

Steve Cole Biography

Steve Cole has been an active participant in the commercial real estate industry for over 20 years. He has originated over 1100 commercial mortgages totaling over \$2.2 billion and managed portfolios for both financial institutions and the capital markets.

Following his graduation from The Ohio State University in 1980, where he received a Bachelor of Science degree in Real Estate and Urban Land Economics, Steve began his career as a Real Estate Analyst at the John W. Galbreath Company, a well-know and respected Midwest based property management and real estate development firm. In 1983, Steve began his post-graduate studies in Business Administration at The Ohio State University, earning his M.B.A. in 1985. That same year, Steve accepted an offer from the Nationwide Life Insurance Company to serve as a Commercial Mortgage Analyst.

The Union Central Life Insurance Company recruited Steve in 1986. He began his career with the firm as Director of Real Estate, was promoted to Assistant Vice President, then Vice President, and finally Managing Director, his current position. At Union Central, Steve has overall responsibility for all aspects of the institution's commercial mortgage and real estate portfolios, including new loan production, loan administration, and loan participation and securitization sales. During his 17 years at Union Central, Steve has developed investment policy, hired and trained staff, created procedures for policy implementation, and established a national network of mortgage banking correspondents.

In 2002, Steve led an initiative to securitize a portion of Union Central's portfolio. 131 loans totaling nearly \$200 million were sold through Morgan Stanley in the 2002-IQ3 CMBS securitization. Steve took the knowledge gained in that transaction and developed a business model to originate commercial mortgages for the securitization marketplace. Implementing this model in 2003, Steve has sold another 70 loans totaling \$100 million and is currently building collateral pools for upcoming CMBS transactions.

Small Loan Business Unit

Strategic Plan

Keys to Success

- User-friendly process
- Locking rates at application
- Approval authority
- No TI/LC reserves
- “Life Company” style loan documents
- No re-trading
- Certainty of close
- In-house legal
- Primary servicer

Origination Policy

- Property types
- Geographic location
- Loan size
- Term, amortization
- Loan to value
- Debt coverage

Correspondent Network

- Long standing relationships
- Servicing rights
- Alignment of interests

The Process

- Rate lock and Hedge
- Submission package
- Internal write-up
- Loan approval
- Commitment
- Closing
- Loan funding
- Securitization sale
- Primary servicing

Staffing

- Real estate attorney
- Loan officers (5)
- Closing coordinators (2)
- Servicing specialist

Marketing

- Correspondent event #1
- Market visits
- E-mail announcements
- Correspondent event #2
- MBA CREF
- CMSA conventions

Financial Projections

| | <u>2004</u> | <u>2005</u> |
|----------------------|-------------|-------------|
| Loan originations | \$260 | \$450 |
| Securitization sales | \$150 | \$450 |
| | | |
| Revenues | \$5.8 | \$17.0 |
| Expenses | <u>2.1</u> | <u>3.1</u> |
| Net income | \$3.8 | \$13.9 |

PROJECT ATLAS

Timetable Considerations

In order to achieve a March 1, 2004 start date for the Small Loan business unit, significant up-front activity will occur over the next several months. Once our Sponsor has been identified and employment contracts have been executed, the pace of that activity will be accelerated.

November

- Visit Correspondents, ask who are the best Life Companies and Conduits they work with and why. Determine what we need to do to compete effectively. Our goal is to know our competition, their strengths and weaknesses, and how we might capitalize on their shortcomings.
- Finalize the Small Loan Business Plan.

December

- Move focus to development of an Operational Plan for Project Atlas. Clarify how we are going to work together across business units.
- Determine office space requirements.
- Engage leasing broker.
- Tour prospective buildings, select three finalists, solicit leasing proposals, rank preferences, counter-offer, and make final selection.
- Execute letter of intent to lease.
- Negotiate lease.

January

- Determine office furniture, telecommunication and information systems requirements, evaluate options, select vendor, and submit order.
- Draft job descriptions for staff to be hired.
- Determine employee benefits that will be provided to prospective employees, such as health care, 401(k), vacation, etc.
- Evaluate employee recruitment firms, select recruiter, execute engagement letter.
- Establish bank account for corporate use, fund initial balance to cover working capital needs.

- Develop policies for how our office will function, focus on process, and the mechanics of how we will operate.
- Create itinerary for first Correspondent Event in Cincinnati; evaluate options, select venues, set dates, block hotel rooms, etc.

February

- Review potential employee credentials, conduct phone and face-to-face interviews.
- Make offers of employment to preferred candidates.
- Execute employment agreements.

March

- Opens doors for business.
- Secure office supplies, paper, toner, calculators, stationery, business cards, etc.
- Coordinate delivery of office furniture, computers, phones, etc.
- Prepare introduction letter for Correspondents, marketing materials.
- Begin training of staff.
- Secure credit cards, phone cards for staff.
- Evaluate travel firms, engage firm to represent us.

November activity is essentially complete. Discussions with a leasing broker have taken place and potential office buildings have been identified. Formal lease execution, as well as purchase orders for office furniture, computers, phones, etc. will require Sponsor commitment to Project Atlas.

PROJECT ATLAS

Credit and Deal Approval Considerations

In order to achieve the highest probability of success, the Small Loan business unit of Project Atlas will look and act as if it is a Life Company portfolio lender. Being perceived as “just another Conduit” would be problematic. Key components include:

1. Having a user-friendly process for both the Correspondent and Borrower,
2. Locking rates at Application,
3. Having approval authority at the business unit level for all loans within set parameters,
4. Not requiring reserves for tenant improvements or leasing commissions,
5. Utilizing Life Company style loan documents, i.e. no defeasance language,
6. Not “re-trading”, we do what we say we will do,
7. Providing certainty of close,
8. Having an in-house attorney to handle the legal aspects of the closing process,
9. Performing the role of primary servicer post-securitization, in order to preserve the relationship with the Correspondent and Borrower.

Our credit and deal approval process directly affects many of the items listed above. A Correspondent survey was conducted to determine what were the most significant factors affecting the decision of which Life Company or Conduit a Correspondent will take a loan opportunity to. The overriding factor was response time. One quote heard when describing preferred lenders was: “We can have a 5-minute conversation with these guys and know the deal is done”. It is a matter of knowledge and trust. We can have the most competitive product, but if our credit and deal approval process is cumbersome, we will not be very successful.

Time can kill deals, and the faster we can act, the more successful we will be. Our objective should be to create the most effective credit and deal approval process possible, which will enable us to be highly productive and allow us to provide the highest level of customer service possible. In so doing, we will maximize our opportunity for profitable growth.

Origination Policy

The Small Loan business unit of Project Atlas will have an established Origination Policy for commercial mortgages. Well-defined parameters will exist which will govern the type of loans that will be made. Limitations will include the type of properties which can be considered, their geographic location, maximum term and amortization periods, maximum loan-to-value ratio, minimum debt coverage, maximum dollar size, etc. The Origination Policy will be sufficiently broad such that it captures a significant portion of the activity of the Small Loan business unit. The initial draft of the Origination Policy is attached.

Deal Approval

The managing Principal of the Small Loan business unit will have approval authority for all loan opportunities being considered which fall within the established guidelines of the Origination Policy. If a loan opportunity falls outside these parameters, further authorization within Project Atlas will be required in order to move forward.

The Process

A national network of mortgage banking Correspondents will be used to source new loan opportunities for the Small Loan business unit. These firms will also service the loans post-closing. They will have a vested interest in providing us good loans since they will live with the servicing of any bad loans that develop.

We will lock rates for a Borrower at Application. A Treasury Hedge will be put in place at the time of rate lock. The Borrower will send us a check for 1% of the loan amount as a deposit in order to establish the rate lock. If the Borrower subsequently fails to execute the Commitment Letter, the deposit will be retained as mitigated damages.

Within one week of the Application being signed, the Correspondent will be obligated to provide us a full submission package, which will be used to prepare a loan Write-Up. This narrative document will detail the merits of the deal. Once the managing Principal of the Small Loan business unit signs off on the loan Write-Up, a Commitment Letter will be issued. With the return of a fully executed Commitment Letter, the Borrower will be obligated to provide an additional 1% deposit. The loan will move on to the closing process.

If a loan opportunity being considered falls outside the parameters of the Origination Policy, further authorization within Project Atlas will be secured before an Application is accepted and a rate is locked and hedged.

Credit Committee

A Credit Committee will be established at Project Atlas and will be comprised of various Principals of the firm. The Committee's primary objective will be to formulate the Origination Policy for the Small Loan business unit and monitor compliance with that Policy. The Committee will convene on a monthly basis to ratify all loans made in the previous month that fall within the Origination Policy of the Small Loan business unit. Any loans made which fall outside the Origination Policy will be reviewed individually so that their merits may be confirmed. Project Atlas will fund no loan without Credit Committee ratification or approval.