to be reviewed by the Closing Coordinator and

forwarded to the title insurance company to ensure that the document is in a recordable form.

9. Other transfer documents as needed.

Legal Counsel will review and discuss the drafting of the standard closing documents with the Closing Coordinator. Legal Counsel will also assist the Closing Coordinator in drafting non-standard closing documents. CDL may retain outside counsel to assist with the closing process subject to the approval of the Managing Directors of CDL and Legal Counsel.

2.2.4 Servicing Notification

The Closing Coordinator will provide the Asset Manager with a copy of the Loan Sale Agreement, after first highlighting the provisions regarding payments, prorations, credits and other adjustments. The Closing Coordinator will also provide the name and telephone number of the Seller's servicing contact.

2.3 POST-BID DUE DILIGENCE

The due diligence period is defined by the terms of the Agreement. The post-bid due diligence period, if any, varies for each acquisition. Generally, the due diligence period commences from the date that Trident's purchase offer is accepted by the Seller. The due diligence period may terminate on the date of closing or extend beyond the closing date. If the due diligence period terminates at time of closing, Acquisitions Officer and CDL Legal Counsel will work with the Closing Coordinator to ensure that the Agreement provides for an adequate time period to complete the following assessments.

2.3.1 Environmental Assessment and Building Condition Surveys

If the terms of the Agreement allow Trident to conduct environmental assessments and building condition surveys, the Closing Coordinator will contract the appropriate consultants to conduct the necessary assessments at the property sites and prepare a report of their findings (the "Report"). All consultants contracted to conduct the assessments must be on the Trident's approved list. Generally, the Agreements require that the assessments be conducted after the bid is won. Once the assessment(s) are completed, the consultants are to provide drafts to the Closing Coordinator for review and comment. The Closing Coordinator will forward copies of the drafts to the appropriate Asset Manager or Acquisitions Officer for review and comment. After the drafts have been reviewed and approved, the consultant will deliver four original Reports to the Closing Coordinator's attention. The Closing Coordinator shall distribute the final Reports to the Asset Manager and the CDL Legal Counsel.

If the Reports raise any unexpected issues, the Closing Coordinator will bring them to the attention of the Director of Acquisitions. The Director of Acquisitions will review such issues with the Managing Directors of CDL as well as Legal Counsel to determine a) whether additional assessment is required and b) whether the issues are covered by the representations, warranties or other provisions included in the Agreement. If it is determined that the issues give rise to a claim against the Seller under the Agreement, the Closing Coordinator, Managing Directors of CDL and Legal Counsel will meet to determine a recommended course of action.

A Building Condition Survey may be ordered for each loan depending upon the terms of the Agreement, the age and the condition of each property. A Survey may not be ordered if an on-site due diligence inspection has been conducted by an Asset Manager or the Director of Acquisitions and if the Seller has provided Trident with a satisfactory recent Building Condition Survey Report.

A Phase I Environmental Report will be ordered for all sites, if allowed under the terms of the Agreement. CDL may rely upon the most recent Phase I report provided by the Seller, given that this prior Phase I assessment was conducted within one year from Trident's due diligence and provided that no material contamination or evidence thereof was reported. The Phase I assessment must comply with the ASTM E - 94 guidelines which are the current industry standard.

2.3.2 Title Insurance

The Closing Coordinator will contract with the appropriate title insurance company to conduct a title search for each property securing the individual loan acquisitions. The title search will be conducted from the date of the existing title insurance policy or from date the Borrower acquired the property. Upon completion of the title search, the title insurance company(s) will issue a title commitment or preliminary report on title for each property securing the individual loan acquisitions.

The Closing Coordinator will review the title commitment or title report. Any inconsistencies between the title commitment or title report and the due diligence information will be reviewed with either the Managing Directors or Director of Acquisitions. The closing will only occur once the title issues have been resolved.

Upon closing of the loan acquisition, the Closing Coordinator will instruct the title insurance company to issue either a date-down endorsement and all other necessary endorsements to the original title policy or a new title policy. Whenever possible, the Closing Coordinator will order a date-down endorsement.

At a minimum, the date-down title insurance endorsement insures a) that the Lender has a valid first (if appropriate) mortgage lien against the property as of the date of the assignment of the mortgage, b) that the assignment of the loan is valid and enforceable and c) that Trident is now the policyholder under the Seller's loan policy

2.3.3 UCC-1 Search

Once the bid is won, the Closing Coordinator will contract with the appropriate UCC Search Company. This consultant will conduct the uncertified UCC-1 searches at the state level. The results of the UCC-1 search will be reported to the Closing Coordinator. The report will include a copy of the face page of the filed UCC-1 financing statements. The Closing Coordinator will work with Legal Counsel or Acquisitions Officer to resolve any problems which are revealed as a result of the UCC-1 search.

Other due diligence will be determined on a case by case basis, based upon the particular characteristics of the loan portfolio and the proposed Agreement.

2.4 CERTIFICATION

The Closing Coordinator will conduct document certification prior to closing. Document certification includes verifying the following:

1. Seller has in its possession all original collateral, loan documents and title policies/endorsements included, but not limited to, the documents on the Closing Checklist;
2. title policies are endorsed for each loan modification;
3. document Legal descriptions;
4. all documents are original;
5. document pages are not missing; and
6. documents are properly executed and notarized.

Any issues arising from the certification process must be reviewed by the Director of Acquisitions or a Managing Director and resolved prior to closing. Once all issues are resolved, the Closing Coordinator will be authorized to close the loan acquisition.

2.5 CLOSING

Based upon the results of any due diligence, the Closing Coordinator will attend the closing and the loan portfolio purchase funds will be requested from a lender. Prior to closing, a CDL Financial Analyst will prepare a wire authorization for the funds that are required to close. This will be reviewed by the Director of Acquisitions and presented to the appropriate Trident Officer for signature. This wire authorization will then be held by the CDL Financial Analyst until he/she has received authorization from the Closing Coordinator to release the funds.

The funds will not be released until the Closing Coordinator completes the following:

- a. takes an inventory of all original loan documents to be delivered to Trident;
- b. review, box and seal all expected original documents and files;
- c. ensure the delivery of the specimen title insurance policy/endorsement and a closing protection letter; and
- d. oversee and review the draft settlement sheet that has been prepared by the Seller.

Upon completion of the foregoing, the Closing Coordinator will notify the CDL Financial Analyst who will then obtain approval from the Managing Directors of CDL to release the wire transfer authorization form and authorize the wiring of funds from Trident to the Seller.

Trident CDL Legal Counsel will inform outside counsel of all procedures and require outside counsel to follow these procedures and attend the closings. The Closing Coordinator will assist the outside counsel throughout the closing process.

2.6 POST-CLOSING

Once the loan acquisition has closed the Closing Coordinator will:

- a. coordinate with the title insurance company(s) and UCC company(s) for the recording of the assignment documents;
- b. coordinate with the Asset Manager to ensure the timely delivery of the Seller's loan documents to Trident;
- c. prepare a closing binder that may include the following:
 - Credit Committee Binder
 - Credit Committee Minutes
 - All Wire Advances
 - Deposit Agreement
 - Confidentiality Agreement
 - All Executed Closing Documents
 - Settlement Statement
 - Assignment Documents
 - Assumption Agreements
 - Escrow Agreements
 - Title Insurance Endorsements or Policies
4. Ensure that all original documents are imaged and stored in the vault;
 - When delivering original documents to the Custodian of the vault, the Closing Coordinator will prepare an inventory of said documents. The Custodian of the vault must acknowledge receipt of the documents and the Closing Coordinator will retain the written acknowledgment.
5. Ensure that the CDL Financial Analyst receives copies of all UCC Statements;
6. Coordinate with Acquisitions to ensure that the Asset Managers receive all of the due diligence and closing documents; and
7. Prepare a memo describing all of the deadlines and significant issues relating to the Purchase and Sale Agreement. The memo will be distributed to the Managing Directors of CDL, the Director of Acquisitions and CDL Legal Counsel.
8. It is probable that the Closing Coordinator will obtain environmental reports, engineering reports, title work, UCC searches and other products from various vendors in the course of the acquisition and/or management of assets. Any and all such requests must be made to the Managing Directors in writing. Each request must contain, at a minimum, the type of product requested, the deadline for receiving the product and any other pertinent information.

Section 3

LOAN SET-UP/POST-CLOSING PROCEDURES

3.1 SET-UP

After closing is completed, all closing documents and loan files will be immediately sent to Trident by overnight delivery. Additionally, the Closing Coordinator will coordinate with the Seller to obtain the appropriate servicing records.

The closing documents and loan files will be sent to the Trident vault Custodian. The vault Custodian will immediately:

- inventory and image all original collateral documents;
- place all original collateral documents in the vault; and,
- place all loan files in a segregated area for Asset Manager review.

Immediately after closing, the Closing Coordinator will upload the servicing data onto Trident's commercial loan servicing system and perform the following tasks:

- send a welcome letter to the Borrower with respect to Trident's acquisition of the loan including payment instructions;
- prepare a loan set-up worksheet for the Asset Manager's review and approval with a tickler system for significant dates, to include:
 1. Loan payment due dates and grace periods;
 2. Tax payment due dates;
 3. Insurance payment due dates;
 4. UCC filing/continuation dates;
 5. Evidence of insurance/submission of financial statement dates; and
 6. Interest Rate change dates; and, on an on going basis
- prepare monthly billing statements for all borrowers.

The Asset Manager will perform the following post-closing tasks to complete the transfer to Trident:

- review the closing documents received against the documents itemized on the Closing Checklist. All discrepancies will be noted and communicated to the Closing Coordinator;
- establish working loan subfiles for each loan to include:
 - a. Correspondence
 - b. Closing Checklist
 - c. Title Insurance
 - d. Insurance
 - e. Tax Information
 - f. Appraisals
 - g. Engineering
 - h. Environmental
 - i. Leases, if appropriate
 - j. Action plans

- k. Loan histories and payment information
- verify the correctness of the Loan Setup Worksheet and loan servicing information prepared by CLS;
- image and/or archive appropriate non-collateral documentation;
- order appraisals, environmental and engineering reports, as required, for individual loans; and
- provide CLS with any special payment posting instructions.

3.1.1 Lender's Rights & Remedies

The Asset Manager will review all loan documentation and complete a Rights and Remedies Checklist. The Asset Manager will review the loan files to verify compliance with all covenants of the loan documents. The Asset Manager will regularly monitor and enforce these rights and remedies.

3.1.2 Property Summary/Action Plan

Within the first 30 days of loan acquisition, the Asset Manager will prepare an Action Plan for each asset. The plan will be updated, where required, to reflect any changes in the anticipated loan resolution strategy.

3.1.3 Treasury Projections

The Asset Manager shall formulate a Treasury Report and provide the Director of Acquisitions Trident's with the projected cash flows and resolution period for each loan. Upon receipt of this information, the Director of Acquisitions will escrow the cost of funds to be utilized for each loan. The Treasury Report will be updated and sent to Treasury on a quarterly basis.

Section 4

LOAN RESOLUTION PROCEDURES

4.1 GENERAL GUIDELINES

Due to the complexity and wide variety of issues that may occur with respect to a delinquent commercial loan, each loan acquired will be individually analyzed to determine the optimum resolution strategy. Chapter 11 bankruptcy filings and potential cram-downs will be options for many Borrowers on loans acquired by CDL. Although the likelihood of a Chapter 11 filing and its associated costs and timing are evaluated by related due diligence analysis, there can be no guaranty of the Lender's results in a Chapter 11 filing. As a result, no legal actions or negotiations will take place with respect to any commercial loan until local counsel, CDL Legal Counsel and the Director of Acquisitions have been consulted.

4.1.1 Pre-Negotiation Letters

CDL Asset Managers will secure, in standard form, a Pre-Negotiation Agreement from all Borrowers prior to entertaining any discussions with the Borrowers or their agents to modify the terms and conditions of any loan (the "Pre-Negotiation Agreement").

4.1.2 Confidentiality Agreements

CDL Asset Managers will secure a standard Confidentiality Agreement before releasing detailed documentation concerning any of CDL's loans or real estate owned.

4.1.3 Contact with Attorneys / Legal Counsel Counsel Approval

CDL Asset Managers will avoid contact to/from Attorneys without CDL Legal's consent. No Asset Manager shall issue default notices, demand letters, reservation of rights or similar letters without Legal's prior approval.

4.1.4 Enforcement of Loan Terms and Conditions

Most effective loan resolutions begin with accurate, timely and consistent enforcement of the terms and conditions of the loans. CDL Asset Managers shall make every effort to familiarize themselves with the terms of every loan and every property assigned to them. Monthly payments and periodic financial reporting shall be actively monitored and updated by each Asset Manager. Each Asset Manager shall also be encouraged to periodically inspect each property securing each loan.

When a loan is scheduled to mature within six (6) months and no resolution has been achieved, the Asset Manager will send a monthly statement to each Borrower a "Maturity Notice". The Maturity Notice will advise the Borrower of the impending maturity and the absence of any agreement on the part of Trident to extend the loan.

4.2 PERFORMING LOANS

When CDL acquires a loan that is performing under the terms of the loan documents currently in effect, its options are to:

1. hold the loan to maturity;
2. obtain a discounted payoff from the Borrower;
3. sell the loan in the secondary performing loan market; or
4. restructure the loan.

The criteria and selection process for each option is highlighted below:

4.2.1 Hold to Maturity

The hold to maturity strategy will be considered when:

- i) the estimated property life is at least 10 years longer than the remaining term of the loan;
- ii) Trident will receive an acceptable rate of return; and
- iii) the remaining loan balance due at maturity is expected to be less than the value of the property value at maturity.

If these three conditions exist, CDL will consider holding the loan to maturity; otherwise it will actively seek other resolution alternatives. A hold to maturity strategy will not be adopted if other solutions exist that provide greater returns.

4.2.2 Discounted Payoff by Borrower

When the hold to maturity alternative does not afford Trident with an optional resolution, CDL will estimate the value that a Buyer will pay for the performing loan in the secondary market. CDL will first offer a discounted payoff to the Borrower at a price level that exceeds our estimate of the loan value in the secondary market. If the Borrower is willing and able to pay off the loan, CDL will submit a Payoff Letter to the Borrower. Assuming the Borrower conforms to the requirements set forth in the Payoff Letter, the loan will be resolved. If the Borrower does not adhere to the Payoff Letter parameters, Trident will pursue other resolution strategies.

4.2.3 Secondary Market Loan Sale

CDL may offer a performing loan for sale in the secondary market. The secondary market's interest in various loans will be gauged in part by inquiries and responses received to CDL's loan marketing efforts. CDL may sell its performing loans either as whole loans (individually or in bulk) or through a securitization.

4.2.4 Borrower Restructure

If CDL is unable to accomplish one of the foregoing alternatives, its last choice is to restructure the loan with the Borrower in an effort to achieve a better yield to maturity for its investment. This may be accomplished by reducing the current debt level in exchange for one or more of the following:

- a) cash payment;
- b) higher interest rate/spread of the coupon rate; or
- c) shorter maturity date.

CDL may also enhance its loan position by seeking personal guarantees or additional collateral.

4.3 NON-PERFORMING LOANS

4.3.1 Foreclosure Processing

When a scheduled monthly payment due under a loan is missed, the loan shall be deemed non-performing and the Asset Manager will immediately begin the foreclosure process (if not already begun with the previous Lender). This process begins with the issuance of a Demand Letter. Contemporaneously with the Demand Letter, CDL will perform the steps necessary to perfect its Assignment of Rents/Leases. Since the perfection requirements differ from state to state, outside counsel will be used in this process. The foreclosure process may also be initiated as a result of various non-monetary defaults such as the Borrower's failure to adequately maintain the property securing the loan.

If the Borrower fails to cure the delinquencies and any non-monetary defaults within the time period(s) set forth in the Demand letter, the following actions may be taken:

4.3.2 Appointment of Receiver

Since the majority of properties secured by Trident's loans are expected to be income producing, a lawsuit may be filed to seek the appointment of a Receiver to protect and preserve the cash flow of the property and minimize waste. The Receiver/Property Manager selection will be accomplished with the assistance of the CDL Asset Manager and Legal.

In cases where Trident acquires a loan that is already in receivership, the Asset Management Department will interview the current Receiver and evaluate their competency and expertise to oversee the particular property. If their skills are lacking, CDL may seek to replace this Receiver with a more qualified individual. The Asset Manager will interview all Receiver candidates and provide the Asset Manager and Trident's outside counsel with their recommendations. The Property Manager will support their recommendations with all of the necessary documentation to facilitate appointment, including the receiver's resume, bonding capabilities and the anticipated receivership fee arrangement. The Asset Manager will maintain a list of approved Receivers by city and property type.

4.3.3 Attorney Selection

Outside counsel will be required to file a judicial foreclosure and seek the appointment of a Receiver. Such counsel will be selected by Legal. The selected counsel will prepare the required pleadings necessary to appoint a Receiver and commence foreclosure. These pleadings shall be reviewed by Legal. Trident's outside counsel will usually coordinate the foreclosure sale.

4.3.4 Trustee Selection

CDL will select a foreclosure Trustee in non-judicial foreclosure states where outside counsel is not necessary to coordinate foreclosure sales and record a Notice of Default in the public records. In many instances, Trident will have a pre-arranged agreement with a Trustee in a given state. In instances where no such agreement exists, CDL Legal Counsel will coordinate the selection of a Trustee.

4.3.5 Temporary Restraining Order

As part and parcel to the lawsuit required to appoint a Receiver, CDL's outside counsel will also seek a temporary restraining order to prohibit the Borrower/Owner of the property from transferring the property while the loan is in foreclosure. This restraining order frequently deters the owner from transferring properties for little or no consideration with the sole intent of bankrupting a shell transferee and delaying a foreclosure sale.

4.4 NON-PERFORMING LOAN RESOLUTION ALTERNATIVES

Once the foreclosure process has begun, several loan resolution strategies exist. The majority of strategies are largely driven by factors concerning the Borrower; others by legal/financial considerations surrounding the property and its debt structure. Anticipated strategies are:

Borrower driven strategies: Loan Restructure/Modification
 Short Sale/Discounted Payoff
 Deed-in-Lieu of Foreclosure/Friendly Foreclosure
 Chapter 11 filing
 Foreclose and Market

Legal/Financial Strategies: Non-Performing Loan Sale
 Loan Restructure

4.4.1 Resolution Alternatives (Borrower Driven)

4.4.1a Loan Restructure/Modification

This strategy will be considered in cases where one or more of the following apply:

- a) Long and costly litigation in recovering the property is anticipated;
- b) A bankruptcy cram-down/lien stripping is a strong potential outcome;
- c) Trident does not want to be in the property's chain of title due to environmental or other considerations;
- d) Significant deferred maintenance and/or outstanding real estate taxes exist; and/or
- e) Trident and Borrower can agree to mutually acceptable terms.

In order for CDL to consider this alternative, the Borrower must cure all defaults under the loan terms, make capital improvements or establish a capital improvement escrow if necessary, and pay down the loan to a level where a future default is not anticipated. No restructure will be considered where the Borrower does not infuse cash into the modified loan and/or the property.

During loan restructure discussions, Trident may enter into a Forbearance Agreement with the Borrower. The purpose of this agreement is to facilitate the restructure by delaying, on a short-term basis, the foreclosure proceeding as a good faith gesture in exchange for monthly loan payments and other possible considerations. The duration of the forbearance will initially be 30 days. This period may be extended an additional 30 to 60 days if resolution discussions are progressing. The Forbearance Agreement will not be entered into until a Receiver has been appointed or until some other equivalent court order or stipulation has been entered, securing the collection and segregation of monthly rents generated by the properties securing Trident's loans.

4.4.1b Short Sale/Discounted Payoff

This strategy will be used in cases where the Borrower is cooperating with Trident in resolving the loan and either is capable of raising funds to pay off the loan at an acceptable level or has identified a purchaser for the property at a price level acceptable to Trident. A short sale or discounted payoff will be accomplished through a Payoff Letter.

4.4.1c Deed-In-Lieu of Foreclosure/Friendly Foreclosure

If a loan is non-recourse, no subordinate liens encumber the property and the Borrower does not have the resources or desire to retain the property or incur outside legal fees in connection with a

foreclosure, Trident will consider a Deed-in-Lieu of Foreclosure. This will be accomplished through a Deed-in-Lieu of Foreclosure Agreement. This alternative will enable Trident to quickly recover and market the property. This alternative is also favored to preserve above market leases on income properties because these leases may otherwise be wiped out upon conclusion of a foreclosure sale in the event that legally sufficient attornment agreements do not exist.

Prior to accepting a Deed-in-Lieu of Foreclosure, Trident will obtain a Phase I Environmental Inspection on the subject property from an Trident approved environmental consulting firm demonstrating that any environmental risk which might exist is measurable and curable.

4.4.1d Chapter 11 Filings

Once a Foreclosure Action is commenced, a Borrower will often file Chapter 11 to avoid appointment of a Receiver or to delay a scheduled foreclosure sale. Regardless of when a Borrower files for bankruptcy, Trident will take the following actions immediately upon a filing:

- 1) identify and engage outside bankruptcy counsel, if not done so prior to the filing;
- 2) coordinate with counsel to identify and select appraisers, structural/engineering firms, and other expert witnesses; and
- 3) develop bankruptcy strategies between CDL and Legal.

Once the foregoing items are accomplished, CDL will begin its litigation execution. Within the first 30 days of a bankruptcy filing, CDL will attempt to secure a Cash Collateral Stipulation in order to receive an appropriate amount of cash flow from the property. Contemporaneously with the cash collateral motion, CDL will usually seek to lift the Automatic Stay to quickly end the Chapter 11 proceeding and continue the foreclosure process.

Bankruptcy outcomes are very unpredictable due to many factors, including:

- 1) state laws;
- 2) the judge's disposition toward debtors and creditors; and
- 3) actions of subordinate creditors.

Accordingly, no bankruptcy can be unequivocally predicted, however, Trident anticipates four (4) general bankruptcy scenarios which it will encounter.

4.4.1d(i) Lift of Stay

As addressed above, a Lift of Stay Motion will normally be routinely filed on behalf of CDL by its outside counsel. The purpose of this motion is to have the court prevent the debtor from reorganizing and allow Trident to immediately foreclose on the property, which will expedite the resolution timeline.

4.4.1d(ii) Creditors Plan

As an alternative to the debtor's plan of reorganization, Trident may file a competing plan. Most likely, Trident's plan will be a plan to liquidate or a plan to sell the property to a pre-arranged buyer. The purpose of this plan is to provide more favorable treatment to each class of creditors,

including Trident. If approved, Trident's plan will expedite the resolution timeline and enable Trident to recover or dispose of the property.

4.4.1d(iii) Restructure

A consensual restructure is a scenario where Trident and the debtor agree to a mutually acceptable joint plan of reorganization. Options with this alternative include a loan restructure, property sale or Deed-in-Lieu.

4.4.1d(iv) Cram-down

In instances where Trident's claim is less than the property value or where subordinate creditors (besides Trident) control the unsecured voting class, Trident may face a cram-down situation. In those circumstances, Trident's claim may be reset at an amount equal to the value of the property as determined by the bankruptcy court. As such, an accurate appraisal will be critical. The Asset Manager will be responsible for working with counsel to select and engage an appropriate Appraiser to prepare a report as well as to review in detail all appraisals provided by the Borrower. Any appraisals ordered shall be in accordance with paragraph 4 of established appraisal policy (see Exhibit 11). The potential return to Trident under a cram-down plan will be closely monitored and contrasted with consensual Restructure opportunities in all cases where cramdowns seem likely.

4.4.1e Foreclose & Market

The Foreclose and Market alternative will be used in cases where it provides higher returns than other available alternatives. When a Borrower is uncooperative, this may be the only available resolution strategy. Prior to adopting a foreclosure and market alternative, Trident will evaluate any environmental hazards which may impact the property and expose Trident to liability. Based upon the results of this evaluation, Trident may be precluded from taking ownership of the property, in which case an alternative resolution will be pursued.

The Asset Manager will review the foreclosure options in each state with CDL Legal Counsel and outside counsel to determine the optimal foreclosure strategy for Trident. This may include filing a judicial vs. non-judicial proceeding and making the decision to seek a deficiency judgment. Several interim measures may also be pursued, including pre-judgment writs of attachment. All major strategic decisions regarding the foreclosure process will be reviewed with the Director of Loan Resolution. The Asset Manager will be responsible for working with Legal Counsel and/or outside counsel to make sure the foreclosure process is completed as quickly as possible. If Trident is the successful bidder at the foreclosure sale, the CDL Asset Manager shall then immediately notify the property Receiver to prepare a final accounting for Trident's approval. As soon as the Asset Manager receives and approves the final accounting, Trident's outside counsel will go to court to dismiss the Receiver's bond and order the Receiver to disburse all remaining funds to Trident.

Once the foreclosure sale is completed and Trident acquires title to a property, it will be reassigned to the Real Estate Assets Group and the Asset Manager will work with the third party Property Management Group to prepare a Property Operating Plan for each asset. See section 4.5.

4.4.2 Resolution Alternatives (Legally/Financially Driven)

4.4.2a Non-Performing Loan Sale

Trident will consider a non-performing loan sale in the following instances:

- i) Trident does not desire fee ownership of a particular property;
- ii) Trident anticipates long and costly litigation in recovering the property and a loan sale offers a superior return when compared to pursuing foreclosure; and
- iii) Trident believes a bankruptcy cram-down/lien stripping is a potential outcome.

4.4.2b Loan Restructure

In some instances, loan restructures as described in 4.4.1a may be financially driven as opposed to Borrower driven. This would occur in cases where the Borrower is not necessarily motivated to restructure, but Trident would prefer to stay out of the chain of title for a variety of reasons, including environmental liability.

4.5 LOAN RESOLUTION APPROVING PROCEDURES

Each and every time an acceptable resolution presents itself, the Asset Manager will prepare a Loan Resolution Recommendation. A resolution will need the approval of the Director of Acquisitions and Managing Directors of CDL. If approval is received, the appropriate documentation will be prepared by Legal.

4.6 PROPERTY DISPOSITION

All properties acquired through foreclosure or Deed-in-Lieu of Foreclosure will ultimately be sold. The Asset Manager assigned to these assets will be responsible for the disposition process, including:

- 1. preparing marketing material for the property;
- 2. working with brokers and buyers interested in the property;
- 3. selecting a listing broker, if applicable;
- 4. negotiating the sale price and terms and assisting in the preparation of the Purchase and Sale Contract; and
- 5. reviewing and approving the closing documents, to include revenue, expense and tax prorations and the closing statement.

The REO Procedures, as stated in the next section of this document, define the responsibilities of the Asset Manager and third party Property Manager and the coordination process between them for bank owned real estate assets.

4.6.1 Criteria for REO sales

The fundamental strategy in the disposition of REO assets is to maximize value prior to sale. Because Trident generally acquires REO assets through contested means (i.e. foreclosures, bankruptcy, etc.), the condition of properties upon Trident's acquiring title ranges from good to poor, with some well managed and others poorly managed. Accordingly, a disposition strategy will be developed within 30 days of receipt of title and shall be reviewed by the Asset Manager and Director of Acquisitions. This strategy shall be detailed in the Property Operating Plan (the "POP"-see Section 5.2, Subsection 1) and may include:

1. immediate Resale;
2. short-term Resale;
3. medium-term Resale; and
4. longer-term Resale.

4.6.1a Immediate Resale

Trident properties that are stabilized at market rents and occupancy and are in good condition will be offered for sale immediately.

4.6.1b Short-term Resale

Properties that maintain slightly below market rents and occupancy, or are in need of cosmetic maintenance, will be identified as short-term resale candidates. This category of asset requires good management and leasing within three to six months following Trident's acquiring title in order to achieve the best market price. In order to maximize the realizable property value, a Property Operating Plan will be developed jointly by the Asset Manager and Director of Acquisitions. This POP shall be reviewed by the Director of Acquisitions and Managing Directors of CDL. The Asset Manager will then interface with the management company (or sub-contractors for properties which are managed directly by Trident) to increase occupancy, cure deferred maintenance and generally stabilize the property in accordance with the approved POP. Simultaneously, the Asset Manager will identify local buyers and brokers and begin preparing marketing material for the property while regularly monitoring the progress of the POP. Once the property is stabilized, the property will be formally offered for sale. However, during this process, the Asset Manager will be receptive to all unsolicited offers to purchase the asset.

4.6.1c Medium-term Resale

Medium-term resale candidates are those properties that either require more extensive maintenance, maintain below market occupancy, are in need of renovation or a combination of the above. It is expected that six to nine months will be needed to stabilize these properties in preparation for resale, however, in all other regards the process will be the same as described in 4.6.1b above.

4.6.1d Longer-term Resale

Properties that are identified to (a) be possibly repositioned through extensive renovations or conversions or (b) have not yet achieved their full market potential due to inefficient operations or a below market rental stream may require nine to twelve months to realize their full potential

market value. Each Trident REO that may fall within this category will be identified within one month of title acquisition. In each case, the Plan prepared by the Asset Manager will include an analysis containing economic data for the specific market location, estimated costs for a potential renovation or conversion, estimated property cash flow during Trident's ownership process, the estimated value increase due to conversion/reposition and a recommendation for the disposition strategy. Such analysis will be presented to a Managing Director for approval. If approved, the Asset Manager will supervise the conversion/reposition process until completion, at which time the Asset Manager will offer the property for sale.

4.7 REAL ESTATE VALUATION UPDATE PROCEDURE

All assets in the CDL Portfolio will be valued on an ongoing basis. This procedure includes obtaining updated appraisals and CDL will also secure new BPOs when required, as well as formal updated real estate valuations ("Valuation Update" as defined below) which are performed internally by CDL.

4.7.1 Frequency

The value of every asset in the portfolio will be reviewed on a monthly basis by the Asset Manager responsible for servicing the asset. Such reviews will take into consideration any new data the Asset Manager has received that could impact the value of the asset. Such data may include, but is not limited to updated rent rolls, operating statements, engineering reports or information regarding the market in which the asset is located. In addition, every asset in the portfolio will undergo an annual Valuation Update in accordance with the procedures described in section 4.7.2 below.

4.7.2 Scope of Valuation Update

The Valuation Update will be performed by an Asset Manager within the CDL Department. The Asset Manager may also be assisted by additional CDL personnel in performing the Valuation Update.

The following data, if available, will be used to assist in the valuation process:

- Trident Loan Acquisition Information;
- Updated and file Appraisals;
- BPOs;
- Market Sales Comps;
- Property Financials/rent rolls;
- Recent purchase offers; and
- General Market and Property Information.

The foregoing information will be kept in the Valuation File (as described in section 4.7.4). Once analyzed, this information will be summarized in a report to the Director of Acquisitions.

4.7.3 Format

The Annual Valuation Update will be prepared once all available property information is analyzed. The format for the Annual Valuation Update will consist of:

4.7.3a Trident Value Reconciliation

This report contains the basic property data on the individual asset, as well as available appraisal and BPO data. The purpose of this document is to compare all available appraisal values, BPO values and market and income valuation techniques to arrive at a final Trident Reconciled Value for each asset. Within this document, a narrative is provided to explain differences between the appraisals, BPOs, market and income valuations and the rationale for the final Trident value determination. The Trident value will be recommended by the Asset Manager responsible for the asset and will be reviewed and approved by the CDL Vice President of Asset Management.

4.7.3b NOI Summary

This report contains the necessary data elements to determine a property's value using the income valuation approach. This form will summarize all income data contained in the appraisals and BPOs, as well as all available and relevant property income data. This includes rent rolls, operating statements and guidelines for industry standards. All sources of income data will be analyzed to determine an Trident Pro Forma NOI. An Trident income value approach will then be developed by applying a market cap rate to the Pro Forma NOI or by applying a discounted cash flow analysis to the property's projected future income streams in accordance with the procedures described in Section 1.3 - Property Valuation. The income value will be compared to other valuation methods on the Trident Value Reconciliation as described in section 4.7.3 (a).

4.7.3c Sales Comparable Sheet

This report contains the necessary data elements to determine a property value using the market comparable sales approach. This form will summarize all recent market sales comparables appropriate for the subject property and adjust the comparables based on location and condition differences between properties. An Trident final sales approach value will be developed by reconciling these differences between properties. The sales approach value will be compared to other valuation methods on the Trident Value Reconciliation as described in section 4.7.3 (a).

4.7.4 Valuation File

A valuation file will be contained in each loan file. The valuation file will be an 8 part file which is divided into the following sections:

1. Trident Federal Reconciliation;
2. Loan Acquisition Summary;
3. Appraisal Summaries, if available;
4. BPO, if available;
5. Market Sales Comps, if available;
6. Property Financials, if available;
7. Purchase Offers, if available; and
8. Miscellaneous.

All information contained in this file will be continually updated and maintained to reflect changing market conditions, sales activity and property performance.

4.7.5 Market to Market Procedures

It is the policy of Trident to carry discounted loans on its books at the lower of cost or current market value. In the event that the monthly or annual valuation reviews described in Section 4.7.1 reveal an asset to have a collateral value less than Trident's then current net book value, the following will take place:

1. The Asset Manager will prepare a Collateral Markdown Recommendation form for review and approval by the Director of Acquisitions, the CDL Managing Directors and the Controller. Following approval of the Collateral Markdown Recommendation, the Collateral Markdown form will be submitted to loan accounting who will then mark the asset down to its current market value.

Section 5

REO PROCEDURES

5.1 MANAGEMENT COMPANY SELECTION

In anticipation of Trident taking title to the property, the Asset Manager, in consultation with the Director of Acquisitions, will interview, competitively bid and select a third party Property Management company. The management company's credentials and fees will be analyzed to select the best management for each property.

5.1.1 Management Company Criteria

The following is a list of criteria the Asset Manager will utilize in the selection the of a management company. Where possible, the Asset Manager will minimize the number of management companies involved with Trident properties. This will result in economies of scale in fee structures, increased responsiveness and decreased management communication requirements.

1. Fee Structure: The Asset Manager will review fee structures for management fees, leasing commissions and construction management fees. Also included in the analysis of fee structures is reimbursable employees (on-site property managers and supervisory personnel). The complexity of the property, amount of deferred maintenance, required structural or environmental remediation, forecasted capital projects and the resale strategy may warrant a more sophisticated management company and their corresponding fee structure.
2. Property Type: Certain management companies specialize in or have a larger market presence in a specific property type (i.e., retail, office, industrial or apartment). To be considered, a management company must "fit" the property type .
3. Management Agreement Criteria: The management company must meet Trident's threshold criteria (insurance, fidelity bond, financial reporting, and management of funds) mentioned in Trident's standard Management Agreement.

4. Renovation Experience: A company's renovation and/or environmental remediation experience will be considered prior to selection for a property where substantially similar work is required.
5. Conflict of Interest: Firms will be eliminated from consideration if the Asset Manager believes a conflict of interest exists that would result in a reduced level of performance or increase in property expenses. For example, the management company will be eliminated from consideration if it is currently attempting to lease space in a project that is in direct competition with Trident's asset. Generally, this type of conflict of interest is only applicable to office, retail and industrial properties. The Asset Manager will monitor potential conflicts of interest including the management company's use of subsidiaries as sub-contractors. To prevent this from occurring, Trident's standard Management Agreement requires management companies to provide notice of their intent to utilize subsidiaries as sub-contractors.
6. Market Knowledge: The management company should have a thorough knowledge of the property's market. This will ensure that price competitive and reliable sub-contractors are retained, as well as monitor the accuracy of market related information.
7. Automation: The management company must meet Trident's automation standards and have the capability of interfacing with Trident's property management and accounting software including cc:Mail, Rentroll, Argus or Yardi property management software.
8. New Relationships: Prior to establishing relationships with new management companies, in addition to the criteria above, the Property Manager will review the company's client list, size and automation capabilities.

5.1.2 Property Performance Monitoring.

The Asset Manager will review and analyze monthly management reports.

5.1.3 Property Information Updating.

The Asset Manager will maintain and update Trident's property information database while each property is in receivership.

5.1.4 Receiverships

The Asset Managers with approval of the Managing Directors will select individuals qualified to serve as court-appointed Receivers to operate properties in foreclosure. Although all the foregoing criteria is highly relevant to the selection process, Trident may not supervise Receivers and Receivers may not take directions from Trident. The rights, responsibilities and liabilities of receivers are governed by the Court Orders entered at the time the Receivers are appointed. In certain instances, Trident's outside counsel may be allowed to submit its own Orders for court approval, in which case every effort should be made by the Asset Managers to recommend various safeguards to Trident's counsel. For example, the proposed order should clearly define the Receiver's compensation as well as the compensation to be paid to any management company retained by the Receiver. The proposed order should be reviewed and approved by the Receiver and include the Receiver's agreement and obligation to a) operate the property pursuant to a reasonable budget, b) prepare regular comprehensive operating reports, c) not engage in deficit spending, d) limit expenditures to pre-defined limits and e) obtain the prior consent of all parties and/or obtain additional court approval prior to exceeding the limits set forth in the Order.

5.2 PRE-TITLE TRANSFER PROCEDURES

Title to property may be transferred to Trident either consensually through a Deed-in-Lieu of Foreclosure or as the result of a contested proceeding upon completion of a foreclosure sale. Various steps must be taken prior to title transfer to ensure a proper transition. The procedures will vary based upon whether or not the transfer is consensual. Additionally, disposition and value enhancement strategies need to be developed for the effective management of Trident's real estate portfolio. Upon notice that title transfer is eminent, the following steps will be taken:

1. Strategy Development: Within 30 days of REO acquisition, the Asset Managers will prepare an Initial Property Operating Plan (the "IPOP") for each property and discuss immediate and anticipated future needs (i.e. receiver appointment, capital repair items and the ordering of post-closing engineering and environmental reports). The IPOP will determine the preliminary scope of value enhancement activities that may be required for each particular property along with the estimated time it will take to maximize the value of each property. See IPOP attached as Exhibit ____.
2. Property Operating Plan: Following completion of the IPOP, the REO Asset Managers will prepare revised a Property Operating Plan ("POP") as required. The Asset Managers will determine the optimal strategy for the asset. The POP will identify the strategic issues facing each asset as well as the action plans to address these issues. The end result of the POP is an estimated hold period and identification of the specific actions (and their costs) that must be completed prior to marketing the project for sale. See sample POP attached as Exhibit ____.
3. The Value Enhancement Opportunity Checklist: This checklist is designed to quickly identify ways to add additional value to income producing real estate by increasing revenue and controlling costs. The Asset Managers will utilize this checklist when preparing the POP to identify specific actions that should be completed prior to disposing of the asset. Attached as Exhibit ____ is the Value Enhancement Opportunity Checklist.
4. Revised Property Operating Plans: The Asset Managers will review each unsold Property Operating Plan (POP) quarterly. If significant variances in an asset's budget occur due to changes in local markets, tenant occupancy, physical plant condition or the anticipated property cash flow, then the Asset Managers will prepare a revised POP. The Managing Directors and the Director of Acquisitions will approve the revised POP prior to implementation of the revised plan.
5. Environmental and Structural Review: The Asset Manager will review existing environmental and engineering reports and order additional reports as needed. Properties with severe environmental and structural defects may not be suitable for Trident to acquire title. Additional reports obtained may require modification of Trident's loan resolution strategy or eliminate the property from longer term resale consideration.

5.2.1 Pre-Title Transfer/General

Thirty (30) days prior to anticipated foreclosure or Deed-in-Lieu, the REO Asset Manager will meet with the Loan Resolution Asset Manager to prepare for title transfer. Specific functions of the Asset Manager will include:

1. On-Site Inspection: The Asset Managers and management company will conduct a physical inspection of property and complete a property inspection report. See office, retail, industrial and apartment project Property Inspection Reports attached as Exhibit ____.
2. Select Management Company: The Asset Manager will competitively bid, interview, negotiate fees and, in consultation with the Asset Manager, select a property management company in accordance with the criteria outlined in Section 5.1.
3. Prepare Management Agreement: Following the selection of a management company, the Asset Manager will prepare three copies of Trident's standard Management Agreement. Upon execution, two copies will be returned to Trident. One copy will be maintained in the property file and the other will be forwarded to Trident's Legal Counsel. The Asset Manager will ensure that the manager is in place on the date of title transfer. See Trident's standard Management Agreement attached as Exhibit ____.
4. Management Company Insurance: The Asset Manager will ensure that Trident receives appropriate evidence of the management company's insurance coverage prior to the date of title transfer. Minimum insurance coverage levels for management companies and their vendors is outlined in Article 4 of Trident's standard Management Agreement.
5. Management Company Bond: The Asset Manager will ensure that Trident receives appropriate evidence of the management company's fidelity bond prior to the date of title transfer. Minimum fidelity bond coverage levels for management companies is outlined in Article 8.4 of Trident's standard Management Agreement.
6. Accounting Procedures: The Asset Manager will coordinate with the management company to ensure they comply with the Management Agreement provisions for establishment of bank accounts, safeguarding and disbursement of funds and periodic reporting. The Asset Manager will forward to the management company Trident's financial reporting instructions and guidance for the submission of the initial Operating and Capital Budgets.
7. Environmental and Structural Review: The Aset Manager will review environmental and structural reports to verify that title transfer is acceptable.
8. Transition Checklist: The Asset Managers will coordinate with the Receiver and complete the property Transition Checklist. This checklist will ensure that Trident obtains all available lease files, security deposits, utility deposits, contract files, warranties,

equipment manuals, applicable personal property, accounting files, blueprints, etc. See Transition Checklist attached as Exhibit ____.

9. Market Review/Property Leasing Plan: The Asset Manager will review the property's current leasing situation and obtain an updated competitive market analysis of the property. Based on this review, the REO Asset Manager will consult with the Loan Resolution Asset Manager to determine the appropriate marketing strategies (rental rates, commissions, concessions, term, tenant improvements, security, etc.) and to begin development of the property leasing section of the POP.
10. Value Enhancement Opportunity Checklist: The Asset Manager will review the Value Enhancement Opportunity Checklist with the pending management company and develop plans to begin implementing approved actions upon title transfer. See Exhibit ____ for the Value Enhancement Opportunity Checklist.
11. Capital Plan: Based on the approved POP, the Asset Manager will consult with the property management company to execute the capital plan section of the POP. The Asset Manager will coordinate the selection of architects, competitive bidding and execution of approved capital projects. Based on the cost and complexity of the capital project, the Asset Manager will determine whether Trident will assume direct control over the project or will delegate the project and provide only supervisory assistance to the management company. The Asset Manager will consult with Trident's Construction Manager to ensure that all projects are executed efficiently and in accordance with established standards.
12. Welcome Letters: The Asset Manager will coordinate with the management company for the delivery of "welcome letters" to each tenant in the project. These letters will inform each tenant of the change in ownership and management of the property and provide instructions for the payment of rent, delivery of notices, etc.
13. Environmental Notice: In cases where environmental hazards exist at the property, the Asset Manager will coordinate with Legal Counsel for delivery of notices to the management company, their vendors and each tenant regarding the presence of such hazards at the property. No such notice shall be given without the direct written approval of Legal.

5.2.2 Pre-Title Transfer/Deed-In-Lieu Properties

Deed in lieu properties will require that the following steps be taken in addition to those outlined in Section 5.2.

1. Transition Checklist. The Asset Manager will utilize the Transition Checklist with all Deed-in-Lieu properties to ensure that all available property information is obtained from the Borrower during title transfer.
2. Estoppel Certificates. For office, retail and industrial properties, the Legal Counsel will prepare Estoppel Certificates for each tenant verifying the terms and conditions of the tenancy. Attached as Exhibit ____ is Trident's approved form of estoppel.

5.3 PROPERTY OWNERSHIP

Once Trident or its affiliate take title to a property, the Asset Manager will begin implementing the approved budgets. Following title transfer, the Asset Manager will be responsible for the following actions:

5.3.1 Records Transfer

Existing loan acquisition, due diligence and loan resolution data will be organized and separated with property management and disposition related materials reorganized as appropriate. Certain materials will be copied and provided to the on-site management company for use in daily operations and future buyer due diligence. If in Trident's possession, copies of the following materials would ordinarily be delivered to the management company:

- Structural Reports;
- Environmental Reports;
- Prior Operating Cost Data;
- Property Records; and
- ADA Surveys.

5.3.2 Insurance

The Asset Manager, in conjunction with Trident's Controller, will verify that adequate insurance is in place for the property and the management company.

5.3.3 Fidelity Bond

The Asset Manager, in conjunction with Trident's Controller, will verify that proof of fidelity bond coverage for the management company is in place with the appropriate levels of coverage. Fidelity bond expiration dates will be tracked and notices of the requirement to provide updated proof of coverage will be sent out at least 60 days prior to coverage expiration.

5.3.4 Life Safety Issues

The first priority of work at a new assignment is to protect tenants and reduce liability exposure to Trident by ensuring that no outstanding life safety issues exist and or remain unaddressed. To this end, all life safety systems will be inspected and repairs will be initiated immediately where needed.

5.3.5 Initial Operating and Capital Budgets

Based on the POP, the outside property management company will prepare a draft of the initial Operating and Capital Budgets within sixty days of Trident acquiring title. The Asset Manager will forward budget formats and computer disks to the management company along with budgetary instructions and reporting requirements. The Asset Managers will revise or approve the budgets.

5.3.6 Annual Operating and Capital Budgets

The Asset Manager will prepare and deliver the annual Operating and Capital Budget guidance to the management companies before October 1st of each year. Included in this guidance is the form of budget and computer programs for managers to input their data. These programs will eventually be downloaded into Trident's property management computer program to aid in financial tracking and reporting. Property management companies will submit annual Operating and Capital Budgets to the Asset Manager for review prior to November 1st of each year. The Asset Manager will review budgets for all properties. Approved Operating and Capital Budgets will be forwarded to the property management company for implementation prior to November 15.

5.3.6a Property Expenditures

Except for expenditures necessary to address an immediate life safety concern, no expenditures may be made on any property unless they are consistent with an approved budget. Any life safety expenditures that are made without the approvals described below must be presented to an individual within the Commercial Discount Loan Department who has the authority to approve said amount for review as soon as possible after they have been incurred. After Operating and Capital Budgets are approved by the Asset Manager, the Director of Acquisitions and the Managing Directors of CDL, the Asset Manager may authorize any expenditure that is within their established signing authority in accordance with Bank policy and is consistent with the monthly amount that is permitted under the approved budget. Any expense that exceeds established signing authority or the amount permitted under an approved budget must be approved by the Managing Directors, unless such payment is a regular monthly payment under a service contract that has been approved by the Managing Directors or is a utility payment that is consistent with the approved budget. Such payments may be authorized by the Asset Manager if they are consistent with the approved service contract and/or the approved budget and are less than their signing authority limit.

5.3.7 Vendor Contracts.

The Asset Manager will review each property management company's implementation of the vendor contract procedures as set forth in Trident's standard Management Agreement.

5.3.8 Leasing.

The Asset Manager will provide the property management company with Trident pre-approved lease forms and will work with the Director of Acquisitions to monitor implementation of the property leasing program. Trident's standard lease forms are attached as Exhibit _____. If a separate leasing firm is selected, then a listing agreement will be entered into.

5.3.9 Capital Projects.

The Asset Manager will be responsible for monitoring the progress of the implementation of capital projects. Trident's standard Construction Agreement is attached as Exhibit _____. The Asset Manager will ensure the management company utilizes this form for larger capital/repair projects and when increased liability exposure exists.

5.3.10 Monthly Reports.

The Asset Manager will receive, review and prepare monthly property reports as outlined in this section.

1. Receipt of Reports. Property management companies will provide Trident with monthly operating reports no later than the 12th of each month. The Asset Manager will log reports as received, indicating the date of arrival. Copies of the report will be reviewed by the Asset Managers to determine compliance with pre-approved budgets and the POP.
2. Report Form. All management companies will be required to generate the reports indicated below on a monthly basis.
 - a. Rent Roll;
 - b. Variance Report;
 - c. Income and Expense Register;
 - d. Aged Accounts Receivable;
 - e. Cash Reconciliation;
 - f. Leasing Report;
 - g. Management Report;
 - h. Security Deposit Activity Report;
 - I. Bank Statements; and
 - J. Property Description Summary.
3. Internal Reports. The spreadsheet described in Section 5.3.10.2 above will be submitted to Trident by each property management firm upon takeover. This will allow the Asset Manager to report key financial performance for each asset and the portfolio as a whole.

From information summarized and submitted by each management company, the Asset Manager will submit internal reports no later than the 10th day of the following month indicating the following information:

- a. Occupancy; and
- b. Month and Year-to-Date Gross Income, Expenses and NOI Actual Versus Budget and Variance Percentage.

5.3.11 Periodic Inspections.

The Asset Manager will be responsible for ensuring that a Trident representative conducts inspections of each property at least semi-annually. These inspections will gauge progress on leasing, deferred maintenance and capital projects.

5.3.12 Real Estate Taxes.

1. Payment. To eliminate the need for on-site property management companies to withhold funds for the payment of annual property taxes, Trident will pay all property taxes directly. On-site property managers will provide notice to the Asset Manager when real estate taxes are due and the Asset Manager will ensure that taxes are paid in advance to receive any applicable discount or avoid the payment of penalties.

2. Appeals. Upon receipt of title and on an annual basis for each property, the Asset Manager will hire property tax consultants on a contingency fee basis to determine if grounds for an appeal exist and pursue appeals when appropriate.

5.3.13 Legal.

All legal notices related to a property will be forwarded to Legal, who will coordinate recommended responses as required.

5.3.14 Environmental.

The presence of hazardous materials on a property represents a potential liability to ownership, even if the material was not placed there by Trident. The Asset Manager, in conjunction with the property management company, will take all actions necessary to ensure each property remains in full compliance with applicable local, state and federal environmental codes, regulations and laws. The Asset Manager will constantly monitor the types of tenants at Trident's commercial projects and the materials used at each site.

Notice. In cases where environmental hazards (asbestos, radon, PCB's, lead paint, etc.) exist at a property, the Asset Manager will consult with Trident's Legal Counsel to determine the appropriateness of providing notice to the management company, tenants and vendors servicing the property.

Asbestos Programs. For properties containing asbestos, the Asset Manager will ensure that the property management company has either (i) implemented an appropriate O&M program or has (ii) made satisfactory arrangements to implement an abatement and removal program.

5.3.15 Americans With Disabilities Act ("ADA").

The Asset Manager, in conjunction with the property management company, will take all actions necessary to ensure that each property is and remains in full compliance with the ADA.

5.3.16 Equal Opportunity Housing

The Asset Manager, in conjunction with the property management company, will take all actions necessary to ensure each property is and remains in full compliance with the Equal Opportunity Housing Act.

Section 6

ASSET MANAGEMENT ACCOUNTING

The mission of the Asset Management Accounting personnel is to properly document and report the funds of all real estate properties managed in-house by Trident. This is to be accomplished through the diligent application of approved policies and procedures designed to mitigate risk and increase the value of each asset.

6.1 Payment of Bills for Properties Managed In-House

Every property will generate bills on a monthly basis that are either for normal operating expenses or for approved capital expense expenditures. The following sections detail the approval process required for each type of bill.

OPERATING EXPENSES

1. Bill Verification. Each bill must be approved by a Purchase Order (“P.O.”) or it must be a regular monthly or budgeted item. If an expenditure is under \$50, the on-site manager is authorized to approve the expense. If the expenditure is over \$50, a P.O. must be requested by the vendor and logged into the P.O. log. If no P.O. is issued, a call will be placed to the vendor and the necessity of the items will be verified by the Trident Asset Managers before the bill is put in line for payment. If a P.O. appears on the bill, it will be verified to the log. If the item is a routine monthly bill or a budgeted item such as utilities or office supplies, it will be put in line for approval by the appropriate parties.
2. Approval Verification. Before a bill is paid, it must be verified and approved by the appropriate level of signature authority. The on-site Property Manager will sign-off verifying the receipt of the items or services and the amount will be approved as per this schedule:

Asset Manager	expenses up to \$5,000
Director of Acquisitions	expenses up to \$25,000
Managing Director	expenses up to \$50,000
3. Preparation of Checks. Once all of the expenses have been approved, the Asset Management Accountant will enter all of the data into the Yardi Accounts Payable Software and create a check run. This check run will then be automatically transferred to a print file and sent to the printer in the Treasury Department.
4. Controller Sign-Off. Once all of the checks have been sent to print and the check run has been properly approved as per the above schedule, the package containing the check run summary and the approval sheet will be delivered to the Treasury Department. There is no need for the invoices to accompany the package since Treasury will be verifying only that each check amount is listed on the approval sheet and is signed for by the appropriate level of authority. At this point, Treasury will verify each check and return the package of checks to the Asset Manager.
5. Distribution of Checks and Copies. The checks are then torn down and mailed along with the appropriate section of the invoice attached to the payment so that the vendor can properly post the credit. A copy of each check is then attached to the original invoice filed in the vendor’s file. The approved sign-off sheet for the check run along with the supporting list of individual checks is filed in the property’s individual accounting file.

CAPITAL EXPENSES

1. Bill Verification. Before a bill for a capital expenditure is put in line for payment, several verifications must be performed. If the nature of the project is one of remodeling or new construction, an approved contract must be in place. The Accountant must verify that the final bill agrees with the contract price. A signed inspection form must be completed for all projects. This form is signed by the person who physically inspected the work and certifies that the job was completed satisfactorily. He/she further recommends payment in full to the contractor.
2. Approval Verification. Before the bill is paid, it must be verified and approved by the appropriate level of signature authority. After the work is approved as per the above paragraph, the amount is approved as per the following schedule:

Asset Manager	expenses up to \$5,000
Director of Acquisitions	expenses up to \$25,000
Managing Director	expenses up to \$50,000

3. Preparation of Checks. Once all of the expenses have been approved, the Asset Management Accountant will enter all of the data into the Yardi Accounts Payable Software and create a check run. This check run will then be automatically transferred to a print file and sent to the printer in the Treasury Department.
4. Treasury Sign-Off. Once all of the checks have been input and the check run has been properly approved as per the above schedule, the package containing the backup and the approval sheet is delivered to the Treasury Department. There is no need for the invoices to accompany the checks. Treasury, at this point, will be only verifying that each check amount is listed on the approval sheet and is signed for by the appropriate level of authority. Treasury will verify each check and return the package of checks to the Asset Management Department.
5. Distribution of Checks and Copies. The checks are then torn down and mailed with the appropriate section of the invoice attached to the payment so that the vendor can properly post the credit. A copy of each check is then attached to the original invoice and filed in the vendor's file. The approved sign-off sheet for the check run along with the supporting list of individual checks is filed in the property's individual accounting file.
6. Reimbursement from the Loan Capital Account. These capital checks are cut throughout the course of the month from the property's checking accounts. Once each month, all of the capital expenses are collated and a check request is prepared so that the Controller can cut one Capital check against the loan and reimburse the property's account. A standard Trident check request is used for this purpose and standard approval guidelines apply.

7. Review of Checks. When the check is received from Accounting, the dollar amount and payee is verified against the original request and the check is then deposited into the property's account. These expenditures and reimbursements are accounted for on the monthly Profit and Loss Statements ("P&L's") for the property and will be equal to zero.

6.2 PAYMENT OF BILLS FOR PROPERTIES MANAGED BY THIRD PARTIES

The only difference between these expenses and those for properties managed in-house is that the Third Party Manager has already cut the checks and the expense is being verified after the fact. This verification is done by way of the reports sent to us by the Management Company. The reports contain both P&L's and a detailed general ledger.

1. Bill Verification. Each payment rendered is scrutinized and verified as to the necessity of the expenditure. It is noted whether it was a budgeted item or a routine monthly bill such as for utilities. Any unapproved, unbudgeted or non-routine items will be questioned by the Asset Manager and reconciled with the Management Company. The Asset Manager will make the final decision as to the allowance of the expenditure.
2. Approval Verification. The Management Company is prohibited from making any expenditure in excess of \$5,000 from the property's account. Any expenditure greater than this amount must be approved by Trident and the check must also be signed by two of the seven approved Trident Officers.

As a general rule, the Management Companies do not make the capital expenditures from the property's accounts, but rather they pass the bill to Trident for payment. As such, the approval process will be identical to the Capital Expenses section above.

6.3 CONTRACTOR SELECTION

1. Bids: When a Contractor is to be selected to perform a job at one of our properties, three bids are obtained. Each bid is examined on its own merit as to the total contract price, possible warranties and the quality of materials that are to be used. The contractor is selected based upon the company providing the most value for the dollar, not necessarily the lowest price. The Asset Manager will make a recommendation to the Director of Asset Management for approval.
2. Insurance Verification: Once a contractor is selected, no work of any kind is authorized nor is any payment to be made until such time as the Asset Manager has reviewed a copy of the contractor's insurance and found it to be acceptable to Trident.
3. License Review: Prior to the commencement of work, the contractor's license is to be reviewed by the Asset Manager and a determination made that the license is current and in good standing.

The standard Trident Single Contractor Contract is used for most projects completed on the REO properties. In some cases of extensive construction, the standard General Contractor contract is used. The Asset Manager will review every job contract and will initial the contract. He/she will be attesting to the proper completion of the bid process, as well as verifying the validity of license and insurance. The contract will then be sent to the contractor for review and signature. When the contractor has signed and returned the contract, it must be signed by an approved officer of Trident. Once the contract is signed, a copy is returned to the contractor and he/she may commence work.

6.4 MONTHLY REPORTS

6.4.1 Monthly Reports of Properties managed in-house

Each month, the Property Management Accountant will prepare a detailed monthly report package containing reports from Rent Roll and/or Yardi. This package is to be delivered to the Asset Manager in its entirety by the 15th of each month. The P&L page with the NOI figures is due by the 12th of each month. The reports to be included in the package are:

- statement of cash flow;
- bank reconciliation;
- bank statements;
- check register;
- statement of condition (report of assets and liabilities);
- YTD income comparison report;
- list of delinquent residents;
- unit statistical report;
- available/vacant unit report;
- rent schedule; and
- rent roll.

The Asset Manager will verify each report package and will give approval prior to its distribution.

6.4.2 Monthly Reports for properties managed by third parties

Each month the property management company will prepare a detailed monthly report package and submit it to Trident for approval and retention. This report package must be received by the Trident Asset Manager no later than the 12th of the current month detailing the activities of the prior month. The substance of this monthly report is the same as that for properties managed in-house. If an REO income check accompanies the package, it will be processed by the Asset Management Accountant who will then include a copy of the check in the package. If a wire transfer is received for the REO income, the Asset Management Accountant will notify the Financial Analyst who will then instruct the Loan Servicing Department as to the application of the monies received. The package is reviewed in its entirety by the Asset Manager, including all items on the P&L as discussed above.

6.4.3 REO Portfolio Graph Package

The Asset Manager will collate all the individual property reports, extract the necessary data and complete the monthly REO report. The REO report is distributed by the Controller to all Asset Managers. This report is distributed on the 1st of each month for the activity of 2 months prior (i.e. distribute January, 1997 report on March 1, 1997). Additionally, a color printed copy will be delivered to the Managing Directors. Included in the package are color graphs depicting:

- effective gross income;
- occupancy;
- expenses;
- net operating income;
- income transfer; and
- comments relative to the month's performance.

6.5 THIRD PARTY EVALUATION

6.5.1 PURPOSE

In order to properly evaluate the performance of its third party management companies, it is Trident's policy to require a review of selected REO property accounting records maintained on-site by outside management companies by Trident's Internal Audit Department

The purpose of this review is to confirm that cash and other assets entrusted to the management companies are being properly accounted for and accurately reported to Trident in the financial reports submitted each month. The review will also confirm that expense records are fairly stated, certify the tax status of vendors and provide evidence that the management companies' financial statements are in conformity with generally accepted accounting principals (GAAP).

6.5.2 SELECTION CRITERIA

The following REO properties whose accounting records are maintained by outside management companies will qualify for a review by Trident's Internal Audit Department:

1. All properties of any management company that manages two or more of Trident's REO assets.
2. Any property that has been held for more than six months.

6.5.3 FREQUENCY OF REVIEW

Twenty five percent of the properties meeting the above criterion will be reviewed each year. Reviews will be conducted on a quarterly basis.

6.5.4 SCOPE OF REVIEW

This review shall consist of, but not be limited to, a review of the following records:

1. Records of all rent receipts, including verification of reported delinquencies;
2. Back-up documentation (invoices) for all checks paid from the property's checking account;
3. All accounts payable and receivable ledgers;
4. W-9 records for all vendors; and
5. Verification and reconciliation of all bank statements.