

CANDIDATE GUIDE



CRI Associate Exam

2010

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0.0 Preface

The registered marks of the Chartered Realty Investor Society (the “CRI Society”) are the Chartered Realty Investor[®], CRI[®] and the CRI Society logo. The superscript version of the trademark registration symbol (®) must appear after the first use and after each prominent use. {see section 10.0}

0.1 Disclaimer, Warning and Approval

The information contained, cited or referenced in the *CRI[®] Associate Examination Candidate Guide* (the “*Guide*”) does not constitute any investment, legal or tax advice. It is solely for the purpose of understanding the ethics-based competency, or Tasks, covered by the Chartered Realty Investor (CRI) Associate Examination and is not comprehensive. In all events, one should seek independent, qualified counsel.

Citations, links or pointers connecting with web sites and other sources are included in the *Guide* by the CRI Society as a courtesy only. The CRI Society assumes no responsibility or liability for such other sites’ content, accuracy, or compliance with applicable laws.

This publication was developed by the Candidate Handbook Committee of the CRI Society and approved by the Board of Governors or the CRI Society, which is solely liable for its content. The *Guide* cites and contains copyright readings and protected proprietary materials of the volunteer contributors.

0.2 Introduction

Congratulations on becoming a Candidate for the CRI Associate and/or Charter designations. Your next step is preparing for the CRI Associate Examination.

The *Guide* will assist you in understanding the CRI Charter, CRI Associate designation, CRI Society and the Associate Examination.

0.3 How to Use this *Guide*

Use:

- **Sections 1.0 – 10.2** to learn about the CRI Charter, CRI Associate Designation, CRI Society and the CRI Associate Examination, including a description of the assessment instruments used to make certification decisions and the research methods used to ensure that the assessment instruments are valid
- **Appendix A** to read references on professional competence that are required to manage real estate, investment portfolio decisions and that are tested by the Associate Examination (see section 5.1)
- **Appendix B** to find the definition of an ethical conduct, investment, real estate or regulatory term

or acronym that may appear in sections 1.0 – 10.2 or in Appendix A

- **Appendix C** to find the definition of a salient, investment or statistical formula that may appear in Appendix A
- **Appendix D** to learn about representative, real estate related organizations, including the Chartered Realty Investor Society
- **Appendix E** to learn the terminology of how an organization (e.g., the CRI Society) identifies and certifies a person, who demonstrates possession of the requisite knowledge and ethical professional conduct, to hold its professional designation
- **Appendix F** to identify a website for additional information on a topic that may appear in this *Guide*, including information on accreditation, ethical conduct, certification, governance, investing, real estate, regulation and securities
- **Appendix G** to find the CRI Society forms for Associate Examination enrollment and CRI Charter holder and CRI Associate compliance

All terms not defined in this *Guide* shall have the meaning stated in the latest edition of *Black’s Law Dictionary*.

1.0 Defining a CRI Charter Holder and CRI Associate

At the core of the CRI Society designations (the “CRI Charter” or “Charter” or “CRI Associate”) is the understanding that a CRI Charter holder and/or CRI Associate is a fiduciary participant in the real estate, investment decision making and/or implementation activities of the portfolio management process and that a fiduciary participant is a service professional who:

- maintains knowledge of and complies with all applicable laws, rules, regulations, standards of conduct and statutes
- deals fairly in any market or marketplace
- uses relevant competence and independent, objective judgment
- preserves the confidentiality of client materials and nonpublic information
- discloses fully to a customer and to a client any material conflict of interest
- acts as a prudent expert in the best interests of a client
- has a reasonable basis and supporting documentation for a recommendation in a research report and financial analysis

The definition of a CRI Charter holder and CRI Associate embodies the principles of the CRI Society. Section 10.1, below, describes the correct use of the CRI Society titles.

The CRI Society awards a CRI Charter holder and/or CRI Associate a limited, revocable right to use the CRI Charter and/or CRI Associate designation, as applicable. A CRI Charter holder does not earn the CRI Charter and does not own any rights in the CRI Charter.

2.0 Learning About the CRI Society

The CRI Society is a tax-exempt, independent and transparent section 501(c)6 association of service professionals founded in 1999 that helps ensure the safety of the public and other stakeholders by supervising its real estate, certification designations, the CRI Charter and CRI Associate.

The mission of the CRI Society is to recognize ethics-based competency in the global real estate industry for the benefit of the public through the award of a limited, revocable right to hold its CRI Charter.

The function of the CRI Charter and CRI Associate designation is to certify the competency and ethical conduct evidenced by a fiduciary participant in the real estate, investment, portfolio decision-making and/or implementation processes.

The CRI Society awards a limited, revocable right to hold the CRI Charter or CRI Associate designation solely to a CRI Candidate who:

- CRI Charter: passed two successive examinations (individually the CRI “Associate Examination” and “Charter Examination” or an “Examination” and collectively the “Examinations”); or CRI Associate: passed the CRI “Associate Examination”
 - agreed to comply with the continuing requirements of a Charter holder/Associate as described in section 9.1.3 below
- and
- is and continues to be a Member of the CRI Society in good standing, as outlined in section 9.1.3 below and as otherwise determined by the CRI Society in its sole discretion

A CRI Charter holder has not permanently earned the CRI Charter and does not own any rights in the CRI Charter. A CRI Associate has not permanently earned the CRI Associate designation and does not own any rights in the CRI Associate designation.

The CRI Society is governed by its By-Laws and led by its Board of Governors to:

- act transparently
- act consistently with the definition of a CRI Charter holder and CRI Associate
- ensure administrative independence and autonomy in essential certification decision making activities

- include persons from the certified population, as well as voting representation from at least one consumer or public member

The CRI Society:

- is a certifying not-for-profit organization that offers and operates a voluntary certification program by which a CRI Candidate, who has demonstrated the ethics-based competency required in the real estate investment decision making and/or implementation activities, is identified by the CRI Society to the public and other stakeholders through the award of a limited, revocable right to hold the CRI Charter or CRI Associate designation
- owns exclusively the CRI Charter and CRI Associate designation
- is committed to mandatory and academically rigorous continuing education to demonstrate to the real estate industry and the public that ethics-based competency is maintained by each CRI Charter holder and/or CRI Associate
- acts in the best interest of the real estate investing public
- is not a trade association
- does not make any political contributions (e.g., directly, indirectly through any trade association, or otherwise)
- shall not use any pay-to-play process
- does not accredit, certify, endorse, offer, promote, require or warrant any service of any contributor to, or sponsor for, the CRI Society program
- does not accredit, certify, endorse, offer, promote, require or warrant any Examination education, preparation or review course of study or training program leading to the CRI Charter and/or CRI Associate certification
- does not deliver or communicate any Examination information, including but not limited to questions and answers, to any contributor, supporter, vendor or other outside entity, except for the same information that it provides to any Candidate
- does not require, offer or sell any course to prepare a Candidate
- does report, after a Candidate’s or Member’s prior written authorization, the person’s name, designated mailing address, e-mail address and next required Examination or CRI Society test to any vendor of a review or preparation course for an Examination and any other CRI Examination that satisfies the CRI Society’s requirements for licensing and for using the CRI Society’s mailing list and trademarks, and
- does grant to a satisfactory review course vendor only a limited, personal, non-transferable, non-exclusive, revocable license to use only the CRI

Society's trademarks solely for the purpose of identifying the licensee's CRI Society review course materials.

2.1 Maintaining a List of CRI Associate and Charter holders

The CRI Society maintains and, upon receipt of a satisfactory request, will provide a free list of all current CRI Associate or Charter holders and copy of their respective Disclosure Statement and will verify whether or not a CRI Associate or Charter holder is currently in good standing, including whether or not a CRI Associate or Charter holder satisfactorily has:

- filed the latest required Conduct Agreement
- filed the latest required Disclosure Statement
- satisfied the latest required continuing education program
- been recertified, if required by the CRI Society

The CRI Society shall not communicate any other information that may violate the confidentiality rights of any Associate or Charter holder, Candidate or Applicant. Confidentiality is discussed further in section 9.6, below.

3.0 Learning About the CRI[®] Certification Program

The CRI Society has commenced its certification program with the award of its CRI Associate or Charter designation to persons who have satisfied all of the CRI Associate or Charter holder certification requirements.

The CRI Associate or Charter holder certification program has:

- evidence supporting Examination content linked to a job analysis for its two Examinations
- respective passing points for each Examination that were informed by criterion-referenced standard setting studies
- observations of the consistency of pass/fail decisions that have been sufficiently high to satisfy testing standards articulated in 29 CFR-Labor, Section 1607.14 within the Uniform Guidelines on Employee Selection Procedures and the *Standards for Educational and Psychological Testing* (1999) published by the American Educational Research Association, American Psychological Association, and the National Council on Measurement in Education

The CRI Society is a member of the National Organization for Competency Assurance (NOCA). The CRI Society has not filed an *Accreditation Application* with National Commission for Certifying Agencies (NCCA); i.e., the CRI Charter holder certification program is not accredited by NCCA. The CRI Society may elect in the future to apply for accreditation by NCCA, in its sole discretion.

4.0 Understanding the Development of the CRI[®] Associate and Charter Examinations

The CRI Society, with the expert psychometric assistance of Applied Measurement Professionals, Inc. ("AMP"), developed the CRI Associate and Charter Examinations to conduct certification activities in a manner that upholds standards of ethics-based competent practice in the real estate industry for the benefit of the public and other stakeholders.

4.1 Real Estate Industry Job Tasks and the Two CRI Practice Analysis Surveys

The CRI Society organized a fair sample of real estate professionals to develop and to analyze two lists of all the job activities (or "Tasks") required to:

- manage a real estate transaction (the "CRI Associate Task List")
- make and manage real estate, investment portfolio decisions (the "CRI Charter Task List")

The CRI Society and AMP then converted the Task Lists into two surveys (individually the "CRI Associate Practice Analysis Survey" and "CRI Charter Practice Analysis Survey" and collectively the "Practice Analysis Surveys" or "PASs"). These surveys asked participants to rate the importance of each Task to the competent and ethical performance of their routine work. The solicited participants included:

- debt, derivative and equity real estate investors
 - service professionals who support the real estate investment process
 - academics in the real estate and investment fields
- to rate the importance of each Task to the competent and ethical performance of their routine work.

4.2 The CRI Detailed Content Outlines and Content Categories

The CRI Society, with the assistance of AMP, analyzed the results of the two Practice Analysis Surveys, narrowed the two Task Lists and organized the remaining Tasks by competency topics ("Content Categories"). The Tasks in each Content Category were further classified by the CRI Society and AMP into subdivisions (or "Sub-Content Categories"). The resulting two lists of subdivided Tasks are the "CRI Associate Detailed Content Outline" and "CRI Charter Examination Detailed Content Outline".

Each Examination's Detailed Content Outline (or "DCO"):

- contains the Tasks covered by the respective Examination
- assigns the number of questions (or "Items") in the individual Examination to each Content Category
- identifies the required level of understanding (or the "Level of Cognitive Complexity") that is required by the industry to perform each Task

- identifies any required interaction with the ethics domain for each Task

4.2.1 The Levels of Cognitive Complexity

Each Item on an Examination requires a level of understanding (or a “Level of Cognitive Complexity”) that a Candidate will use to respond.

From lowest to highest Cognitive Level, the three Levels of Cognitive Complexity are:

1. **Recall:** The ability to remember or recognize specific information (e.g., Remember a definition)
2. **Application:** The ability to comprehend, relate or apply knowledge to new or changing situations (e.g., Recall and use a formula and calculate an answer, or recall and use a definition to read a graph or data table)
3. **Analysis:** The ability to analyze and synthesize information, determine solutions and/or to evaluate the usefulness of a solution (e.g., Recall, Apply and evaluate the significance of a calculation)

A higher Cognitive Level requires understanding how to perform the Task at any lower Cognitive Level. The words Recall, Application and Analyze only appear in the Task statements, not in the Examination Items.

Each Task in Appendix A of this *Guide* is identified by the highest Level of Cognitive Complexity that a Candidate may be required to use when performing a Task included in the Associate Examination.

5.0 UNDERSTANDING THE CONTENT COVERED BY THE CRI[®] ASSOCIATE EXAMINATION

The Associate Examination tests the professional competence and ethical conduct in the job activities, or Tasks, required to make and to manage a real estate transaction.

There are 277 Tasks in the Associate Detailed Content Outline. They are organized into six Content Categories that contain twenty-seven Sub-Content Categories as listed below:

1. Property Issues
 - Real Estate Acquisition, Ownership, and Disposition
 - Property Types
 -
2. Taxation and Accounting
 - Real Estate Taxation

- Real Estate Accounting

3. Law

- Real Estate
- Environmental
- Mortgages and Security Agreements
- Creditor’s Rights and Bankruptcies
- Business Entities

4. Real Estate Analysis and Evaluation

- Real Estate Finance
- Appraisal Techniques
- Rent Measurements
- Debt Coverage Ratio (DCR) and Leverage
- Capitalization (Cap) Rates and Multipliers
- Cash-on-Cash Yield
- Internal Rate of Return (IRR)
- Modified and Effective Duration and Convexity
- MBS Evaluation Tools

5. Underwriting Mortgage Loans for Investment

- Reviewing and Analyzing Property Data
- Reviewing Sponsorship, Investment Structure, and Market Factors
- Reviewing Technical, Legal, and Administrative Requirements
- Commercial Mortgage-Backed Securities (CMBS)
- Underwriters’ Coordination for Loan Closing

6. Real Estate Due Diligence

- Environmental and Property Condition Report
- Zoning and Building Code Compliance
- Lease Reviews
- Financial Statement and Credit Review

5.1 Understanding Appendix A of this Guide

Appendix A consists of twenty-seven Content Sections (see section 5.0 above). Each Content Section identifies the:

- Content Category covered in that Content Section of the Appendix
- sequential list of those Tasks
- level of Cognitive Complexity that a Candidate will use to demonstrate competency in each Task
- sequential list of explanatory references or readings (“Content References”) that corresponds to the sequence of Tasks in that Content Section
- total number of Content Reference pages covered in that Content Section
- number of Content Reference pages cited in that Content Section or in a prior Content Section
- number of new Content Reference pages cited for the first time in that Content Section

A Candidate can elect to use Appendix A to:

- identify unfamiliar Content Categories, Sub-Content Categories and Tasks

- read the Content Reference that corresponds to any unfamiliar Task and/or Level of Complexity

5.2 Using a Content Reference to Understand a Task

A Content Reference is an optional, supplemental explanation of the content identified in a Task statement and is numbered in the same sequence as its related Task. It consists of at least one, descriptive excerpt from an authoritative source. The purpose of a Content Reference is to provide optional guidance to a Candidate in understanding the knowledge and skill covered by a Task.

There are approximately 1,200 total pages, including 200 duplicate pages, of Content References, or approximately four pages of Content References for each of the 277 Tasks. The CRI Associate Examination Content References are primarily contained the following four (4) textbooks:

- *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute (Appraisal Institute, 2001, ISBN 0922154-67-8)
- *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
- *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute (Appraisal Institute, 2002, ISBN 0-922154-72-4)
- *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)

Additional reference information is included on a separate compact disc publication, "CRI® Associate Examination Content References Supplement", which the CRI Society supplies to a Candidate upon successful enrollment for the Associate Examination.

The Content References are not intended or structured to teach the competency covered by a Task. They do not constitute any education program and are not the sole available route to certification.

An asterisk, "*", before a Content Reference indicates that the excerpt was cited in a prior Task in the Appendix A.

The Content References are copyrighted materials and may not be adapted, copied, displayed, distributed, licensed, published, reproduced, scanned, sold, stored, transferred or used, in whole or in part, for any purpose or by any person other than by a person who was authorized in writing by the CRI Society, in its sole discretion.

5.2.1 Time Required to Understand the Content References for a Task

The estimated, average time required to understand the set of Content References cited for a single, unfamiliar Task is a minimum of one (1) hour. The estimated time required to understand all the 277 Tasks, presuming that they were all unfamiliar to a Candidate, is approximately 277 hours.

5.3 Understanding the Examination's Composition

The Associate Examination is composed of a total of 225 questions (or "Items"). A Candidate's Examination score is based on 200 randomly sequenced Items (the "Scored Items"). An additional 25 randomly sequenced Items (the "Development Examination Items") do not affect the Candidate's score and are spread through the Examination for the purpose of maintaining the validity of the Examination process. A Candidate cannot discern a Scored Item from a Development Examination Item.

Each Item consists of a:

1. set up paragraph(s) (the "Stem")
2. four alternative answers, consisting of:
 - a) three incorrect responses (the "Distracters")
 - b) one correct answer (the "Key")

The 200 Scored Items consist of:

- 67 at the Recall Cognitive Level
- 83 at the Application Cognitive Level
- 50 at the Analysis Cognitive Level

5.3.1 Sample Examination Item

Below is a sample Examination Item that is only intended to exhibit the three common elements of an Item. The Item begins with a set-up paragraph[s] (or "Stem") and ends with four alternative responses, three wrong alternatives (or "Distracters") and one correct answer (or "Key").

Mortgages allow a lender to exercise certain rights and remedies upon a borrower default. Although enforcement may be limited by applicable state law, which of the following lender rights and remedies are typically included in a mortgage?

1. appointment of a receiver for the mortgaged property
2. requirement that rents be paid directly to the lender
3. right to immediate possession of the mortgaged property

4. right to require the immediate termination of all tenancies

- A. 1, 2, and 3 only
- B. 1, 2, and 4 only
- C. 1, 3, and 4 only
- D. 2, 3, and 4 only

Answer: A

6.0 APPLYING FOR THE CRI® ASSOCIATE EXAMINATION

To apply for the CRI Associate Examination, a person (an “Applicant for the Associate Examination”) must:

- be accepted as a CRI Candidate
 - pay all the required fees
- and
- complete and submit the following forms from Appendix G of the *Guide* :
 1. CRI® Associate Examination Application
 2. CRI® Associate Applicant Reference Form
 3. Chartered Realty Investor® Applicant Disclosure Statement
 4. Chartered Realty Investor® Applicant Conduct Statement
 5. Request for Special Examination Accommodations and Documentation of Disability-Related Needs, if you have a disability covered by the Americans with Disabilities Act

6.1 Remitting the Examination Fees

The Applicant must submit the appropriate, U.S. dollar (“\$”) denominated fees with the Associate application. Payment shall be by Visa, MasterCard or American Express credit card, company check, personal check, cashier’s check or money order. Checks and money orders are made payable to “CRI Society”. A declined credit card or check returned for insufficient funds or otherwise is subject to a \$35 penalty. Repayment of a declined credit card and the penalty must be made with a cashier’s check or money order. Applicants are not permitted to take an Examination or complete their enrollment or re-enrollment until all fees have been paid in full.

The CRI Associate Examination Fees paid to the CRI Society are:

Candidate Application Processing Fee	\$100.00
Associate Examination Enrollment Fee	<u>\$300.00</u>
Total Fees:	\$400.00

Associate Examination Re-Examination Fee

is the cost to retake a “failed” Examination or to reapply for an Examination that a Candidate doesn’t schedule or report for on time

as described in section 7.2: \$150.00

Associate Examination applications that are accompanied by the satisfactory payment and are deemed incomplete or otherwise unsatisfactory by the CRI Society will be retained by the CRI Society for a maximum period of 120 days from the date of the CRI Society’s receipt of the enrollment or re-enrollment form, pending the Applicant’s satisfactory completion of the application and submission of any missing or requested additional information to the CRI Society. If an application is deemed by the CRI Society in its sole discretion to be incomplete or unsatisfactory at the expiration of the 120 days, then \$100 of the received payment will be retained by the CRI Society as a non-refundable processing fee, and the remaining payment will be returned promptly to the Applicant.

6.2 Submitting the Examination Enrollment Materials

The Associate Examination is administered via computer at AMP Assessment Centers throughout the United States or such other testing site(s) as determined by the CRI Society in its sole discretion. Applications may be submitted throughout the year, and there is no application deadline.

An Applicant, who satisfies all of the requirements in section 6 above, **shall submit all of the section 6 information and documentation in one envelope** to the Chartered Realty Investor Society, P.O. Box 14924, Lenexa, KS 66285-4924 or such other address as determined by the CRI Society.

6.3 Statement of Non-Discrimination

Only if all of the section 6 information and documentation, including all applicable fees and forms, and, if required, any other information the CRI Society may request, are complete, legible, truthful and signed, will the CRI Society and the CRI Candidacy and Designations Committee review an Applicant’s Associate Examination Application and, if applicable, the Applicant’s CRI Candidate Application. Upon completion of the review, the CRI Society and the Committee will approve or decline in their sole and final discretion the submitted materials, or request additional information.

The CRI Society and AMP do not discriminate among Candidates based on age, gender, race, color, religion, national origin, disability or marital status.

6.4 Receiving a Confirmation Notice

If the Applicant’s Associate Examination Application and, if applicable, the CRI Candidate Application is/are approved by the CRI Society and by the CRI Candidacy and Designation Committee, in their sole discretion, then:

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- the Associate Examination Application is processed
- a notice (the “Confirmation Notice”) of eligibility is sent to the Candidate within approximately 30 days

If a Confirmation Notice is not received within 30 days, the Applicant should contact the CRI Society at 913.895.4619 or cris-info@goamp.com. A Confirmation Notice and acceptance of the Associate Examination Application is valid for twelve months. A Candidate who fails to take the Associate Examination within the twelve-month eligibility period forfeits the Associate Examination Application and all fees paid to take the Associate Examination. In that event, a completely new Associate Examination Application and additional Examination fee are required from an Applicant to reapply for the Associate Examination.

The Confirmation Notice contains a toll-free, telephone number and web site address for the Candidate to contact AMP to schedule an appointment for the Associate Examination. The Applicant should be prepared to confirm a date and location.

A Confirmation Notice is not a certification of competency or completion. No person shall misrepresent or overstate its significance as anything other than a confirmation that a Candidate may schedule a date to take an Examination.

7.0 Administering the Examination by AMP

The CRI Society with the assistance of AMP developed, administers, scores and analyzes the Associate and Charter Examinations.

7.1 Selecting an Examination Location

AMP Assessment Centers are typically located in H&R Block offices. Assessment Center locations, detailed maps and directions are available from www.goAMP.com. Specific address information will be provided by AMP when a Candidate schedules an Examination appointment.

7.2 Scheduling an Examination Appointment

Examinations are administered by appointment only Monday through Friday at 9:00 a.m. and 1:30 p.m. Persons are scheduled on a first-come, first-served basis. Refer to the chart below.

<p>If you contact AMP by 3:00 p.m. Central Time on...</p> <p>Monday Tuesday Wednesday Thursday Friday</p>	<p>Your examination may be scheduled as early as...</p> <p>Thursday Friday Monday Tuesday Wednesday</p>
---	---

When you contact AMP to schedule an appointment for the Examination, you will be notified of the time to report to the Assessment Center. Please retain the Confirmation Notice because you will NOT receive an admission ticket. You will only be allowed to take the Examination for which you received a Confirmation Notice; no changes can be made at the Assessment Center. **Unscheduled Candidates (“Walk-ins”) are not admitted into the Assessment Center.**

The Associate Examination will not be offered on the following holidays:

- Martin Luther King Day
- Presidents’ Day
- Good Friday
- Memorial Day
- Independence Day (July 4)
- Labor Day
- Columbus Day
- Veterans’ Day
- Thanksgiving (and the following Friday)
- Christmas Eve Day/Christmas Day
- New Year’s Eve Day/New Years Day

A Candidate may reschedule an appointment for the Examination at no charge once by calling AMP at (888) 519-9901 **at least 2 business days prior to the scheduled testing session.** {see table below}

If the Examination is scheduled on...	AMP must be contacted by 3:00 p.m. Central Time to reschedule the Examination by the previous...
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday
Thursday	Monday
Friday	Tuesday

A Candidate who wishes to reschedule the Examination but fails to contact AMP at least two business days prior to the scheduled testing session, appears more than 15 minutes late for the Examination and cannot be seated, or fails to report for the Examination appointment forfeits the Application and all fees paid to take the Examination. A complete Application and Re-Examination Fee are required from the Candidate to reapply for the Examination.

7.3 Arranging for Telecommunication Devices for the Deaf

AMP is equipped with Telecommunication Devices for the Deaf (TDD) to assist deaf and hearing-impaired Candidates. TDD calling is available 8:30 a.m. to 5:00 p.m. (CST) Monday-Friday at 913.895.4637. This TDD phone

option is for persons equipped with compatible TDD machinery.

7.4 Arranging for Reasonable Accommodations for a Candidate with a Disability

AMP complies with the Americans with Disabilities Act and strives to ensure that no person with a disability is deprived of the opportunity to take the Examination solely because of that disability. AMP will provide reasonable accommodations for Candidates with disabilities. Wheelchair access is available at all established Assessment Centers. Candidates with visual, sensory or physical disabilities that would prevent them from taking the Examination under standard conditions may request special accommodations and arrangements.

To request special accommodations, complete the request for special Examination accommodations form that can be obtained from www.crisociety.org and submit it with your application and fee to the CRI Society at least 45 business days prior to your desired testing date. Please inform AMP of your need for special accommodations when scheduling your Examination.

8.0 ON THE DAY OF THE EXAMINATION

On the day of the testing appointment, report to the Assessment Center no later than your scheduled testing time. Once you enter the center, look for the signs indicating AMP Assessment Center Check-In. **A Candidate who arrives more than 15 minutes after the scheduled testing time will not be admitted.**

To gain admission to the Assessment Center, a Candidate must present two forms of identification, one with a current photograph. Both forms of identification must be current and include the Candidate's current name and signature. The Candidate also will be required to sign a roster for verification of identity.

Acceptable forms of photo identification include: a current driver's license with photograph, a current state identification card with photograph, a current passport, or a current military identification card with photograph. Employment ID cards, student ID cards and any type of temporary identification are not acceptable as the primary form of identification. Candidates are prohibited from misrepresenting their identities or falsifying information to obtain admission to the Assessment Center. **You must have proper identification to gain admission to the Assessment Center.**

Calculations may be required on some Examination Items. Only the use of Hewlett-Packard's HP 10bII, HP

12c, HP 17bII and HP 19bII and Texas Instruments' TIBA II, and BA II Plus™. Professional calculators, along with silent, nonprogrammable, solar-powered models without paper-tape printing capability (collectively, a "Permitted Calculator"), are permitted during testing. Calculators will be checked for conformance with this regulation before Candidates are allowed admission to the Assessment Center. Use of a computer is not permitted.

Calculators that do not conform to the specifications outlined above are not permitted in the Assessment Center.

After your identification has been confirmed and your calculator has been checked, you will be directed to a testing carrel. You will be instructed on-screen to enter your Examination registration number. Your photograph will be taken and it will remain onscreen throughout your testing session. This photograph will also be printed on your score report.

8.1 Obeying the Examination Rules

1. No personal belongings (other than Permitted Calculators and those belongings required for medical or personal needs), books, papers, dictionaries or other reference materials may be taken into the Assessment Center. Only a Permitted Calculator {see 8.0, above} may be used during testing. Calculator malfunctions during an Examination do not constitute grounds for challenging Examination scores or requesting additional testing time.
2. No cell phone (or any other communication device), camera (or any other imaging processing device) or mechanical or electronic device, except for Permitted Calculators {see section 8.0, above}, are allowed in the Assessment Center. Excluded devices include but are not limited to telephones, signaling devices (e.g., pagers and alarms), scanners and recorders.
3. No broadcasting, copying, communication, distribution, photographing, recording or transferring of the Examination is permitted. The Examination is the exclusive and confidential property of the CRI Society.
4. No eating, drinking or smoking is permitted in the Assessment Center.
5. No documents, memoranda or notes of any kind are to be taken from the Assessment Center.
6. No questions concerning the content of the Examination may be asked during the Examination. Read all on-screen instructions very carefully.

7. The Assessment Center supervisor's permission is required for a Candidate to leave the room during the Examination. You will not be allowed additional time to make up for time lost.
8. A Candidate may be dismissed from the Examination for misconduct.

Specific examples of misconduct follow:

- The Candidate's admission to the Examination is unauthorized.
- The Candidate creates a disturbance or is abusive or otherwise uncooperative.
- The Candidate uses outside notes, references, unauthorized aids, or an unauthorized calculator or device.
- The Candidate communicates any Examination information to any vendor or other outside entity or person.

Violation of any of the above provisions will result in dismissal from the testing session. The Candidate's score on the Examination will be voided and the Examination fees will be retained by the CRI Society. Evidence of misconduct is reviewed by the CRI Candidate and Designations Committee of the CRI Society to determine whether the Candidate will be allowed to reapply for Examination. If re-examination is granted by the CRI Society, a complete Application and new Re-Examination Fee are required from the Applicant to reapply.

8.2 Security for the Examination

The CRI Society and AMP maintain Examination administration and Examination security standards that are designed to assure that all Candidates are provided the same opportunity to demonstrate their abilities. The Assessment Center is continuously monitored by audio and video surveillance equipment for Examination security purposes.

The Examination is the exclusive and confidential property of the CRI Society and cannot be broadcast, copied, communicated, distributed, photographed, recorded or transferred, in whole or in part, by any Applicant, Candidate, CRI Charter holder, CRI Associate, member of the CRI Society, vendor or any outside entity.

8.3 Optional Sample Questions

Before attempting the Examination, you will be given the opportunity to practice taking and answering option questions on the computer. The time you use on any sample question is not counted as part of your Examination time. When you are comfortable with the

computer testing process, you may quit this practice session and begin the timed Examination.

8.4 Timed Examination

Following the practice session, you will begin the actual Examination. Before beginning, instructions for taking the Examination are provided on-screen. The Examination contains 225 Examination items. Four hours are allotted to complete the Examination. The following is an explanation of what the computer screen will look like when Candidates are attempting the Examination.

The computer monitors the time you spend on the Examination. The Examination will terminate if you exceed the time limit. You may click on the "Time" button in the lower right portion of the screen or select the "TIME" key to monitor your time. A digital clock indicates the time remaining for you to complete the Examination. The time feature may also be turned off during the Examination.

Only one Examination Item is presented at a time. The Item number appears in the lower right portion of the screen. The entire Examination Item appears on-screen (i.e., stem and four options labeled – A, B, C and D). Indicate your choice by either entering the letter of the option you think is correct (A, B, C or D) or clicking on the option using the mouse. To change your answer, enter a different option by pressing the A, B, C or D key or by clicking on the option using the mouse. You may change your answer as many times as you wish during the testing time limit.

To move to the next Item, click on the forward arrow (>) in the lower right portion of the screen or select the "NEXT" key. This action will move you forward through the Examination Item by Item. If you wish to review any Item or Items, click the backward arrow (<) or use the left arrow key to move backward through the Examination.

An Examination Item may be left unanswered for return later in the testing session. Items may also be bookmarked for later review by clicking in the blank square to the right of the Time button. Click on the hand icon or select the "NEXT" key to advance to the next unanswered or bookmarked Item on the Examination. To identify all unanswered and bookmarked Items, repeatedly click on the hand icon or press the "NEXT" key. When the Examination is completed, the number of Examination Items answered is reported. If not all Items have been answered and there is time remaining, return to the Examination and answer those Items. Be sure to answer each Examination Item before ending the Examination.

All Items on the Examination are worth one point each. Correct responses will be awarded one point. There is no deduction for wrong answers. Thus, there is no penalty for guessing.

Online comments may be provided for any Item by clicking on the button displaying an exclamation point (!) to the left of the Time button. This opens a dialogue box where comments may be entered. Comments will be reviewed, but individual responses will not be provided.

8.5 Inclement Weather or Emergency

In the event of inclement weather or unforeseen emergencies on the day of an Examination, the CRI Society and AMP will determine whether circumstances warrant the cancellation, and subsequent rescheduling, of an Examination. The Examination will usually not be rescheduled if the Assessment Center personnel are able to open the Assessment Center.

Candidates may visit AMP's website at www.goamp.com prior to the Examination to determine if AMP has been advised that any Assessment Centers are closed. Every attempt is made to administer Examinations as scheduled; however, should an Examination be canceled at an Assessment Center, all scheduled Candidates will receive notification following the Examination regarding a rescheduled Examination date or reapplication procedures.

In the event of a personal emergency on the day of Examination, a Candidate may request consideration of rescheduling the Examination without additional fee by contacting the CRI Society in writing within 30 days of the scheduled testing session. A description of the emergency and supporting documentation are required. Rescheduling without additional fee will be considered on a case-by-case basis.

9.0 Reporting the Examination Results as "PASS" or "FAIL"

After finishing the Examination, the Candidate is asked to complete a short evaluation of the testing experience. The Candidate is then instructed to report to the Assessment Center's testing supervisor to receive an Examination Score Report and be advised whether or not it is a passing score.

Examination scores are recorded in two forms (as "Raw Scores" and as "Scaled Scores"). A Raw Score is the number of correctly answered Items. A Scaled Score is derived statistically from the Raw Score, ranges between 0 and 99, and determines whether the Candidate passed or failed the Examination.

The minimum Scaled Score to pass the Examination has been set by the CRI Society. The CRI Society uses Scaled Scores because different forms (or versions) of the Examination may vary slightly in difficulty. As new forms of the examination are introduced, some Items in each content area are replaced. These changes may cause one form of the Examination to be slightly easier or more difficult than another form. To adjust for these differences, a procedure (called "Equating") is used. The goal of Equating is to ensure fairness to all Candidates.

In the Equating process, the minimum Raw Score, or number of correctly answered questions, required to equal the passing Scaled Score is adjusted statistically (or "Equated"). For examinationple, if the newest Examination form is determined to be more difficult than the previous form, then the minimum Raw Score required to pass will be slightly lower than the original, passing Raw Score. If the newest Examination form is easier than the previous form, then the minimum Raw Score will be higher. Equating helps to ensure that the passing Scaled Score represents the same level of competence no matter which form of the Examination a Candidate has taken.

In addition to the Candidate's total Scaled Score and the minimum passing Scaled Score, the Raw Scores are reported for each major category of the Examination's Detailed Content Outline. The number of Items answered correctly in each major category is compared with the total number of Items in that category on the Score Report (e.g., 30/40). Content category information is provided to assist Candidates to identify areas of relative strength and weakness. However, passing or failing the Examination is based only on a Candidate's total Scaled Score.

9.1 If You Pass the Associate Examination

If a Candidate passes the Associate Examination, a certificate will be mailed to the candidate approximately 4 weeks after the examination. The Candidate is eligible to apply for the Charter Examination.

To apply for the CRI Charter Examination, a person (an "Applicant for the Charter Examination") must:

- be a CRI Candidate in good standing
 - pass the Associate Examination no more than two years prior to passing the Charter Examination
 - pay all the required fees
- and
- complete and submit the following forms from Appendix H of the Charter *Guide* :
 1. CRI® Charter Examination Application
 2. Chartered Realty Investor® Applicant Disclosure Update

3. Request for Special Examination Accommodations and Documentation of Disability-Related Needs, if you have a disability covered by the Americans with Disabilities Act

9.1.1 Earning the CRI Associate Designation

Passing the CRI Associate Examination does not automatically mean that a Candidate is a Member of the CRI Society or a CRI Associate. Only if a Candidate:

- satisfactorily registers for and passes the CRI Associate Examination
- submits a satisfactory CRI Associate application to the CRI Society detailing a minimum of two (2) years of qualified work experience and academic requirements as detailed below
- is certified by the CRI Society to have evidenced the competency and ethical professional conduct required by a fiduciary participant in the global, real estate, investment, portfolio decision-making and implementation processes
- is awarded by the CRI Society a limited, revocable right to hold the CRI Associate designation
- continually satisfies all of the other requirements to continue to hold the CRI Associate designation, as discussed in section 9.1.3 below (including but not limited to an annual Disclosure Statement and periodic continuing education requirement and, if required by the CRI Society in the future, any recertification requirement)

can a Candidate use the title “Chartered Realty Investor[®] Charter holder” and “CRI[®] Charter holder”.

See section 10.1, below, for the discussion on using the CRI Society titles correctly.

A CRI Candidate must satisfy the two following requirements regarding work experience and the academic qualifications to be awarded the CRI Associate Designation:

1. Possess two years of “Qualified Real Estate Experience” by professionally analyzing, financing, managing, marketing, offering, planning, providing, rating, regulating, researching, studying, supporting, teaching or using any capability to service or to work in areas related to real estate on a full-time basis, excluding any summer, part-time or unpaid internship work. Qualified Experience includes but is not limited to:
 - a real estate professional working in the area of (1) investment, (2) management or leasing, (3) finance or mortgage lending, (4) construction or development, (5) realty sales or brokerage, (6) urban planning or economics, or (7) securities analysis, brokerage or investment banking

or

- a real estate professional who provides a service to real estate investors, managers, or lenders, including without limitation accountants, analysts, appraisers, architects, due diligence providers (including environmental consultants), engineers, fiduciaries, government regulators, investment bankers, lawyers, mortgage bankers/brokers/correspondents/underwriters, mortgage insurers, mortgage loan servicers, portfolio managers, property managers, rating agency employees, regulators, software and analytic support providers, surveyors, title insurers, professional and trade association employees, trustees, and urban planners

or

- a teacher, analyst or student at an educational institution or research organization who is teaching, conducting research and analysis, or studying real estate (1) investment, (2) management or leasing, (3) finance or mortgage lending, (4) construction or development, (5) sales or brokerage or (6) urban planning or economics

The information in this section collectively constitutes the “Qualified Real Estate Experience Requirement” and defines a “Qualified Real Estate Professional.” The Applicant will satisfy this requirement by submitting to the CRI Society:

- names and addresses of the Applicant’s employers and supervisors
- dates of Applicant’s employment
- a written description of the Applicant’s work experience, duties, non-academic degree education and professional training
- written authorization and instruction to each named employer to provide directly to the CRI Society a written verification of the Applicant’s employment
- written verification regarding the Applicant’s professional experience from each of the Applicant’s named employers
- complete resume detailing the Applicant’s experience, education and training

and

2. Satisfy either the:

- “**Academic Requirement**” by holding a bachelor’s degree from a U.S. accredited college or university, or an equivalent non-US degree and by submitting to the CRI Society either a:
 - (1) transcript or other official document from the college or university that awarded the Applicant the qualifying bachelor’s degree

and

(2) written authorization that enables the CRI Society to verify the transcript or other documentation

or

- “**Academic Waiver Requirement**” by possessing six years (which includes the three years required in this above) of:

(1) qualified real estate experience and by submitting to the CRI Society the supporting information and documentation listed in this section, above

or

(2) a combination of college or university credits and of Qualified Real Estate Experience that is satisfactory to the CRI Society in its sole discretion, and by applying to the CRI Society’s Candidacy and Designations Committee for a waiver of the Academic Requirement. The waiver request must include the supporting information and documentation as listed in this section, above

- prompt delivery to the CRI Society of a current Disclosure Statement if (i) there is any change to any answer or address information in the Conduct Agreement and (ii) an annual Disclosure Statement has not been filed previously by the Charter holder or CRI Associate
- prompt delivery to the CRI Society of an updated Disclosure Statement if there is any change to any answer or address information in the last filed Disclosure Statement
- periodic satisfaction of a continuing education requirement (which program is under development by the CRI Society) consisting of an applied academically rigorous curriculum that evidences contemporary mastery of a service professional’s fiduciary participation in the global, real estate, investment decision making and implementation activities of the portfolio management process
- recertification (which program is not currently under development by the CRI Society) if required by the CRI Society. The CRI Society reserves the right to develop and institute a recertification program in its sole discretion.

9.1.2 Recognizing a Candidate that Passes

The CRI Society reserves the right to recognize publicly any Candidate who has successfully passed the examinations, satisfied all the other requirements to hold a CRI Associate or Charter and been awarded the certification designation by the CRI Society. This recognition will seek to avoid embarrassing any Candidate who is unsuccessful in their attempt to achieve certification.

9.1.3 Continuing Requirements to Hold the CRI Charter or CRI Associate designation

The CRI Society awards a limited, revocable right to hold the CRI Charter or CRI Associate designation to a person who has satisfied and continually complies with all the requirements of the certification. The continuing requirements to hold the CRI Charter or CRI Associate designation apply to every CRI Charter holder and CRI Associate and include:

- compliance with the definition of a CRI Charter holder and CRI Associate designation not only at the time of initial certification but throughout a Charter holder’s or CRI Associate’s professional career
- prompt payment of all CRI Society dues, fees, and expenses
- annual, or more frequently as an individual’s circumstances require, certification of ethical professional conduct by promptly completing, executing and submitting a satisfactory Disclosure Statement, which is displayed in Appendix H of the Charter *Guide*

A CRI Charter holder has not permanently earned the CRI Charter and does not own any rights in the CRI Charter. A CRI Associate has not permanently earned the CRI Associate designation and does not own any rights in the CRI Associate designation.

9.2 If You Do Not Pass the Associate Examination

If a Candidate does not pass the Associate Examination, after a thirty (30) day delay, then the Candidate may repeat the Examination by submitting a new Application form and the appropriate fee to the CRI Society.

9.3 Scores Canceled by the CRI Society or AMP

The CRI Society and AMP are responsible for the integrity of the scores they report. On occasion, occurrences, such as computer malfunction or misconduct by a Candidate, may cause a score or scores to be suspect. The CRI Society and AMP are committed to rectifying such discrepancies as expeditiously as possible.

The CRI Society can void any Examination results if, upon investigation, any violation of its regulations or standards of ethical conduct is discovered.

9.4 Appeals

A Candidate who believes he/she was unjustly denied eligibility for Examination, challenges results of an Examination or believes he/she was unjustly denied renewal of certification may request reconsideration of the decision by submitting a written appeal to the CRI

Candidate and Designations Committee. The Candidate for certification or renewal of certification must provide satisfactory, convincing evidence that a severe disadvantage was afforded the Candidate during processing of an application for Examination or renewal of certification or before or during administration of an Examination. The appeal must be made within 45 days of receipt of a Score Report or any other official correspondence related to certification or renewal of certification from the CRI Society. The written appeal must also indicate the specific relief requested. The appealing Candidate is required to submit a \$100 fee with the written appeal. The fee will be refunded to the Candidate if deemed justified through action of the CRI Candidate and Designations Committee in its sole discretion.

9.5 Duplicate Score Report

Candidates may purchase additional copies of their Score Reports at a cost of \$25 per copy. Requests must be submitted to AMP, in writing, within 12 months after the Examination. The request must include the Candidate's name, Examination Candidate Number, mailing address, telephone number, date of Examination and Examination taken. This information is submitted with a check or money order made payable to AMP for this amount with your request. Duplicate score reports will be mailed within approximately two weeks after receipt of the request.

9.6 Confidentiality

An Applicant's or Candidate's, as applicable, Examination registration data and a Candidate's certification renewal information and Examination results are confidential; however, the CRI Society reserves the right to use information supplied by or on behalf of an Applicant or Candidate in the conduct of research. Studies and reports concerning Candidates will contain no information identifiable with any Candidate, unless authorized by the Candidate.

9.6.1 Licensing the CRI Candidate Mailing List to a Review Course Vendor

After receiving a Candidate's prior written authorization, the CRI Society can report the Candidate's name, designated mailing address, e-mail address and next required Examination or CRI Society test to any vendor of a review or preparation course for an Examination and any other CRI Society test that satisfies the CRI Society's requirements for licensing and using the CRI Society's mailing list and trademarks. {see section 10.2, below}

The *Guide* cites and/or contains copyright readings and protected proprietary materials of the volunteer contributors.

The CRI Society does not accredit, certify, endorse, promote, require or warrant the accuracy, completeness or truthfulness of any product or service offered by any vendor and does not verify, or endorse, any pass rate claimed by any vendor. The CRI Society is not responsible for the accreditation of any educational or training program or course of study leading to the award of the limited, revocable right to hold the CRI Charter.

10.0 CRI SOCIETY TRADEMARKS

The CRI Society reserves all rights, including common law and statutory rights of trademarks, certification marks, trade secrets and copyrights to its marks. Its registered marks are Chartered Realty Investor®, CRI® and the CRI Society logo (collectively, the "Marks"). The superscript version of the trademark registration symbol (®) must appear after the first use and after each prominent use (i.e., when a Licensed Mark is displayed in a larger font or used as a section heading). The CRI and Chartered Realty Investor Marks are used without the trademark registration symbol only when they follow the name of an active CRI® Charter holder, as in the titles: "A. Smith, CRI", or "A. Smith, Chartered Realty Investor". Contact the CRI Society for complete information on the Marks.

A CRI Charter holder has not permanently earned a CRI Charter and does not own any rights in a CRI Charter.

10.1 Using the CRI Society Titles Correctly

"CRI®", "**CRI® Associate**", "**Chartered Realty Investor® Associate**" and "Chartered Realty Investor®" are capital sensitive, proper adjectives that only modify a proper noun (e.g., a CRI® Charter holder; the CRI® Charter; **a CRI® Associate**; **a CRI® Associate designee**, a CRI® Exam; the CRI® Society; a Chartered Realty Investor® Charter holder; **a Chartered Realty Investor® Associate designee**; the Chartered Realty Investor® Charter).

It is correct to say:

- B. Smith, CRI, is an equity real estate investor.
- B. Smith, Chartered Realty Investor, is a mortgage banker.
- **A. Smith, CRI Associate, is an analyst at XYZ Institution.**
- C. Smith is a holder of the right to use the CRI Charter. {note: C. Smith is an active Charter holder}
- **A. Smith is a holder of the right to use the CRI Associate designation {note: C. Smith is an active CRI Associate designee}**
- C. Smith is a holder of the limited, revocable right to use the Chartered Realty Investor

Charter holder designation. {note: C. Smith is an active Charter holder}

- CRI® and Chartered Realty Investor® are registered trademarks of the CRI Society.
- All of the executive officers hold the CRI® Charter **or are CRI® Associate designees.**

It is wrong to say:

- The person is a Chartered Realty Investor®.
- The promoted employee is a CRI®.
- D. Smith, cri® **associate** is the new manager.
- D. Smith, chartered realty investor®, was hired.
- **A. Smith, CRI® associate was promoted.**

It is also incorrect and unethical for a CRI Associate to state they are a CRI Charter holder or use CRI® without the word Associate following CRI®.

Acceptable for a CRI Associate:

- **D. Smith, CRI Associate**
- **D. Smith, Chartered Realty Investor Associate**

Not Acceptable for a CRI Associate:

- **D. Smith, CRI**
- **D. Smith, CRI-A**
- **D. Smith, Chartered Realty Investor**
- **D. Smith, Chartered Realty Investor-A**

It is also wrong to say, “I/He/She earned a CRI Charter”, because a CRI Charter holder has not earned a CRI Charter and does not own any rights in a CRI Charter. Upon termination of a Charter, the former Charter holder must disclose fully, if he/she makes any reference to the award of the Charter, that his/her Charter was terminated by the CRI Society. “CRI®” and “Chartered Realty Investor®” are used only in the singular and shall not be used in the plural, as a possessive or in a Charter holder’s company domain name.

For example, it is wrong to say:

- The firm has two Chartered Realty Investors®.
- **The firm has two Chartered Realty Investor® Associates.**
- They are CRIs®.
- We use a CRI’s® approach to investing.
- E. Smith, Inc., Chartered Realty Investor®.
- E. Smith, Ltd., CRI®.

10.2 Licensing the Trademarks to a Review Course Vendor

The CRI Society may grant to a satisfactory review course vendor (the “Licensee”) only a limited, personal, non-transferable, non-exclusive license (the “License”) to use only the CRI Society’s trademarks solely for the purpose of identifying the Licensee’s CRI Examination review course materials.

The *Guide* cites and/or contains copyright readings and protected proprietary materials of the volunteer contributors.

The CRI Society is not responsible for the accreditation of any educational or training program or course of study leading to the award of the limited, revocable right to hold the CRI Charter and does not:

- **accredit, certify, endorse, promote, require or warrant the accuracy, completeness or truthfulness of any product or service offered by any vendor**
- **accredit, certify, endorse, promote, warrant or verify any pass rate claimed by any vendor, or**
- **deliver or communicate any Examination information to any vendor or other outside entity, except for the same information it provides to a Candidate.**

APPENDIX A

CRI Associate Examination Content References

The information and other material contained, cited or referenced in this Appendix do not constitute any investment, legal or tax advice. They are solely for the purpose of understanding the Tasks covered by the Examination and are not comprehensive. In all events, one should seek independent, qualified counsel. The citations, links and pointers that connect with web sites and other sources are provided by the CRI Society as a courtesy. The CRI Society assumes no responsibility or liability for such other sites' content, accuracy, or compliance with applicable laws.

Appendix A consists of the twenty-seven Sections covered by the CRI Associate Examination {see section 5.0, above}. Collectively, these Parts serve as an index to assist the Candidate in identifying Tasks that may be unfamiliar. Each Part will identify: a) the weighting of Examination Items for each Sub-Content Section, b) the required Recall, Application or Analysis cognitive levels of understanding, c) the required Tasks and d) a corresponding list of related readings, or Content References, that explain the nature of each Task.

SUMMARY OF APPENDIX A, CONTENT SECTIONS 1 – 27

Content Section	Percentage of Exam Content	Number of Items at Each Level of Cognitive Complexity			Total Number of Tasks covered by Exam
		Recall Items	Application Items	Analysis Items	
1	2.0%	2	2	0	6
2	11.0%	5	10	7	57
3	2.0%	1	2	1	2
4	4.0%	2	3	3	4
5	4.0%	3	5	0	20
6	1.0%	2	0	0	3
7	6.0%	4	7	1	33
8	1.5%	2	1	0	3
9	2.0%	2	2	0	6
10	7.0%	12	2	0	10
11	5.0%	4	6	0	2
12	5.0%	2	4	4	7
13	4.5%	2	3	4	6
14	4.5%	2	3	4	5
15	1.5%	1	1	1	2
16	1.5%	1	1	1	5
17	1.0%	2	0	0	2
18	2.5%	1	3	1	3
19	6.0%	2	4	6	14
20	3.0%	1	3	2	7
21	4.0%	1	5	2	9
22	3.0%	1	3	2	7
23	2.5%	1	3	1	14
24	3.0%	3	2	1	10
25	2.0%	1	1	2	6
26	6.0%	4	4	4	20
27	4.5%	3	3	3	14
Total Items:		67	83	50	277
Total Number of Scored Items in Exam: 200					

Appendix A, Content Section 1:

**Real Estate Acquisition, Ownership and Disposition,
Property Issues**

2% of the content area of the Examination

Recall Items	2
Application Items	2
Analysis Items	0

Tasks include:

1. Explain and contrast classifications of possessory (ownership) interests in real estate (e.g., fee simple, fee simple conditional, estates for years, life estates, leasehold estates, easements, licenses).
2. Discuss and contrast estates of a tenant (e.g., joint tenancy, tenancy in common, tenancy by the entirety, tenancy for years or at will).
3. Explain provisions commonly found in contracts to purchase or sell real estate (e.g., parties, property description, title exceptions, payment terms, closing, prorations, title, warranties, brokers, insurance, default and remedies, termination and notices, time of the essence, governing law).
4. Explain and contrast instruments used for the acquisition and disposition of interests in real estate (e.g., general warranty deed, special warranty deed, quitclaim deed, trustee's deed, easement, lease, ground lease, license, mortgage, deed of trust).
5. Discuss and contrast legal attributes, governance and tax structures of business entities that can be used for the ownership, operation, development, management and disposition of real estate (e.g., sole proprietor or individual, corporation, subchapter S corporation; general, limited, and limited liability partnerships; limited liability company, grantor trust, business trust; revocable and irrevocable trusts).
6. Identify critical elements in a review of engineering and due diligence reports, regulatory approvals, and plans/specifications during real estate construction and development.

Content References:

total pages: **53**

* previously cited: **0**

total new pages: **53**

1. "Bundle of Rights", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 68 (Appraisal Institute, 2001, ISBN 0922154-67-8)
2. "Concurrent Ownership of Real Property", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 71-72 (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Legal Entity Ownership of Real Property", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 72-79 (Appraisal Institute, 2001, ISBN 0922154-67-8)
3. "Sources of Specific Data", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 149-151 (Appraisal Institute, 2001, ISBN 0922154-67-8)
4. "Subleasehold or Sandwich Interest", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 84 (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Deed", "Deed of Trust", "Easement", "General Warranty Deed", "Ground Lease", "Lease", "Mortgage", "Quitclaim Deed", and "Special Warranty Deed", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, pp. 75, 76, 90, 125, 132, 161, 186, 228, 272 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
5. "Real Property Ownership and Interests", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 67-90 (Appraisal Institute, 2001, ISBN 0922154-67-8)
6. "Third Party Reports", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 20-23 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
"Comprehensive Closing Check List", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, p. 91 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
"Construction Loans", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, p. 91, (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)

End of Appendix A, Content Section 1

Appendix A, Content Section 2:

Property Types, Property Issues

11% of the content area of the Examination

Recall Items	5
Application Items	10
Analysis Items	7

Tasks include:

1. Commercial office and industrial buildings
 - a. classify buildings
 - i. describe characteristics associated with building classifications
 1. high-rise, mid-rise, low-rise,
 2. central business district, suburban and
 3. Building and Owners Association (BOMA) - A, B, C
 - ii. explain the quality, rating location, visibility, access, demand, age, and construction quality when classifying buildings
 - b. explain
 - i. principles of and differences between industrial land and office building land,
 - ii. the impact that technology and innovation have on industrial building design and usage,
 - iii. differences between office buildings and industrial buildings relative to zoning, services, utilities, parking, and transportation networks and
 - iv. common area load factors related to office buildings.
 - c. quantify income
 - i. identify the total leasable area within a building,
 - ii. calculate the annual rental rate per square foot,
 - iii. assess the desirability of a building while considering available parking, building finishes and amenities, quality of systems, and location,
 - iv. compare total rents per square foot to the desirability of a building and rents it could earn,
 - v. identify sources of operating cost pass-throughs for a building,
 - vi. examinationine leases to find
 1. escalation provisions for operating cost pass-throughs and
 2. structuring of expense stops.
 - vii. identify other income sources including utility reimbursements, building services, ancillary income and common area maintenance,
 - viii. estimate
 1. total gross potential income (PGI) while considering vacancy losses, rent abatements, and bad debt and
 2. effective gross income (EGI) considering total gross potential and other income sources.
 - ix. identify expense sources
 1. summarize all sources of cost in support of the operation of a building (e.g., custodial, maintenance, commissions, management fees, utilities, taxes, insurance, building reserves),
 2. calculate operating expenses per square foot,
 3. use available resources to compare operating expenses to comparable buildings,
 4. calculate Net Operating Income (NOI) for a building,
 5. identify items below the NOI line (e.g., depreciation, amortization, interest),
 6. interpret the NOI/EGI fraction for a building and
 7. compare the NOI/EGI fraction between buildings.
2. Retail buildings
 - a. classify buildings
 - i. describe characteristics associated with the building classification
 1. regional shopping centers,
 2. community and power centers and
 3. neighborhood shopping centers.
 - ii. explain what "Big Box" means as it relates to shopping centers,
 - iii. analyze the effect of space configuration and tenant mix on rental rates and occupancy and

- iv. consider location, demand, age, and construction quality when classifying buildings.
 - b. identify revenues
 - i. distinguish between net and gross leases, *(Appendix A, Content Section 2, continued)*
 - ii. relate retail sales to percentage rent,
 - iii. define kick-out contract provisions and anticipate its effect on revenue,
 - iv. identify typical anchor tenants, and their lease terms, who may occupy retail buildings,
 - v. describe the intended effect of anchor tenants on other tenants in a building,
 - vi. evaluate other income sources (e.g., common area maintenance - CAM) and
 - vii. identify CAM reimbursement calculations in a retail center's leases.
 - c. summarize operating costs
 - i. determine total tenant occupancy costs,
 - ii. calculate NOI for a retail center and
 - iii. identify items below the NOI line
3. Multifamily buildings (e.g., apartments, elder independent and assisted living, congregate care)
- a. classify buildings
 - i. describe characteristics associated with the building classification
 - 1. high-rise, mid-rise, low-rise,
 - 2. central business district, suburban,
 - 3. Building and Owners Association (BOMA) - A, B, C and
 - 4. market mix, young professionals, student, elderly
 - ii. relate density to the classification of a building and
 - iii. consider the impact of location, demand, visibility, access, age, and construction quality when classifying buildings.
 - b. review income sources
 - i. quantify rents and ancillary income including laundry, parking, cable access, and vending,
 - ii. relate building construction, features, location, and market perception to market rents earned by units,
 - iii. describe the impact of rent free units occupied by management/maintenance staff when calculating EGI for a property,
 - iv. calculate the effect of concessions and move-in specials on effective rent and economic occupancy,
 - v. interpret applicable regulations of security deposits by governmental agencies and
 - vi. compare and adjust rents/unit between competitive properties.
 - c. summarize expenses
 - i. identify all sources of expense in support of the operation of a property (e.g., maintenance, management fees, utilities, taxes, insurance, and building reserve),
 - ii. compare typical management fees among properties,
 - iii. use an expense summary to calculate NOI for a property and
 - iv. calculate an appropriate level of replacement reserves.

Content References:

total pages: **186**

* previously cited: **0**

total new pages: **186**

- 1. "Characteristics of Real Estate Districts", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 181-219 (Appraisal Institute, 2001, ISBN 0922154-67-8)
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- 2. "Improvement Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 221-301 (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Actual Age and Effective Age", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 385 (Appraisal Institute, 2001, ISBN 0922154-67-8)
- 3. "Income and Expense Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 497-528 (Appraisal Institute, 2001, ISBN 0922154-67-8)

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“Lease Characteristics Affecting Value or Rent”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 807-808 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)

“Why Percentage Rent”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 819-820 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)

(Appendix A, Content Section 2, continued)

4. “Nuts and Bolts for Real Estate Valuation: Cash Flow Proformas and Discount Rates”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 240-267 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)

End of Appendix A, Content Section 2

Appendix A, Content Section 3:

Real Estate Taxation, Taxation and Accounting

2% of the content area of the Examination

Recall Items	1
Application Items	2
Analysis Items	1

Tasks include:

1. Analyze various ways real estate may be acquired and implications for an investor (e.g., fee simple ownership, leaseholds including implications of different ownership of land and building, mortgages including distinguishing mortgages from leases and fee simple ownership).
2. Explain alternative ways in which real estate can be disposed of (e.g., sales for cash and for deferred payments/installments, leases with options to purchase, like-kind exchanges, corporate organizations and reorganizations).

Content References:

total pages: **28**

* previously cited: **0**

total new pages: **28**

1. "Real Property Ownership and Interests", "Mortgage Interests", "Land or Site Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 67-90, 122, 192-193 (Appraisal Institute, 2001, ISBN 0922154-67-8)
2. * "Real Property Ownership and Interests", "Mortgage Interests", "Land or Site Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 67-90, 122, 192-193 (Appraisal Institute, 2001, ISBN 0922154-67-8)
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"Boot", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 33 (Appraisal Institute, 2002, ISBN 0-922154-72-4)

www.irs.gov/businesses/small/industries/article/0,,id=98491,00.html

End of Appendix A, Content Section 3

Appendix A, Content Section 4:

Real Estate Accounting, Taxation and Accounting

4% of the content area of the Examination.

Recall Items	2
Application Items	3
Analysis Items	3

Tasks include:

1. Calculate financial ratios and interpret these values.
2. Calculate the equity an owner has in a property based on the value of a property.
3. Interpret an NOI cash flow statement.
4. Identify cash available for distribution to owners from an NOI cash flow statement.

Content References: total pages: **91** * previously cited: **15** total new pages: **76**

1. "Derivation of R_o by Band of Investment – Mortgage and Equity", "Appendix C: Financial Formulas", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 534-548 (Appraisal Institute, 2001, ISBN 0922154-67-8)
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"Ratio Valuation Procedures: Direct Capitalization and GIM as Shortcuts", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 219-222 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
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"Debt/Equity Ratio", *Dictionary of Real Estate, The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 74 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
2. "Debt", "Equity", "Bond", and "Equity Interests", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 109, 118-119 (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Equity", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 98 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
- 3 "Income Capital Approach", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 484-485 (Appraisal Institute, 2001, ISBN 0922154-67-8)
* "Nuts and Bolts for Real Estate Valuation: Cash Flow Proformas and Discount Rates", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 240-254 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Section 2, Content Reference 4.
4. * "Income Capital Approach", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 484-485 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 3, above.
* "Nuts and Bolts for Real Estate Valuation: Cash Flow Proformas and Discount Rates", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 240-254 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Section 2, Content Reference 4.

End of Appendix A, Content Section 4

Appendix A, Content Section 5:

Real Estate, Law

4% of the content area of the Examination.

Recall Items	3
Application Items	5
Analysis Items	0

Tasks include:

1. Define
 - a. real estate,
 - b. personal property,
 - c. fixtures,
 - d. trade fixtures,
 - e. deed of trust,
 - f. non-money credit instruments including land contracts and
 - g. a purchase-money mortgage.
2. Explain real property issues related to
 - a. bundle of rights theory,
 - b. fee simple estate,
 - c. partial interest,
 - d. leased fee estate,
 - e. leasehold estate,
 - f. vertical interest,
 - g. easement,
 - h. specialized fractional ownership (e.g., condominium, cooperative, timeshare),
 - i. private limits on ownership (e.g., deed restriction, reservations, covenants, lease, mortgage, easement, lien, encroachment) and
 - j. public limits on ownership (e.g., police power, escheat, taxation, zoning, building codes, eminent domain).
3. Distinguish mortgage types based on
 - a. repayment methods (e.g., fixed rate, interest-only, graduated-payment, balloon, adjustable-rate) and
 - b. presence or absence of a performance guarantee or payment guarantee
4. Describe priorities for satisfaction among tax, first mortgage, junior lien obligations, and judgment liens in the event of a default.

Content References:

total pages: **34**

* previously cited: **0**

total new pages: **34**

1. "Real Estate, Real Property and Personal Property", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 7-9, 112 (Appraisal Institute, 2001, ISBN 0922154-67-8)
2. "Real Property Ownership and Interests", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 68-90, (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Mortgages", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 109-112, 431 (Appraisal Institute, 2001, ISBN 0922154-67-8)
3. * "Mortgages", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 109-112 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 2, above.
4. "Priority of Claims in Foreclosure", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 389-390 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
* "Mortgages", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 109-112, 431 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 2, above.

End of Appendix A, Content Section 5

Appendix A, Content Section 6:

Environmental, Law

1% of the content area of the Examination.

Recall Items	2
Application Items	0
Analysis Items	0

Tasks include:

1. Describe information that can be obtained from Phase I and Phase II environmental assessments.
2. Explain the nature and purpose of an environmental indemnity agreement.
3. Explain potential environmental risks in a real estate transaction.

Content References:

total pages: **83**

* previously cited: **0**

total new pages: **83**

1. "Environmental Site Assessments and Environmental Property Assessments", "Special Characteristics of Rural, Agricultural, or Resource Land", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 214-216 (Appraisal Institute, 2001, ISBN 0922154-67-8)
 2. "Environmental Due Diligence: A Guide for Mortgage Lenders in the 21st Century", Joseph Phillip Forte and Gary N. Levine (49 pages)
 3. "Land or Site Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 189-219 (Appraisal Institute, 2001, ISBN 0922154-67-8)
- "CERCLA: Section 9607, Liability", www.access.gpo.gov/uscode/title42/chapter103_subchapteri_.html

End of Appendix A, Content Section 6

Appendix A, Content Section 7:

Mortgages and Security Agreements, Law

6% of the content area of the Examination.

Recall Items	4
Application Items	7
Analysis Items	1

Tasks include:

1. Describe elements of a promissory note (e.g., legal requirements for a negotiable instrument; principal, interest and payment terms; default and acceleration; prepayment and defeasance; security; full recourse, limited recourse, and exculpation).
2. Distinguish types of real estate security instruments (e.g., mortgage, mortgage with a power of sale, deed of trust).
3. Describe elements of a mortgage or deed of trust
 - a. the debt and other obligations that are normally secured,
 - b. types of properties normally granted as security, including real estate, assignments of rents and leases, fixtures, and personal property,
 - c. covenants of the borrower relating to payment of the debt, insurance, taxes and insurance, condemnation, restoration after casualty or condemnation, use and maintenance, and compliance with laws,
 - d. borrower representations and warranties,
 - e. due on sale or encumbrance,
 - f. prepayment,
 - g. default,
 - h. rights and remedies of the lender and
 - i. exculpation.
4. Explain
 - a. the nature of coverage provided by different types of insurance policies (e.g., builder's risk; fire and extended coverage; public liability; flood and earthquake insurance; business interruption; workers' compensation) and
 - b. why a subrogation clause is important to a lender.
5. Describe underwriting requirements for a commercial mortgage loan secured by a mortgage or deed of trust covering a ground lease, including
 - a. authority to mortgage a leasehold interest,
 - b. the desired term of the lease,
 - c. exculpation of the mortgagee from leasehold obligations prior to foreclosure,
 - d. authority for the mortgagee to exercise any tenant options to renew or extend the lease,
 - e. insurance requirements for the protection of the mortgagee,
 - f. rights of a foreclosing mortgagee to assign the lease in the event of a foreclosure,
 - g. non-merger provisions,
 - h. requirements for notice of tenant defaults to the mortgagee and rights for the mortgagee to cure,
 - i. ground lessor's estoppel certificate and
 - j. prohibitions on a lease amendment or termination without the consent of the mortgagee.
6. Explain the nature and scope of security that is obtained through the use of an assignment of rents and leases.
7. Describe
 - a. how respective liens or security interests created by mortgages, deeds of trust, security agreements, and assignments of rents and leases are perfected,
 - b. the nature and scope of title insurance coverage and protection provided by a mortgagee's policy of title insurance and an insured closing letter and
 - c. types of matters that are revealed by a survey.
8. Explain the rationale for requirements of lenders for satisfactory evidence of use, zoning and building code requirements, including
 - a. municipal zoning letters,
 - b. certificates of occupancy and
 - c. required licenses, permits, and approvals.

(Appendix A, Content Section 7, continued)

9. Explain reasons
 - a. for requiring title insurance and searches for a UCC-1 financing statements, municipal departmental violations, and judgment liens,
 - b. why a lender typically requires tenant estoppel certificates and subordination, attornment, and non-disturbance agreements as a condition precedent to closing a mortgage loan and
 - c. for subrogation clauses.

Content References: total pages: **47** * previously cited: **8** total new pages: **39**

- 1-3. "Mortgage Basics I: An Introduction and Overview", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 383-394 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
 - * "Mortgages", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 109-112, 431 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 5, Content Reference 2.
4. "Subrogation", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 281 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
 - * "Real Estate, Real Property and Personal Property", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 7-9 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 5, Content Reference 1
5. "Ground Leases from the Ground Up", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 427-447 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
6. * "Mortgage Basics I: An Introduction and Overview", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 383-394 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Reference 1, above.
7. * "Mortgage Basics I: An Introduction and Overview", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 383-394 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Reference 1, above.

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8. "Legal Non-Conforming Uses", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 150-151 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)

"Simplified/Basic Closing Checklist", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 99-100 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
9. "Estoppel Certificate", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 102 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
 - * "Subrogation", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 281 (Appraisal Institute, 2002, ISBN 0-922154-72-4) See Content Reference 4, above.

End of Appendix A, Content Section 7

Appendix A, Content Section 8:

Creditor's Rights and Bankruptcies, Law

1.5% of the content area of the Examination.

Recall Items	2
Application Items	1
Analysis Items	0

Tasks include:

1. Define bankruptcy as related to disposition of real estate.
2. Explain basic rights of debtors and creditors under various bankruptcy laws.
3. Relate economic effects to various bankruptcy options.

Content References:

total pages: **18**

* previously cited: **0**

total new pages: **18**

1. "Default, Foreclosure and Bankruptcy", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 394-396 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Special Purpose Entity", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
- 2-3. "Lender Rights and Remedies", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 676-689 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)

End of Appendix A, Content Section 8

Appendix A, Content Section 9:

Business Entities, Law

2% of the content area of the Examination.

Recall Items	2
Application Items	2
Analysis Items	0

Tasks include:

1. Review distributions of gains, losses, and cash flow among partners.
2. Summarize effects a sale or refinancing would have on existing real estate agreements.
3. Distinguish forms of ownership including general partners, limited partners, profits interest partners, and capital interest partners.
4. Describe a general partner's fiduciary responsibilities in a partnership.
5. Compare liability for managing members of a limited liability company (LLC) to liability for general partners of a limited partnership.
6. Explain the impact of the nature of debt - recourse and non-recourse.

Content References:

total pages: **16**

* previously cited: **0**

total new pages: **16**

- 1-5. "Legal Entity Ownership of Real Property", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 72-85 (Appraisal Institute, 2001, ISBN 0922154-67-8)
6. "Recourse", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 237 (Appraisal Institute, 2002, ISBN 0-922154-72-4)

"Recourse Debt", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 237 (Appraisal Institute, 2002, ISBN 0-922154-72-4)

End of Appendix A, Content Section 9

Appendix A, Content Section 10:

**Real Estate Finance, Real Estate Analysis
and Evaluation**

7% of the content area of the Examination.

Recall Items	12
Application Items	2
Analysis Items	0

Tasks include:

1. List investors who participate in real estate through granting of mortgage loans.
2. Conventional loans
 - a. describe characteristics of conventional loan types available for commercial properties (e.g., purpose, term, repayment requirements)
 - i. construction and construction/permanent loans,
 - ii. balloon and self amortizing loans,
 - iii. bullet and bridge loans,
 - iv. mini-perm and rollover loans,
 - v. permanent loans and
 - vi. mezzanine loans,
 - b. identify characteristics (e.g., preleasing, low LTV) of a real estate development proposal that may encourage granting of a construction loan,
 - c. compare bullet and balloon loans relative to repayment of principal and interest and
 - d. describe types of prepayment provisions commonly found in conventional loans (e.g., lock-out, defeasance, yield maintenance, fixed or declining penalty).

Content References:

total pages: **33**

* previously cited: **0**

total new pages: **33**

1. "Debt", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 121-127 (Appraisal Institute, 2001, ISBN 0922154-67-8)
2. "Repayment Characteristics of Mortgages" *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 111 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Basic Legal Concepts and Terminology for Mortgages" (including footnotes), *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 387-394 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Mortgage Basics II: Payments, Yields and Values", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 405-419 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Defeasance", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
"Mezzanine Loans", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)

End of Appendix A, Content Section 10

Appendix A, Content Section 11:

Appraisal Techniques, Real Estate Analysis and Evaluation

5% of the content area of the Examination.

Recall Items	4
Application Items	6
Analysis Items	0

Tasks include:

1. Explain highest and best use.
2. Explain the three approaches to value (i.e., sales comparison, income capitalization, cost).

Content References:

total pages: **74**

* previously cited: **0**

total new pages: **74**

1. "Highest and Best Use Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 60-61 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Fundamentals of Highest and Best Use", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 305-307 (Appraisal Institute, 2001, ISBN 0922154-67-8)
2. "Balance", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 39-40 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Application of the Approaches to Value", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 62-65 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Land or Site Valuation", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 331-337 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"The Cost Approach", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 349-365 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Breakdown Method", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 395-396 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"The Sales Comparison Approach", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 417-428 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"The Income Capitalization Approach", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 471-495 (Appraisal Institute, 2001, ISBN 0922154-67-8)

End of Appendix A, Content Section 11

Appendix A, Content Section 12:

**Rent Measurements, Real Estate Analysis
and Evaluation**

5% of the content area of the Examination.

Recall Items	2
Application Items	4
Analysis Items	4

Tasks include:

1. Calculate and evaluate
 - a. annual rent per square foot for a commercial property,
 - b. monthly rent per unit for a multifamily property,
 - c. annual sales per square foot for a retail property,
 - d. net rentable area for a property and
 - e. an efficiency factor for a property.
2. Select a method for assessing occupancy based on square footage or income.
3. Assess and evaluate relationship of occupancy rates and rental rates on net operating income.

Content References:

total pages: **13**

* previously cited: **1**

total new pages: **12**

1. "Leases", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 476-484 (Appraisal Institute, 2001, ISBN 0922154-67-8)
1. "Size", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 226-227 (Appraisal Institute, 2001, ISBN 0922154-67-8)
 - * "Efficiency Ratio", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 93 (Appraisal Institute, 2002, ISBN 0-922154-72-4) See Content Section 2, Content Reference 1
2. "Vacancy and Collection Loss", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 512 (Appraisal Institute, 2001, ISBN 0922154-67-8)
3. * "Vacancy and Collection Loss", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 512 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 2, above.

End of Appendix A, Content Section 12

Appendix A, Content Section 13: Debt Coverage Ratio (DCR) and Leverage, Real Estate Analysis and Evaluation

4.5% of the content area of the Examination.

Recall Items	2
Application Items	3
Analysis Items	4

Tasks include:

1. Calculate and evaluate a DCR for a property.
2. Relate varying DCRs to probabilities of loan repayment.
3. Estimate the maximum loan amount for a property using NOI and DCR.
4. Relate DCR to a property owner's front-end leverage.
5. Calculate the effect of leverage on an owner's return on equity.
6. Calculate and evaluate the loan-to-value (LTV) ratio for a property.

Content References: total pages: **34** * previously cited: **0** total new pages: **34**

- 1-2. "Calculating Loan Payments and Balances" and "Applying the Rules to Design Loans", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 405-412 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)

"Commercial Mortgage Underwriting" and "Basic Property-Level Underwriting Criteria", "Variables and Loan Terms to Negotiate", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 448-461 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
- 3-4. "Debt Coverage Formula", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 538 (Appraisal Institute, 2001, ISBN 0922154-67-8)
5. "Positive and Negative Leverage", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 319-320 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
6. "Derivation of an Overall Capitalization Rate", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 530-537 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Loan-to-Value Ratio", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)

End of Appendix A, Content Section 13

Appendix A, Content Section 14:

**Capitalization (Cap) Rates and Multipliers,
Real Estate Analysis and Evaluation**

4.5% of the content area of the Examination.

Recall Items	2
Application Items	3
Analysis Items	4

Tasks include:

1. Relate
 - a. capitalization rates to a property value and
 - b. NOI and cap rate multiples.
2. Calculate
 - a. market value for a property using NOI and the Cap rate and
 - b. the NOI for a property from the market value and Cap rate.
3. Identify the Cap rate for a property from the required NOI and market value.

Content References: total pages: **27** * previously cited: **0** total new pages: **27**

1. "Direct Capitalization", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 529-548 (Appraisal Institute, 2001, ISBN 0922154-67-8)
 - * "Gross Income Multipliers", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 546-547 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 1, above.
2. "Procedure", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 493-499 (Appraisal Institute, 2001, ISBN 0922154-67-8)
 - * "Direct Capitalization", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 529-548 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 1, above.
3. * "Direct Capitalization", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 529-548 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 1, above.
 - * "Gross Income Multipliers", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 546-547 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 1, above.
 - * "Procedure", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 493-499 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Reference 2, above.

End of Appendix A, Content Section 14

Appendix A, Content Section 15:

Cash-on-Cash Yield, Real Estate Analysis and Evaluation

1.5% of the content area of the Examination.

Recall Items	1
Application Items	1
Analysis Items	1

Tasks include:

1. Calculate and interpret cash-on-cash yield values as a percent of return on investment.
 2. Explain use of cash-on-cash yield percents in the context of an investor who incrementally invests in a property.
-

Content References:

total pages: **10**

* previously cited: **8**

total new pages: **2**

1. * "Derivation of R_o by Band of Investment – Mortgage and Equity", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 534-537 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 14, Content Reference 1.

"The WACC and Return Components", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 318-319 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
2. * "Derivation of R_o by Band of Investment – Mortgage and Equity", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 534-537 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 14, Content Reference 1.

End of Appendix A, Content Section 15

Appendix A, Content Section 16:

Internal Rate of Return (IRR), Real Estate Analysis and Evaluation

1.5% of the content area of the Examination.

Recall Items	1
Application Items	1
Analysis Items	1

Tasks include:

1. Define net present value.
2. Relate IRR to assessments of property profitability.
3. Distinguish IRR from modified IRR (MIRR).
4. Apply MIRR as appropriate to property profitability assessments.
5. Use spreadsheet software to calculate IRR.

Content References:

total pages: **17**

* previously cited: **0**

total new pages: **17**

1. "Capital Budgeting and the Net Present Value Investment Decision Rule", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 226-230 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)

"Net Present Value", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 195 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
2. "Time Weighted Average Return", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 198-202 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
- 3-5. "Net Present Value and the Internal Rate of Return", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 575-580 (Appraisal Institute, 2001, ISBN 0922154-67-8)

End of Appendix A, Content Section 16

Appendix A, Content Section 17:

Modified and Effective Duration and Convexity, Real Estate Analysis and Evaluation

1% of the content area of the Examination.

Recall Items	2
Application Items	0
Analysis Items	0

Tasks include:

1. Define and explain lease duration.
2. Define and explain mortgage convexity.

Content References:

total pages: **7**

* previously cited: **0**

total new pages: **7**

1. "Duration and Maturity", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 464-468 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Duration", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
2. "Convexity", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)

End of Appendix A, Content Section 17

Appendix A, Content Section 18: MBS Evaluation Tools, Real Estate Analysis and Evaluation

2.5% of the content area of the Examination.

Recall Items	1
Application Items	3
Analysis Items	1

Tasks include:

1. Explain cash on cash return.
2. Explain option adjusted spread.
3. Explain mortgage vs. bond equivalent yield.

Content References: total pages: **4** * previously cited: **0** total new pages: **4**

1. "Cash on Cash Return", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
2. "Option Adjusted Spread", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
"Weighted Average Coupon", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
"Weighted Average Maturity", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
3. "Bond Equivalent Yield" (footnote), *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, p. 425 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)

End of Appendix A, Content Section 18

Appendix A, Content Section 19:

Reviewing and Analyzing Property Data, Underwriting Mortgage Loans for Investment

6% of the content area of the Examination.

Recall Items	2
Application Items	4
Analysis Items	6

Tasks include:

1. Explain how the proposed transaction will compare to competing investments with similar risk/return parameters.
2. Identify critical elements within the scope of scrutiny when evaluating property specifics
 - a. appraisals,
 - b. cash flow analyses,
 - c. leases,
 - d. financial statements,
 - e. site inspection,
 - f. property condition reports,
 - g. condition of title,
 - h. market analysis, demographics, and trends,
 - i. competitive properties,
 - j. barriers to entry,
 - k. property operations including historical revenues, expense and capital expenditures, and future projections supporting economic viability of the property and loan,
 - l. credit quality of the tenants and
 - m. quality and durability of the income stream

Content References:

total pages: **47**

* previously cited: **2**

total new pages: **45**

1. "Investment Industry and Real Estate's Role Therein", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 128-138 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
2. "Easements", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 85-87 (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Effective Rent", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 481 (Appraisal Institute, 2001, ISBN 0922154-67-8)
"Developing Reconstructed Operating Statements", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 509-527 (Appraisal Institute, 2001, ISBN 0922154-67-8)
* "Environmental Site Assessments and Environmental Property Assessments", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 214-215 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 6, Content Reference 1.
"Commercial Mortgage Underwriting", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 448-457 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Title Insurance", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 292 (Appraisal Institute, 2002, ISBN 0-922154-72-4)

End of Appendix A, Content Section 19

Appendix A, Content Section 20: Reviewing Sponsorship, Investment Structure, and Market Factors, Underwriting Mortgage Loans for Investment

3% of the content area of the Examination.

Recall Items	1
Application Items	3
Analysis Items	2

Tasks include:

1. Analyze sponsorship, investment structure, and market factors to identify critical elements
 - a. the borrower’s
 - i. requests for changes to standard loan policies and
 - ii. financial statements and credit reports to verify credit worthiness and financial stability,
 - b. property and casualty insurance,
 - c. recent CMBS and loan market transactions and trends and
 - d. real estate factors (e.g., risk, expected return, acquisition feasibility, development, capital structure, divestitures).
2. Identify important elements when assessing borrower’s abilities to manage and lease a property in the context of local market economics.
3. Consider when to request a market analysis from third-party appraisers.

Content References: total pages: **103** * previously cited: **0** total new pages: **103**

1. “Commercial Mortgage Underwriting”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 448-457 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
“Introduction to Commercial Mortgage-Backed Securities”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 492-510 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
“Expected Returns Versus Stated Yields: Measuring the Impact of Default Risk”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 438-448 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
“Adjusting Risk”, *Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 736-739 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
“Use of Debt in Real Estate Investment (Part II): Capital Structure”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 350-372 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
2. “Asset Management”, *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 492-510 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
3. “Real Property and Its Appraisal”, *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 1-17 (Appraisal Institute, 2001, ISBN 0922154-67-8)

End of Appendix A, Content Section 20

Appendix A, Content Section 21:

Reviewing Technical, Legal, and Administrative Requirements, Underwriting Mortgage Loans for Investment

4% of the content area of the Examination.

Recall Items	1
Application Items	5
Analysis Items	2

Tasks include:

1. Review
 - a. survey with title reports to confirm there are no financial or physical issues that impact operation or value of a property,
 - b. borrower and other legal documents for loans and securities,
 - c. legal documentation in conjunction with loan administration and legal counsel,
 - d. credit administration compliance with contractual obligations (e.g., collection of operating statements, property inspections, DSCR tests),
 - e. reports from consultants, engineers, and closing agenda to determine pre-closing actions and
 - f. underwriting to ensure consistency with capital market conditions or investor standards
2. Ensure the transaction conforms to rating agency/capital market or investor standards to obtain approval to issue a term sheet.
3. Abstract leases to assess contribution to economics of a transaction.
4. Reconcile company's underwriting with third-party appraisal before seeking final approval of a transaction.

Content References:

total pages: **30**

* previously cited: **29**

total new pages: **1**

1. * "Commercial Mortgage Underwriting", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 448-457 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Section 20, Content Reference 1.

"Lien", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 164 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
2. *CMBS 101[®]: Introduction to Commercial Mortgage Backed Securities*, (CMBS), Joseph C. Franzetti and Brigid M. Mattingly (Commercial Mortgage Securities Association, 2007)
3. * "Leases", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 476-484 (Appraisal Institute, 2001, ISBN 0922154-67-8) Content Section 12, Content Reference 1.
4. * "Commercial Mortgage Underwriting", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 448-457 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Section 20, Content Reference 1.

End of Appendix A, Content Section 21

Appendix A, Content Section 22: Commercial Mortgage-Backed Securities (CMBS), Underwriting Mortgage Loans for Investment

3% of the content area of the Examination.

Recall Items	1
Application Items	3
Analysis Items	2

Tasks include:

1. Relate risks to diversification of CMBS loans within a REMIC or FASIT.
2. Identify methods (e.g., subordination, payment and reserve structure) by which credit is enhanced.
3. Interpret ratings assigned to tranches relative to risk and yield.
4. Compare risks of owning senior and junior level securities in a sequential pay structure.
5. Review
 - a. lockout provisions of loans held by a CMBS to prevent prepayment risk and
 - b. effects of some mitigators on risk including debt service triggers, cross-default, and cross-collateralization
6. Define an "all-in-rate".

Content References: total pages: **36** * previously cited: **20** total new pages: **16**

1. * "Introduction to Commercial Mortgage-Backed Securities", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 492-510 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) Content Section 20, Content Reference 1.
- 2-3. "CMBS Rating and Yields", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 502-510 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
4. "Allocating the Credit Losses", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 499-501 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
- * *CMBS 101[®]: Introduction to Commercial Mortgage Backed Securities*, (CMBS), Joseph C. Franzetti and Brigid M. Mattingly (Commercial Mortgage Securities Association, 2007) See Content Section 21, Content Reference 2.
- 5-6. "Prepayment Risk", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, p. 393 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"CMBS vs. Corporate Bond Spreads", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 508-510 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
"Cross-Default", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
"Cross Collateralization", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005)
* "Defeasance", *Glossary of Terms, Commercial Mortgage-Backed Securities (CMBS)*, Sally Gordon, one page (Commercial Mortgage Securities Association, 2005) See Content Section 10, Content Reference 2.

End of Appendix A, Content Section 22

Appendix A, Content Section 23:

Underwriters' Coordination for Loan Closing, Underwriting Mortgage Loans for Investment

2.5% of the content area of the Examination.

Recall Items	1
Application Items	3
Analysis Items	1

Tasks include:

1. List typical requirements for a loan closing.
2. Prepare or organize
 - a. loan application,
 - b. loan and or security documents,
 - c. closing check lists - title policy, insurance binders, tax receipts, surveys,
 - d. amortization schedules,
 - e. mortgage loan schedules and
 - f. Investment Committee approval package - identify exceptions and obtain requisite approvals.
3. Complete loan terms (e.g., fixed/adjustable interest, interest calculations, deferred interest, contingent interest, no prepayments, yield maintenance, lockout periods) in compliance with approval.
4. Monitor completion of investment and transfer to servicing or asset management.
5. Provide follow-up analyses for portfolio loans and loans that have been sold or securitized.
6. Coordinate
 - a. with servicing and law departments on collections, payoffs, loan assignments and
 - b. responses to rating agencies and investor inquiries
7. Oversee underwriting and closing processes and act as a client's liaison until loan funding or through the investment period as required.
8. Ensure the accuracy and timeliness of required escrow analyses for all escrowed loans.

Content References:

total pages: **37**

* previously cited: **14**

total new pages: **23**

- 1-6. "Mortgage Basics II: Payments, Yields, and Values", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 464-468 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
 - * "Commercial Mortgage Underwriting", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 448-461 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Section 13, Content Reference 1-2.
7. "Due Diligence, Documents and Deliveries", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 1-15 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
"Funding", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 36-37 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
8. "Taxes and Insurance", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, p. 38 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)

End of Appendix A, Content Section 23

Appendix A, Content Section 24:

Environmental and Property Condition Report, Real Estate Due Diligence

3% of the content area of the Examination.

Recall Items	3
Application Items	2
Analysis Items	1

Tasks include:

1. Environmental site assessment
 - a. Phase I environmental audit
 - i. outline the scope of the report (e.g., records search, site visit, asbestos testing, etc.) and
 - ii. list typical components of a Phase I environmental audit
 - b. Phase II environmental audit
 - i. describe the scope of a typical Phase II environmental audit,
 - ii. list reasons that may require a Phase II audit and
 - iii. outline the process of a Phase II audit and possible outcomes
 - c. describe
 - i. environmental insurance and the types of risks covered,
 - ii. limitations of environmental insurance and
 - iii. situations where environmental insurance may be preferable to other forms of due diligence
2. Property Condition Report
 - a. describe qualifications for a contractor and
 - b. list the typical components of a Property Condition Report

Content References: total pages: **51** * previously cited: **51** total new pages: **0**

1. * "Environmental Site Assessments and Environmental Property Assessments", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 214-215 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 6, Content Reference 1.

* "Environmental Due Diligence: A Guide for Mortgage Lenders in the 21st Century", Joseph Phillip Forte and Gary N. Levine (49 pages). See Content Section 6, Content Reference 2.

www.zurichna.com/environmental_liability_insurance.htm

2. www.ebiconsulting.com/real-estate/property-condition-report.aspx

End of Appendix A, Content Section 24

Appendix A, Content Section 25:

**Zoning and Building Code Compliance,
Real Estate Due Diligence**

2% of the content area of the Examination.

Recall Items	1
Application Items	1
Analysis Items	2

Tasks include:

1. Determine whether use is
 - a. in compliance with zoning,
 - b. legal and allowed to continue as a legal, non-conforming use and
 - c. compatible with adjacent land zoning
2. Determine whether
 - a. property could be replaced on the site if destroyed and
 - b. appraiser explicitly and logically evaluated the property
3. Explain the appropriate scope of review of applicable zoning regulations, building code compliance, licenses, permits, and the role and purpose of zonings.

Content References:

total pages: **49**

* previously cited: **31**

total new pages: **18**

1. * "Land or Site Analysis", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 189-219 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 6, Content Reference 3.

"Highest and Best Use of Land as though Vacant", "Highest and Best Use of Property as Improved", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 311-317 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Deed Restriction", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 76 (Appraisal Institute, 2002, ISBN 0-922154-72-4)

"Set Back", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 263 (Appraisal Institute, 2002, ISBN 0-922154-72-4)

"Floor Area Ratio", *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, p. 117 (Appraisal Institute, 2002, ISBN 0-922154-72-4)
2. "Land or Site Valuation – Relation to Appraisal Principles", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 331-333 (Appraisal Institute, 2001, ISBN 0922154-67-8)
3. "Use Zoning", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 457-458 (Appraisal Institute, 2001, ISBN 0922154-67-8)

"Governmental Influences", *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, p. 170-172 (Appraisal Institute, 2001, ISBN 0922154-67-8)

End of Appendix A, Content Section 25

Appendix A, Content Section 26:

Lease Reviews, Real Estate Due Diligence

6% of the content area of the Examination.

Recall Items	4
Application Items	4
Analysis Items	4

Tasks include:

1. Commercial lease reviews
 - a. review basic lease data (e.g., landlord, tenant, lease term, rent calculation, pass-throughs, lease and rent commencement, lease expiration, renewal options, rentable square feet, and lease guaranties),
 - b. analyze construction obligations and control of landlord and tenant ,
 - c. identify
 - i. tenant rights and obligations (e.g., use of premises; exclusives; renewal and expansion options; “going dark” provisions),
 - ii. landlord rights and obligations relating to recapture rights and covenants not to compete and
 - iii. all rights and obligations relating to assignments and subletting (e.g., requirements for landlord consent; obligations of lease assignees to assume lease obligations; any provisions for the continuing liability of an assigning tenant)
 - d. analyze casualty and condemnation provisions (e.g., lease termination; landlord obligations to reconstruct; use of casualty or condemnation proceeds; rent abatement/offset provisions),
 - e. determine subordination and estoppel obligations of tenant, including whether the lease is subordinate to mortgages, the tenant is entitled to a non-disturbance agreement or must attorn, a tenant estoppel certificate is required,
 - f. analyze default remedies of the landlord (e.g., requirements for notice to the tenants; cure provisions) and tenant (e.g., notice to landlord; cure provisions) and
 - g. evaluate other lease provisions (e.g., permitted alterations; landlord consent requirements; ownership of lease improvements upon lease expiration; tenant rights to expand, purchase, and first refusal rights; environmental provisions; any lease cancellation rights of either the landlord or tenant)
2. Ground lease reviews
 - a. describe
 - i. risks to landlord and mortgagee,
 - ii. when the
 1. ground lease is subordinate to the mortgage and
 2. mortgage is subordinate to the ground lease,
 - b. describe the impact of a ground lease on property valuation, versus fee simple ownership of the land
 - c. evaluate risks posed to a tenant whose lease is subordinate to a ground lease,
 - d. explain
 - i. the impact of the term of a ground lease on whether a lender would accept a leasehold mortgage as security for a loan,
 - ii. why a lease should require the landlord to
 1. consent to a leasehold mortgage and
 2. provide a lessor’s estoppel certificate when requested by a leasehold mortgage lender,
 - iii. explain the necessity for provisions that prohibit the landlord and tenant from modifying, canceling or surrendering the lease without the prior written consent of the lender.
 - e. describe the scope of authority that
 - i. should be given in the lease to the tenant to mortgage its leasehold interest, assign the lease, and sublet the premises and
 - ii. a leasehold mortgagee should have to exercise the tenant’s renewal options and lease extension rights

Content References:

total pages: **56**

* previously cited: **30**

total new pages: **26**

1. * “Leases”, *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, pp. 476-484 (Appraisal Institute, 2001, ISBN 0922154-67-8) See Content Section 12, Content Reference 1

(Appendix A, Content Section 26, continued)

2. "How a Lender Review a Lease", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 173-198 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3)
3. * "Ground Leases from the Ground Up", *Lender's Guide to Structuring & Closing Commercial Mortgage Loans*, Joshua Stein, pp. 427-447 (MBA's Real Estate Finance Press, 2004, ISBN 1-57599-106-3) See Content Section 7, Content Reference 5.

End of Appendix A, Content Section 26

Appendix A, Content Section 27:

**Financial Statement and Credit Review,
Real Estate Due Diligence**

4.5% of the content area of the Examination.

Recall Items	3
Application Items	3
Analysis Items	3

Tasks include:

1. Owners
 - a. list the typical financial statements provided by an owner or borrower of investment property,
 - b. describe the importance of buyer/borrower financial statements to a seller and lender,
 - c. describe the costs and benefits financial statements (e.g., audit, compilation, review),
 - d. describe additional credit information that can be obtained from
 - i. personal credit reports,
 - ii. business credit reports such as Dun & Bradstreet and
 - iii. legal and news database searches such as Lexis-Nexis.
2. Describe the importance of credit review of tenants relative to
 - a. proportion of square footage occupied at a property,
 - b. length of lease term,
 - c. scope and cost of tenant improvements and
 - d. relationship of lease rental rate to market rates (i.e., above or below market rents).
3. Property
 - a. list typical financial reports provided from the operation of investment real estate,
 - b. compare cash versus accrual accounting for investment real estate and
 - c. explain why investors and lenders require multiple years' financial statements when performing financial and credit reviews.
4. Explain methodology used by rating agencies for determining credit ratings.

Content References:

total pages: **16**

* previously cited: **9**

total new pages: **7**

1. www.dnb.com (Dun and Bradstreet site)
www.lexisnexis.com (Lexis Nexis site)
www.mortgagebankers.org/IndustryResources/StandardsandBestPractices/MBA/CSSAMethodologyforAnalyzingandReportingPropertyIncomeStatements.htm
2. "Rent", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 479-484 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
3. "General Effects of Income Taxes and Debt", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, p. 328 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5)
4. * "CMBS Rating and Yields", *Commercial Real Estate Analysis and Investments*, David M. Geltner and Norman G. Miller, pp. 502-510 (South-Western Publishing/Thomson Learning), 2001, ISBN 0-324-13676-5) See Content Section 22, Content Reference 1.

End of Appendix A, Content Section 27

APPENDIX B

Real Estate, Investment and Regulatory Acronyms and Glossary

The information and other material contained, cited or referenced in this Appendix do not constitute any investment, legal or tax advice. They are solely for the purpose of understanding the Tasks covered by the Examination. In all events, one should seek independent, qualified counsel. Copyrighted and proprietary contributor materials are referenced and are contained herein.

The following list (i) defines real estate, investment, regulatory and ethical conduct acronyms and terms that may appear in this *Guide* and the real estate industry and (ii) assists in understanding some of the professional Tasks that are in Appendix A and that may occur in the Associate Examination. This list is not comprehensive. It is a supplement to, not a substitute for, the understanding that may be obtained by reading the Content References in Appendix A.

All terms not defined in this *Guide* shall have the meaning stated in the latest edition of Black's Law Dictionary.

Capitalized terms within a definition are defined elsewhere below or in Appendices C, D or F.

Abandonment: The voluntary and intentionally permanent relinquishing of a right or interest (e.g., possession or ownership of Real Estate).

Abatement: The act of eliminating or nullifying or of lessening or moderating, including the removal of Contaminants from Real Estate.

Above-Ground Release: Any Contaminant release to the surface of the land or the water.

Acord Form: Industry-wide, standardized forms developed by insurance companies and agency groups for insurance applications, certificates of insurance, quotations, etc. {see www.acord.org}

Active Real Estate Management: Seeks to add value to a portfolio by Market Allocation, Property Selection or Diversification.

Additional Insured: An entity, other than the named or primary insured, who is covered or protected by the insurance policy most often in regard to a specific interest and who may or may not be named specifically in the policy.

Adjusted Funds From Operations (AFFO): A real estate company's cash flow generated by operations calculated by subtracting from Funds from Operations (FFO) both (1) normalized recurring expenditures that are capitalized by the REIT and then amortized, but that are necessary to maintain a REIT's properties and its revenue stream (e.g., new carpeting and drapes in apartment units, leasing expenses and tenant improvement allowances) and (2) "straight-lining" of rents. This calculation also is called Cash Available for Distribution (CAD) or Funds Available for Distribution (FAD).

Adverse Possession: Acquiring title to Real Estate by possession for a statutory period of time when a non-permissive use with a claim of right is continuous, exclusive, hostile, open and notorious {see Prescription}

Aging: The observed condition that commonly Prepayments are slower for new than for old single-family mortgage loans.

ARM: An Adjustable Rate Mortgage has the following features:

- **Index Value:** An ARM coupon rate is based on an **Index** (e.g., CD, 11th District cost of funds, LIBOR 1-year T Note)
- **Initial Net Coupon:** The rate paid to a mortgage security investor until the first Reset date
- **Gross Margin:** The spread to the Index paid by a borrower. It includes the servicing and guarantee fees
- **Net Margin:** The spread paid to a mortgage security investor after the servicing and guarantee fees
- **Reset Frequency:** The time between the coupon Reset dates (e.g., monthly, annually)
- **Periodic Rate Cap:** The maximum amount of permitted change in the coupon rate paid by the borrower
- **Net Life Cap:** The maximum, potential coupon paid to a mortgage security investor
- **Net Life Floor:** The minimum, potential coupon to a mortgage security investor

Asset Allocation: The investment decision that optimally selects and weights which Asset Classes are in a portfolio. There are three primary methods of Asset Allocation:

- strategic
- tactical
- dynamic asset allocation

Asset Allocation is not Security (or Individual Asset) Selection, which is the selection of individual investments (e.g., whole equity Office Building, Apartment REIT stock, Shopping Center mortgage, CMBS) to hold within a specific Asset Class (e.g., Real Estate).

Asset Class: The typical financial form of investments (e.g., art, bonds, cash, commodities, common stocks, Real Estate, venture capital).

Asset Management: is Investment Decision-making and Implementation. {see Asset Manager, Conduct in Appendix C}

Associated Person: is any person who works for a registered Securities Broker-Dealer, whether such person is an employee, independent contractor, or is otherwise working with a broker-dealer. The person may be called a "stock broker" or "registered representative." Although an Associated person usually does not have to register separately with the SEC, she/he must be properly supervised by a currently registered broker-dealer. He/she may also have to register with the self-regulatory organizations of which his/her employer is a member -- for examinationple, NASD or a national Securities exchange. To the extent that an Associated Person engages in Securities activities outside of the supervision of their broker-dealer, they would have to register separately as a broker-dealer. An unregistered entity is not permitted to receive commission income on behalf of a registered representative.

Any person acting as a broker or dealer must not engage in Securities business until properly registered.

{see the supplemental glossary for Securities Broker-Dealer Registrations and therein The Securities Exchange Act of 1934}

Attribution Analysis: See Performance Attribution.

Below-Ground Release: Any Contaminant release below the surface of the land or the water.

BEY or Bond-Equivalent Yield: The yield calculated by converting monthly compounding into semiannual compounding. Since interest on mortgages and mortgage Securities is compounded monthly and interest on corporate and Treasury Securities is compounded semiannually, the mortgage yield is frequently converted and reported on a BEY basis.

$$\begin{aligned} \text{BEY \%} &= 200 \times [(1 + (\text{Mtg. Y\%/1200}))^6 - 1] \\ \text{Mtg Y\%} &= 1200 \times [(1 + (\text{BEY\%/200}))^{1/6} - 1] \end{aligned}$$

If the annual mortgage yield is 10.00%, then the annual BEY is 10.2107% and is calculated as follows:

$$\begin{aligned} (10\% / 1200) &= 0.0083 \\ (1 + 0.0083) &= 1.0083 \\ (1.0083)^6 &= 1.0511 \\ [1.0511 - 1] &= 0.0511 \end{aligned}$$

$$200 \times [0.0511] = \underline{10.2107\%}.$$

(continued on next column)

Using an annual Bond Equivalent Yield of 10.2107%, then the annual Mtg Y% is calculated as follows:

$$\begin{aligned} (10.2107\% / 200) &= 0.0511 \\ (1 + 0.0511) &= 1.0511 \\ (1.0511)^{1/6} &= 1.0083 \\ [1.0083 - 1] &= 0.0083 \\ 1200 \times [0.0083] &= \underline{10.0000\%} \end{aligned}$$

Bond: A long term (e.g., usually 10 or more years), interest bearing debt instrument, usually issued with a Par Value of \$1,000, that may be secured or unsecured (i.e., a Debenture).

bp or Basis Point: one one-hundredth of a percentage point. {see Point}

Breakpoint: The level of (retail) sales over which a percentage rent is paid by the tenant.

Btu: A British thermal unit is the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit. A 1,000 Btu equal a Therm. 3,412 Btu equal a kilowatthour.

The typical Btu content of various minerals, substances, products and activities is:

- 1 Btu per match
- 500 Btu to make a cup of coffee
- +1,000 Btu per cf natural gas (i.e., Btu content of 6,000 cf of natural gas equals one Barrel of oil)
- 6,000 Btu per pound of wood
- 5,000 – 15,000 Btu per pound of various coal types
- 28,000 Btu to operate a television for 100 hours
- 50,000 Btu to cook on a gas stove for one day
- 125,000 Btu per gallon of gasoline
- 6,000,000 Btu per Barrel of Oil

Bundle of Rights: All the rights, or interests or estates, inherent in the ownership of Real Estate, the land and appurtenances of the land. They include the inherent and/or plenary powers of a governmental entity or sovereign (e.g., eminent domain, escheat, police power and taxation). {see Real Estate}

Burnout: The observed condition that commonly occurs when prepayments for single-family residential mortgage loans begin to decline after being at high rates for a period of time.

Business Income Coverage (aka Business Continuation Insurance, Business Income Insurance and Loss of Income or Time Insurance, also formerly Business Interruption Insurance): Commercial property coverage that reimburses lost earnings when normal business operations are temporarily suspended because of property loss caused by insured perils. Coverage usually

includes salaries, taxes, rents, net profits, and necessary operating expenses during the period required to restore operations with due diligence. This policy replaced the previous business interruption form.

CAM: Common area maintenance.

Capitalization Rate (Cap Rate): Defined as the net operating income (I) for the year divided by the appraised value, or price, of the property (V) [I/V = R]. It is used as a measure and/or benchmark for a property's value based on current performance. Cap rates also serve as an indicator of investor expectations.

CAPM: or the **Capital Asset Pricing Model:**

$$E(R) = r_f + \beta_s (E[r_m] - r_f)$$

where

- E(R) is the Expected Return on a Security or portfolio {see Appendix D}
- r_f is the Expected return of the riskless asset
- β_s is the beta of the Security or portfolio
- $E[r_m]$ is the Expected Return on the market
- $(E[r_m] - r_f)$ is the equity risk premium

The Model states, under certain assumptions, that an investor's Expected Return on a Security or portfolio is proportional to the amount of Systematic Risk assumed.

Carrying Capacity: The number of people per hour carried by an escalator or moving walk.

Cash-on-Cash Return or Equity Yield Rate (EYR): The short-term return on an investment in a property defined as the cash flow received divided by the cash equity invested in a property; expressed as a percentage.

Cash (or Funds) Available for Distribution (CAD or FAD): A measure of a REIT's ability to generate cash and to distribute dividends to its shareholders. In addition to subtracting from FFO normalized recurring real estate-related expenditures and other non-cash items to obtain AFFO, CAD (or FAD) is derived by also subtracting nonrecurring expenditures.

CBO or Collateralized Bond Obligation: A structured Security backed mainly by corporate bonds.

CDO or Collateralized Debt Obligation: A CLO, a CBO or any Structured Security backed by other structured products, including RMBS, CMBS, REIT corporate debt or other CDOs and structured Securities backed by credit default or total return swaps that are linked to corporate or structured debt.

CERCLA (or Comprehensive Environmental Response, Compensation and Liability (or Superfund) Act: A federal statute enacted in 1980 and subsequently amended that:

- created a tax on the chemical and petroleum industries

- provided broad Federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment
- established prohibitions and requirements concerning closed and abandoned hazardous waste sites
- provided for liability of persons responsible for releases of hazardous waste at these sites
- established a trust fund to provide for cleanup when no responsible party could be identified

cf: A cubic foot

Client: Any entity to which, or whom, another entity owes a Fiduciary Duty.

CMBS or Collateralized Mortgage-Backed Security: is a Bond that is backed, or collateralized, by a pool of mortgages on income producing, or commercial, property, that have been transferred to a trust, and distributes the principal and interest paid on those mortgages to investors in a defined sequence, or Waterfall.

CMBS Issuer: The architect of a CMBS (e.g., commonly an investment banker), who:

- aggregates loans that are to be securitized
- defines the classes of Bonds that are offered to investors
- evaluates and aggregates, or pools, the loans for the CMBS trust
- submits summaries of the loans to the rating agency {see NRSRO}

CMO: Collateralized Mortgage Obligation.

Coinsurance Clause (or Penalty): In the context of property insurance, the policy provision that states the minimum percentage of the property's value (generally determined at the time of the loss) that the policyholder must insure to collect the entire amount of any loss, not to exceed the policy limit. If the insurer determines that amount of insurance in the policy is less than the required coinsurance percentage, then the insurer reduces the claim payment by a penalty. The following examinationple indicates how a policyholder can underinsure a property and suffer an uninsured loss of \$13,044 (i.e. \$100,000 claim minus \$86,956 payment):

Policyholder's:	
Estimate of the building's value	\$1,000,000
Purchased policy Coinsurance Clause	80%
Purchased policy amount	\$800,000
Purchased policy deductible	none
Filed claim amount for fire damage	\$100,000
Expected payment from claim	\$100,000

Insurer's:

Determination of replacement cost	\$1,150,000
Coinsurance Clause in policy	80%
Calculation of required amount	<u>1,150,000 x 80%</u>
Required policy amount	\$920,000
Calculation of payment	<u>800,000/920,000</u>
Calculated payment factor	86.95%
Calculation of payment	<u>\$100,000 x 86.95%</u>
Calculated payment	\$86,956
Deductible in policy	- none
Payment to policyholder for claim	<u>\$86,956</u>

Comfort Letter or Cold Comfort Letter:

- An independent auditor’s letter, required in Securities underwriting agreements, to assure that information in the registration statement and prospectus is prepared correctly and that no Material changes have occurred since its preparation. It is sometimes called a Cold Comfort Letter because the accountant does not state positively that the information is correct, only that nothing has come to their attention to indicate that it is not correct.
- A letter from one to another of the parties to a legal agreement stating that certain actions not clearly covered in the agreement will or will not be taken. Such declarations of intent usually deal with matters that are of importance only to the specific parties and do not concern other signers of the agreement.

Condemnation: The determination and pronouncement, conditioned on reasonable compensation, that a property is assigned to public use; also a governmental entity’s exercise of Eminent Domain.

Conflict of Interest: Any Material matter that reasonably could be expected to interfere with the Fiduciary Duty to make an unbiased and objective recommendation. A real or seeming incompatibility between a person’s private interests and the person’s public or Fiduciary Duty.

Confirmation Letter: A "no downgrade letter" from the rating agency that provided a REMIC with the original rating. This letter provides that the substitution of the defeasance collateral for the mortgaged property will not result in a downgrade, withdrawal, or qualification of the rating assigned to the REMIC. This process also serves as a means for the rating agency to conduct a final review to ensure that all of the documentation related to the above items is in proper order.

Contaminant: Any hazardous biological, chemical, physical or radiological matter in the air, land or water that may cause a diminution in the value of Real Estate, including but not limited to asbestos, benzene, electromagnetic fields, leachate, metals (e.g., lead paint, mercury, solder), oil seepage or spill, pollutant, radon, indoor air quality problem, solvent plume (e.g., PCE), toxic waste, waste water, water intrusion, wetlands, wood rot and x-ray release

Convexity: A measurement of the rate of change of Duration of a Security. A measure of the price sensitivity of a fixed income Security to changes in interest rates. It refers to the shape of the price curve when graphed against theoretical interest rate points and is influenced by the coupon rate, maturity and any calls that may or may not exist. Prices rise at increasing rates as yields fall and prices decline at decreasing rates as yields rise.

Corporate Governance: The internal controls and procedures, including checks, balances and incentives, an entity needs and by which it is managed to minimize and to handle a Conflict of Interest between the entity’s Insiders and external equity owners.

Corporate-Opportunity Doctrine: In a corporation, the established and authoritative standard that a control group person (e.g., a director, employee and officer) shall not use any Insider Information for their personal advantage. {see Firm-Opportunity Doctrine}

CPR (Conditional or Constant Prepayment Rate): A percentage of the outstanding collateral principal that is expected to prepay in one year. A CPR represents an assumed constant rate of Prepayment each month (expressed as an annual rate), rather than a variable rate of Prepayment. The CPR formula is:

$$CPR = 100 \times \{1 - [1 - (SMM / 100)]^{12}\}$$

Credit Derivative: A financial instrument wherein a party has the right to a payment from another party when a stated credit event occurs during the term of the instrument.

Credit Swap: A Credit Derivative in which a party pays stated periodic amounts to a second party in return for receiving the second party’s promise to payoff in the event a third party defaults on an obligation.

Credit Enhancement: Provisions in addition to the mortgage collateral to support a desired credit rating on mortgage backed securities. Provisions made by issuers to compensate for default risk in CMBS. Forms include advance payment agreements (“advances”), corporate guaranty, cross-collateralization, cross-default provisions, lease assignment, letter of credit (“LOC”), over collateralization, reserve funds (incl. spread accounts), senior/subordinate (or “A.B”) structuring, subordination and third party pool insurance.

Credit Insurance: Insurance against loss resulting from a failure of a debtor to pay its obligations to the insured.

CREF: Commingled real estate fund.

Crop Insurance: Coverage issuer by the Federal Crop Insurance Corporation or by a private insurer for the perils incurred in growing crops, that may include bad weather, hail, fire, flood, insects and disease. It generally is effective 24 hours after an application is received and is

reduced proportionally as harvesting progresses and terminates when the harvest is complete.

Custodian: 1. As a guardian, a person that has charge of property; and 2. In bankruptcy, a prepetition agent who has taken charge of any debtor asset.

Customer: Any entity to which, or whom, another entity does not owe a Fiduciary Duty.

Debenture: Unsecured debt backed only by the integrity of the borrower, not by collateral, and documented by an agreement called an Indenture. One examination is an unsecured Bond.

Deed of Trust (aka Trust Deed or Trust Indenture): A written instrument transferring a real property to a trustee until the grantor satisfactorily repays a loan.

Defeasance: The act of making an investment whole. The supplementing of existing investment terms available (typically through a cash payment) to make the currently available market yield equivalent to that of a pre-existing investment that is being terminated. Most commonly used in bond finance. A common Prepayment option.

Depositor: The entity that accumulates the mortgages and transfers them to the Trust simultaneously with the issuance of the securities to the certificate holders. The depositor can be the seller of a portfolio of mortgages or an entity established just for the purpose of holding the mortgages until the pool accumulation is completed.

Detrimental Condition: Any issue or condition that reduces the value of Real Estate including the impact of any Contaminant or adverse physical exposure, including but not limited to avalanche, cyclone, differential settlement, drought, earthquake, expansive soil, bad feng shui, floodplain, groundwater seepage, hurricane, hydric soil, infestation, landslide, liquefaction, monsoon, protected species or vegetation, quicksand, salt flat, sea water percolation, sinkhole, slope creep, sludge, soil subsidence, solid waste, subsurface construction defect, surging soil, termites, tidal area, tsunami, tornado and volcano.

Direct Participation Programs or DPP: Provide for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle programs, condominium Securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. Excluded are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to §401 and 403(a) of the Internal Revenue Code and individual retirement plans under §408 of that Code, tax sheltered annuities pursuant to the provisions of §403(b) of the Internal Revenue Code, and any company, including

separate accounts, registered pursuant to the Investment Company Act of 1940.

Diversification: The reduction of risk by constructing a portfolio of asset classes and investments with Negative Correlation Coefficients. One of the three primary classifications of Active Real Estate Management. The ability to add value to a portfolio in comparison with a market portfolio by receiving compensation for Systematic (i.e., market or undiversifiable) Risk that affects the whole economy and therefore all assets in the market and by eliminating Unsystematic (i.e., unique or diversifiable) Risk that is not attributable to market factors. {see Appendix D}

Diversity Score: A Moody's Investors Service, Inc. representation of the diversity of collateral that uses a correlation calculation method for structured product transactions and a point scoring method for corporate debt. {see WARF}

DSCR: Debt service coverage (or DSC) ratio, also known as the DCR, or debt coverage ratio.

Duration: A measure of the timing of the cash flows (e.g., the interest payments and the principal repayment) to be received from an asset (e.g., a fixed income Security). The Duration of an asset is equal to (a) the sum of each of the cash flows weighted by the time to receipt of each cash flow, divided by (b) the total of the present values of the cash flows.

- The Duration of an asset is a useful indicator of its price volatility for certain changes in interest rates; the greater the Duration, the greater the price volatility relative to a change in interest rates.
- Subject to specific conditions:
[Duration-estimated price change] = [negative the modified Duration] x [discount or interest rate change]
Duration is an estimate of the percentage change in price for each 100 basis point change in the discount rate.
- The Duration of an asset increases as an asset's:
 1. investment holding period or time horizon (e.g., term to maturity or lease term) increases
 2. coupon or discount interest rate decreases
- Duration implies a linear relationship between changes in interest rates and changes in asset (e.g., a lease, Bond or other fixed-income instrument) prices, which overlooks the actual curvilinear or convex relationship. As the size of the interest rate change increases, the Duration-estimated price change becomes increasingly understated. {see Convexity}
- The correctness of a Duration-estimated price change is dependent upon:
 1. small changes in interest rates

2. interest rate changes that are parallel shifts in the yield curve
 3. no differentiation in the default risk between the Durations of different assets
 4. recalculation of Duration for any passage of time (e.g., decrease in the time to maturity or time remaining in the lease term) and each change in the level of interest rates
- Placing or increasing the debt on assets with long term income flows can reduce the asset's Duration by reducing or eliminating the net income after debt service.
 - Duration is also a useful concept in assessing the reinvestment risk associated with a given portfolio or the interest rate risk associated with matching particular interest-rate-sensitive assets and liabilities.
 - A building's Duration is the sum of:
$$\frac{[\text{lease value}/\text{total value}] \times \text{lease Duration}}{\text{plus}}$$
$$\frac{[\text{Reversion value}/\text{total value}] \times \text{reversion Duration}}$$
 - **Positive Duration** means the price of a Security moves in the opposite direction of a change in interest rates.
 - **Negative Duration** means the price moves in the same direction as a change in interest rates.

Dynamic Asset Allocation: One of the three primary methods of Asset Allocation. The investment policy decision to control downside risk by reacting to actual past market shifts. Although it is similar to Tactical Asset Allocation in changing asset exposure according to market shifts, it does not attempt to increase return by predicting future, market movements.

Easement: An interest in or right to use or to control land, that is owned by another entity, or an area above or below the land, for a limited purpose.

- **Prescriptive Easement:** An easement created from an open, adverse and continuous use over a statutory period. {see Prescription}

EBITDA: Earning before interest, taxes, depreciation and amortization.

EOA or Equal Credit Opportunity Act: A federal statute effective in 1975 and subsequently amended that prohibits a lender from illegally discriminating against a borrower applicant in any credit transaction.

Efficacy Coverage Insurance: A form of Financial Guaranty Insurance for large industrial construction projects that guarantees an installation (e.g., chemical plant, manufacturing facility) will perform efficiently (as represented or warranted). Coverage usually guarantees the loans used to finance the project, the repayment of which are contingent on the project meeting certain minimum production requirements.

EMH or Efficient Market Hypothesis: is the theory that the current price of a Security (or other asset) completely reflects the impact of all of the available and relevant information. There are three forms of EMH:

- **Weak-form EMH:** Current price fully reflects all the historical market information.
- **Semistrong-form EMH:** Current price fully reflects all publicly available information.
- **Strong-form EMH:** Current price fully reflects all publicly and non-publicly available information.

Eminent Domain: The power of a governmental entity to take private property for a public use, subject to just compensation.

ERISA or Employee Retirement Income Security Act of 1974, as amended: A federal statute that regulates all qualified private pension plans and employee benefit plans in the U.S. and created the Pension Benefit Guaranty Corporation. { see Prudent Expert Rule}

ETF: Exchange Traded Fund.

Event Risk:

- Before 9/11/2001, the risk that an event will decrease the credit quality of an issuer's fixed income instrument.
- Post 9/11/2001, a colloquial, catch-all phrase for the risk(s) related to terrorism and similar acts.

Exempt or Exempted Securities: Securities issues that are not subject to the registration requirements of the Securities Act of 1933 or the reporting requirements of the Securities Exchange Act of 1934, including Treasury Securities, agency Securities and municipal Securities.

[the] Factor (aka Pool Factor): See Paydown Factor.

FAD: {see Cash Available for Distribution}

Fair Dealing: A standard of conduct that requires acting with Full Disclosure such that, although a participant receives a benefit, all the interested parties are apprised fully of the potential and of all other Material information about the transaction, and not engaging in any deceptive, dishonest or unfair practice.

The requirement under MSRB Rule G-17 states that all Securities Broker-Dealers deal fairly with all persons.

Fair Disclosure: The standard of conduct that requires equitable, impartial, simultaneous, timely and unprejudiced access to the same information that may be incomplete. {see Full Disclosure}

Fair Housing Act: A federal law enacted in 1968 and subsequently amended that includes fair lending requirements for mortgage loans and prohibitions against illegal discrimination in the financing, rental or sale of housing and in the provision of brokerage and appraisal services.

Fairness: The standard of conduct and principle that all covered persons (e.g. Applicants and Candidates) will be treated in an equitable manner throughout the entire covered process (e.g. the CRI Society Certification process of an Applicant and Candidate).

FAR: Floor area ratio.

Farmland: {see REIS Glossary, Property Type, Farmland www.ncreif.com/resources/glossary.phtml?range=p-z}

FASB Statement No. 13: FASB issued in 1976 and subsequently revised Financial Accounting Standard 13. It establishes standards of financial accounting and reporting for leases by lessees and lessors. For lessees, a lease is a financing transaction called a capital lease if it meets any one of four specified criteria; if not, it is an operating lease. Capital leases are treated as the acquisition of assets and the incurrence of obligations by the lessee. Operating leases are treated as current operating expenses. For lessors, a financing transaction lease is classified as a sales-type, direct financing, or leveraged lease. To be a sales-type, direct financing, or leveraged lease, the lease must meet one of the same criteria used for lessees to classify a lease as a capital lease, in addition to two criteria dealing with future uncertainties. Leveraged leases also have to meet further criteria. These types of leases are recorded as investments under different specifications for each type of lease. Leases not meeting the criteria are considered operating leases and are accounted for like rental property.

FASIT: Financial Asset Securitization Investment Trust.

Feng Shui: (pronounced "fung schway") the art and science of constructing buildings and arranging furnishings to create environments that are aesthetically pleasing and encourage the positive flow of energy, or ch'i. It is a fundamental belief that an environment with good ch'i can bring happiness and prosperity.

{see Feng Shui and Corporate Architecture www.aia.org/ca_a_fengbalancingact}

FF&E: Furniture, Fixtures, and Equipment (referred to as tangible personal equipment plus trade fixtures and leasehold improvements).

FFO: {see Funds from Operations}

Fiduciary Duty: The standard of conduct concerning a relationship of trust that requires an entity to act with discretion and undivided loyalty in the best interests of the beneficiary and to maintain the beneficiary's confidences. {see Conflict of Interest}

Fiduciary Participant: A Service Professional who:

- maintains knowledge of and complies with all applicable laws, rules, regulations, standards of conduct and statutes
- deals fairly in any market or marketplace

- uses relevant competence and independent, objective judgment
- preserves the confidentiality of client materials and nonpublic information
- discloses fully to a customer and to a client any material conflicts of interest
- acts as a Prudent Expert in the best interests of a client
- has a reasonable basis and supporting documentation for a recommendation in a research report and financial analysis

Fiduciary Relationship: The standard of conduct concerning any relationship wherein a person is under a duty to act for the benefit of another within the scope of the relationship. The relationship can arise when:

- a person places trust in the integrity of another person who gains superiority or influence over the first
- a person assumes control and responsibility over another
- a person has a duty to act for or give advice to another on matters within the relationship
- there exists a specific relationship that traditionally has been recognized as involving Fiduciary Duty.

Financial Guaranty Insurance: A descendant of suretyship that generally is recorded as surety on the annual statement that an insurer files with its regulator. Payable losses include: the failure of an obligor on a debt instrument or other monetary obligation to pay principal, interest, purchase price or dividends when due as a result of default or insolvency (including corporate or partnership obligations, guaranteed stock, municipal or special revenue bonds, asset-backed securities, consumer debt obligations, etc.); a change in interest rates; a change in currency exchange rates; or a change in the value of specific assets, commodities or financial indices.

Firm-Opportunity Doctrine: In a partnership, the established and authoritative standard that a control group person, including an employee, shall not use any Insider Information for their personal advantage. {see Corporate-Opportunity Doctrine}

FIRREA: Financial Institutions Reform, Recovery and Enhancement Act.

[The] **Five C's of lending:** An informal reference to Real Estate, underwriting criteria, that typically may include:

1. **Character:** the community reputation of an issuer (e.g., a mortgagee's debt repayment history, competency to operate the investment business and standard of Ethical conduct) {see ELMS[®], Ethical action}
2. **Collateral:** the pledged security against a debt (e.g., the value of the property that secures a mortgage) {see LTV}

3. **Cash:** the cash-equivalent assets owned by the issuer (e.g., an mortgagee's cash equity)
4. **Credit:** the ability of an issuer to borrow funds and the faith in the issuer's ability to pay obligations
5. **Client:** the Investment Policy Statement of the source of funds (e.g., the ultimate beneficiary of the investment, when an intermediary is acting as a Fiduciary investor)

Other criteria, beginning with the letter C, include:

- **Callable:** whether or not the investment is redeemable by the issuer before maturity
- **Capitalization:** the composition of debt and equity funds used to finance an investment and the investment's business
- **Capitalization (or Cap) Rate:** the interest rate used to calculate the present worth of future benefits (e.g., a property's net operating income divided by its value)
- **Cash Flow:** the quantity, quality and duration of the cash generated from an investment's business to pay all of the business and investment obligations {see Cash-on Cash Return, Cash Available for Distribution, DSCR}
- **Cashout:** the issuer's receipt of its entire equity in cash (e.g., a mortgagee has zero retained investment in its mortgaged property)
- **Civil vs. Criminal Law:** the difference between the object of redress by compensation and the object of wrongdoer punishment (e.g., is a lender's error punishable by financial restitution or imprisonment); {see SOX}
- **Chain of Title:** the ownership history of a piece of land {see CERCLA}
- **Chattel Lien:** a mechanic's lien {see Bundle of Rights}
- **Conflicts of Interest:** {see definition, above}
- **Construction:** the construction quality
- **Conversion:** the ability to change an asset or liability into a different form (e.g., convert an illiquid whole mortgage into a liquid and easily marketed MBS)
- **Caveat Emptor:** "let the buyer beware" (e.g., what is the backdoor/exit if an investment fails)

5 Minute Handling Capacity: The number of people transported by an elevator from the lobby in a five minute period, expressed as a percentage of the population (or the estimate number of people occupying the floors above the lobby). A 12% Handling Capacity means the elevator system can accommodate incoming passenger traffic up to 12% of the population before lobby crowding occurs. This measurement is an estimate of how many people arrive to use the elevators during the heaviest five minutes of morning rush hour.

Flood Hazard Insurance Map: A map published by the Federal Insurance Administration for a specific community that indicates areas within the community that are subject to severe flooding. These maps are the basis for requiring a community to join the National Flood Insurance Program. If a community does not join the program, it may lose federal disaster relief in the event of flooding.

Flood Insurance: Insurance that reimburses the policyholder for damage to property caused by the peril of flood.

FPM: Feet per minute measurement of elevator speed.

Front-Running (aka Forward Trading): An illegal activity in which an entity takes a position in an instrument in advance of an action which it knows its brokerage will move the instrument's price in a predictable fashion. Includes any entity's trading an asset, instrument or Security based on information from the analyst department before his or her clients have been given the information.

Scalping is a related illegal activity wherein an entity purchases (or sells) an instrument for its clients for the sole purpose of increasing (or decreasing) the value of the same instrument held (or to be held) in the entity's personal account.

To profit from prior knowledge of uninformed trades an entity must **Back-Run** its actions; Front-Running is only incidental and often unnecessary. An entity can profit illegally by following uninformed fund sales with its personal purchases and following uninformed fund purchases with its personal sales. That is, to profit from clients' sales, an entity must buy immediately after the fund sells before the price returns to its full information level. To profit from funds' buying, managers must sell immediately afterwards.

Full (or Full and Fair) Disclosure: The standard of conduct that requires accurate, complete, impartial, ongoing, prominent, simultaneous, timely, truthful, understandable, unbiased and unprejudiced revelation of all Material facts. Some authors require the inclusion of both "full" and "fair"; any absence of Fair Disclosure is a Material fact that is revealed in a Full Disclosure. {see Asset Manager, Conduct in Appendix C}

Funds from Operations (FFO): A REIT's net income, excluding gains or losses from sales of property, and adding back real estate depreciation

GAAP: Generally Accepted Accounting Principals.

Geometric Return, Geometric Mean Return (GMR) or Time Weighted Return: is used to measure investment performance, because it is not distorted by the timing of investment contributions, return payments or negative

returns. It measures the compound rate of growth of the initial portfolio during the performance-evaluation time period, assuming that all cash distributions are reinvested in the portfolio. It calculates the geometric average of the portfolio's Total Returns (TRs).

- The formula is:
$$\text{GMR} = [(1 + R_{p1}) \times (1 + R_{p2}) \times (1 + R_{pN})]^{1/N} - 1$$
where R_{p1} is the TR for interval 1, and
 N is the number of intervals in the performance-evaluation period.
- given monthly TRs of -10%, 20% and 5%, the GMR equals 4.28% per month, or
 $[(1 - 10\%) \times (1 + 20\%) \times (1 + 5\%)]^{1/3} - 1$
- given the following portfolio data
12/31/2000 value is \$100
12/31/2001 value is \$200
12/31/2002 value is \$100
the annual TRs are 100% and -50%, respectively,
the GMR formula is $[(1 + 100\%) \times (1 - 50\%)]^{1/2} - 1$
the GMR is 0%.

{see IRR, Internal Rate of Return}

Going-Concern Value: The aggregate market value of all of an established and operating entity's tangible and intangible (including Goodwill) assets as an operating business with future earning power to another company or person.

Goodwill: The Going-Concern Value of an entity in excess of its asset value; Goodwill is an intangible asset and includes the value of the business' good name, customer relations, high employee morale, and other factors that might translate into earning power. NASDAQ's calculation of net Tangible Asset Value excludes Goodwill.

Gross Absorption: An academic term that measures the volume of rental activity and demand for leasing brokerage. It measures the total space leased in a period of time. Since it does not identify or differentiate the source of the tenant (e.g. whether a tenant has moved within the market by vacating one site and occupying another site), it does not measure growth in the market's total occupied space or total demand for space. Net Absorption does measure a market's demand growth. {see Net Absorption}

GSE: Government sponsored entity.

Guaranteed Investment Contract (GIC): An investment that is secured by a contract with a financial institution and guarantees a fixed rate of return and a fixed maturity.

Highest and Best Use (aka Best Use and Most Suitable Use): The appropriately supported, physically possible, legally permissible, financially feasible, maximally productive and reasonably probable application or

employment of something that will generate the most profit.

Implementation Activities: Any Real Estate service.

Indenture: A written agreement between the issuer of a debt Security (e.g., a Bond or Debenture) and its debt holder(s), usually specifying interest rate, maturity date, convertibility and other terms.

Industrial Development Bond (IDB): A revenue Bond whose interest and principal payments are not backed by a municipality and whose proceeds are loaned directly to a private user to finance a qualifying facility.

Industrial Property: Property used for light or heavy manufacturing, research and development (R&D) or warehouse space, includes office/warehouse space and flex space. {see REIS Glossary, Property Type, Industrial www.ncreif.com/resources/glossary.phtml?range=p-z}

Insider: A person or entity that has access to or knowledge of information that is not available to other investors or the public. Includes one who participates in the control of an entity (e.g., a director, general partner, governor, officer or owner 10% or more of an entity's voting equity or stock) or receives Insider Information while performing its professional service for a Client.

Insider Information: Material, Nonpublic information received through a Fiduciary Duty, including through a source that owes a person or an entity a duty to keep the information confidential.

Insider Trading: (i) In general, the use of Material, Nonpublic information in trading an entity's asset(s) by an Insider or other person who owes a Fiduciary Duty to the entity; (ii) In illegal conduct, any deceitful acquisition and misuse of information that properly belongs to an entity that one owes a Fiduciary Duty.

Illegal "manipulative and deceptive devices" include the purchase or sale of a Security of any issuer, on the basis of Material Nonpublic information about that Security or issuer, in breach of a duty of trust or confidence that is owed directly, indirectly, or derivatively, to the issuer of that Security or the shareholders of that issuer, or to any other person who is the source of the Material Nonpublic information. A purchase or sale of a Security of an issuer is "on the basis of" Material Nonpublic information about that Security or issuer if the person making the purchase or sale was aware of the Material Nonpublic information when the person made the purchase or sale.

Interest Rate Swap: A financial agreement between two parties to exchange the future cash flows from a combination of currency swaps in the same currency.

- **Plain Vanilla (Interest Rate) Swap:** An Interest Rate Swap wherein a party agrees to make payments based on a fixed interest rate and the counterparty

agrees to make payments tied to a floating interest rate, with both sets of payments in the same currency.

International Valuation Standard: Standards for valuation in financial reporting pursuant to the new Basel Accord. Published by the International Valuation Standards Committee. {see www.ivsc.org}

Inverted, or Negative, Yield Curve: A graph of interest rates wherein the short-term Securities have higher rates than the long-term Securities.

Investment Advisors Act: A federal statute enacted in 1940 and subsequently amended that regulates investment advisers. With certain exceptions, this Act requires that firms or sole practitioners compensated for advising others about Securities investments must register with the SEC and conform to regulations designed to protect investors.
{see www.sec.gov/about/laws/iaa40.pdf}

Investment Constraints: An investor's time horizon, amount of capital investment, frequency of capital investment, legal restrictions, liquidity requirements, Diversification statement, current income needs, tax status, inflation protection requirement, deflation protection requirement, Corporate Governance standard, currency exposure requirement, management capability (e.g., strategic Asset Management and tactical Property Management), terrorist event exposure and other idiosyncratic preferences (e.g., environmental, Feng Shui, labor union, political, tobacco).

Investment Decision-Making: The strategic determination of the investor's Investment Policy Statement

Investment Implementation: The execution of the Investment Policy Statement through Service Professionals, including:

- asset allocation
- security (or individual asset) selection {see ELMS[®], Location}
- asset acquisition
- asset structuring {see ELMS, Structuring}
- investment management {see ELMS, Management}
- investment sale
- performance evaluation
- monitoring relative asset class and sector values
- monitoring the market's latest conditions
- monitoring the investor's current investment objectives and constraints
- rebalancing the asset allocation for monitored changes

Investment Objectives: Each investor's unique set of Investment Return Objectives and Risk Tolerance Objectives.

Investment Performance: An investor's actual total return, current return, appreciation return and the actual volatilities of those returns. {see Investment Return}

Investment Policy Statement: Each investor's unique set of Investment Return Objectives, Risk Tolerance Objectives and Constraints and plan for Investment Implementation.

Investment Return Objectives: The total return, current return and appreciation return goals of an investor.

Investment Return: An investment's total return, current return and appreciation return. {see Investment Performance}

Investment Return Insurance: Insurance against the risk of loss for the value of the redeemable Securities of an insured investor.

Investment Risk Tolerance Objectives: An investor's capital preservation goals, as measured by the volatility of the Investment Return Objectives that is acceptable to the investor. Volatility includes maximum, minimum, frequency and skew of change.

Investment Styles: A grouping of investment performance for comparison and to perform Performance Attribution Analysis. Investment Style terminology is source dependent. Some alternative, sample, whole equity real estate classifications include:

- **NCREIF's database methodology:** property type; geography; occupancy; and size
- **Life Cycle:** pre-development, development, initial leasing, operating and redevelopment
- **leveraged/unleveraged**
- **Return/Risk Balance:** core; value-added; and opportunistic {see NCREIF's White Paper, "Real Estate Investment Styles – Trends from the Catwalk", pages 9 - 12 and 16 - 18
www.ncreif.org/committees/pdf/2004-02-01_portfolio_minutes.pdf}

IO: Interest-only Security.

IPO: Initial public offering.

IRR or Internal Rate of Return or Dollar Weighted Return: Not used to measure and compare investment performance, because it is distorted by the timing of the investment contributions and return payments. {see Geometric Return}

Interval: The seconds between elevator departures from the lobby during morning up peak. A 30 second interval means that a loaded car will leave the lobby every 30 seconds. The interval is equal to the round trip time divided by the number of elevators.

Land (or Surface) Subsistence: The sinking of the ground surface above an underground void or depression.

Examinationples include foundation subsistence, mine subsistence and Sinkholes. {see Deep Mining}

Leasehold: A tenant's possessory estate in land or premises by the tenancy for years, periodic tenancy, tenancy at will or tenancy at sufferance.

LIBOR: London Interbank Offered Rate.

Lien: A creditor's legal right or interest in another's property until satisfaction of the debt or duty. Examinationples include accountant lien, architect's lien, attorney's lien, banker's lien, hotelkeeper's lien, landlord's lien, mechanic's or construction lien, mortgage lien, municipal lien, statutory lien, tax lien, vendee's lien and vendor's lien.

- A Junior Lien is subordinate to another lien on the same property.
- A Prior Lien was perfected before and is therefore superior to another lien on the same property.
- A Senior Lien has priority over another lien on the same property.

Limited Partnership: An unincorporated association that is a Direct Participation Program, conforms to the provisions of the Revised Uniform Limited Partnership Act or similar statute and has one or more general partners who are personally liable for the partnership's debt and one or more limited partners who contribute capital, share benefits, cannot manage the business and are liable only for their contribution.

Limited Partnership Investor Bond Insurance: A form of Financial Guaranty Insurance that guarantees fulfillment of the obligations of a person investing in a limited partnership. If the person ceases making payments, the insurer will pay the outstanding amount in installments over the remaining payment period. The insurance is irrevocable and will remain in full force until all of the insured obligations are paid.

LLC: Limited liability company.

Load: The capacity rating in pounds that an elevator is designed to safely handle.

Location Quotient: A calculated ratio between the local economy and the economy of some reference unit that. This ratio is calculated for all industries to determine whether or not the local economy has a greater share of that industry than expected. If an industry has a greater share than expected of a given industry, then that "extra" industry employment is assumed to be "Basic" because those jobs are above what a local economy should have to serve local needs. For examinationple:

(Boston legal employment / Boston total population)
divided by

(East coast legal employment / East coast total pop.)

Loss Payee: The entity named in an insurance policy's loss payable clause to which insurance proceeds are to be paid in the event of damage to the insured property. The loss payee must have an insurable interest. Loss payees include the mortgagee.

LTV (or L/V): Loan to value is the ratio between a mortgage loan's principal balance and the current value of the underlying real estate collateral.

Market Allocation: One of the three primary classifications of Active Real Estate Management. The ability to add value to a portfolio by weighting, or changing the percentage, of the portfolio that is invested in each market segment (e.g., property type, economic region). If the Market Allocation is based on the benchmark portfolio, the manager is using Market Timing and seeking to improve portfolio performance by buying (or selling) property in markets and of specific types that are anticipated to outperform (or underperform) the market. {see capitalized terms}

Market Timing: One of the three primary Performance Attribution classifications for the type of investment decision. The investment policy decision to deviate from long-term policy (i.e., Strategic Asset) allocations to asset classes or investment styles within asset classes because the Manager believes it can predict correctly short-term market movements. Market Timing includes Tactical Asset Allocation and Style Rotation.

Market Value: The most probable price in terms of money that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulants. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from the seller to the buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised and acting in what they consider their own best interest.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents a normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.

Master Servicer: A firm engaged on behalf and for the benefit of the certificate holders to service the mortgage loans collateralizing a CMBS. Its responsibilities and obligations are stated in a Pooling and Servicing Agreement ("PSA"). {see Special Servicer and Sub Servicer}

Material: Any fact whose disclosure would significantly influence an investment's trading or market value; an omitted fact is Material if there is a substantial likelihood that a reasonable entity (e.g., an investor) would consider it important in making an investment decision. In general usage, any knowledge that would affect an entity's decision-making.

Materiality: The auditor's consideration of materiality is a matter of professional judgment and is influenced by his or her perception of the needs of a reasonable person who will rely on the financial statements. The perceived needs of a reasonable person are recognized in the discussion of materiality in FASB Statement of Financial Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information, that defines materiality as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement." That discussion recognizes that materiality judgments are made in light of surrounding circumstances and necessarily involve both quantitative and qualitative considerations.

MBS: Mortgage-Backed Security.

Mcf: A thousand cubic feet is the normal pricing unit for natural gas (e.g., in the 2000 – 2001 heating season natural gas prices ranged from approximately \$2 to \$10 per Mcf).

Mezz (or Mezzanine) Debt: Any debt that is paid after a first mortgage. Often refers to a short term second or third mortgage that will be taken out (paid off or earned out) in the short term upon changes in property performance. The term "mezzanine" implies temporary indebtedness, but a long-term second mortgage is technically mezzanine debt.

Mineral Lease: Used to grant a Mineral Right.

Mineral Right: The right to look for, develop and extract a mineral or ore (e.g., coal, natural gas and oil) from the ground or to receive a royalty from the Mining production.

MPT or Modern Portfolio Theory: An investment and portfolio management proposition that focuses on the total performance of an entire portfolio, rather than solely considering the prudence of a single investment in the portfolio. {see ERISA}

Mortgage Constant or the Constant: The quotient calculated by dividing the current outstanding principal balance of the mortgage, the denominator, into the sum of the interest and principal payments, the numerator. It is the relationship of the current mortgage balance divided into the current return on plus the return of

principal. For an amortizing mortgage, the relationship is not fixed; the quotient increases with each amortizing principal repayment. In this formula, the interest rate used to calculate the interest payment is the cost of the mortgage. Normally the quotient is annualized by multiplying 12 times the result using the monthly debt service and mortgage balance.

MPS or Minimum Property Standards: Establish certain minimum standards for buildings, including new single family homes, multi-family housing and health care facilities, constructed under HUD housing programs.

Multifamily Property: A building with five or more residential units or apartments. Multifamily properties are usually distinguished as high rise, low rise, or garden apartments. Multifamily properties are typically distinguished by quality as follows:

- **Class A Properties** are above average in terms of design, construction and finish; command the highest rental rates in the market; have a superior location in terms of desirability and/or accessibility; and generally are professionally managed by national or large regional management companies.
- **Class B Properties** frequently do not possess design and finish reflective of current standards and preferences; illustrate adequate construction quality; command average rental rates in the market; are generally well-maintained; have unit sizes that are somewhat larger than current standards; and are managed by national or regional management companies.
- **Class C Properties** provide functional housing; exhibit some level of deferred maintenance; command below-average rental rates; are usually located in less desirable areas; are occupied by tenants who provide a less stable income stream to property owners than Class A and B residents; and generally are managed by smaller, local property management companies.

{see REIS Glossary, Property Type, Residential
www.ncreif.com/resources/glossary.phtml?range=p-z}

Municipal Bond Guaranty Insurance: A form of Financial Guaranty Insurance that protects bondholders against default by a municipality. Introduced in the early 1970s, municipalities embraced it because their insured Securities took on the insurer's (AAA) credit rating and commanded a higher price.

NCF: Net cash flow.

Net Absorption: An academic term that measures the net change in a market's occupied space. Market vacancy declines when Net Absorption exceeds net construction completions; conversely, vacancy increases when Net Absorption is less than net construction completions. Comparing Net Absorption to net construction

completion shows whether demand and supply have the same rate of change. {see Gross Absorption}

Net Asset Value or NAV: An entity's total assets minus its total liabilities, generally calculated at least once every business day on a single share basis (or the "per share NAV") by dividing its NAV by the number of shares that are outstanding. The share price of mutual funds and traditional UITs is based on their NAV.

NFIP or National Flood Insurance Program: A program administered by the Federal Insurance Administration that provides flood insurance under the National Flood Insurance Act of 1968. Private insurers, under contract to the NFIP, administer the program, issue the program's Standard Flood Insurance Policy, collect the premium, and adjust the losses. They are reinsured for 100% of any flood losses by the federal government and receive a percentage of the premium for commissions, taxes, and allocated loss adjustment expenses.

NNN: Net, Net, Net (or triple net). Terminology to describe a lease in which the tenant is responsible for all real estate property operating expenses and capital items.

NOI: Net operating income.

Nonpublic: Information is Nonpublic if it has not been disclosed broadly to the marketplace and is not reasonably available to investors. Information is still Nonpublic if it is disclosed only to a selected group. {see Insider Information}

Normal, or Positive, Yield Curve: A graph of interest rates wherein the short-term Securities have lower interest rates than the long-term Securities.

NRSRO: Since 1975 the U.S. Securities and Exchange Commission has relied upon the use of credit ratings issued by nationally recognized statistical rating organizations ("NRSROs") in its rule 15c3-1 Net Capital Rule as an indication of a Security's liquidity.

Offering: The act of making a presentation of something (e.g., a Security or cash) for acceptance (e.g., purchase or sale). The sale of any Security.

Office Property: Property designed to be used principally as a place of business. Office properties include major multi-tenant-CBD, multi-tenant-suburban, single tenant-built to suit, or a combination office/showroom.

- **Government Office Building** is owned and/or at least 90% leased by public sector agencies.
- **Medical Office Building** consists of 90% or greater medical tenancy.
- **Multi-tenant Office Building** has multiple lease obligations and less than 90% of which are owner occupied.
- **Owner Occupied Office Building** is at least 90% occupied by its owner.

- **Single-tenant Office Building** is a single lease obligation or is 100% owner occupied.

Note: The building descriptions may vary with the source.

{see NAIOP's Definitions of US Office
www.naiop.org/services/usofficeterms.pdf and REIS Glossary, Property Type, Office (NAIOP)
www.ncreif.com/resources/glossary.phtml?range=p-z}

One-Action Rule: The general, debtor-creditor legal principle that when a debt is secured by real estate, the creditor must foreclose on the collateral before proceeding against the debtor's unsecured assets. Use of this rule is not uniform and varies substantially from state to state.

Opportunity Cost: The true economic cost of an action includes not only the explicit cost of the activity, but also the implicit value of any other opportunity that must be foregone by undertaking the activity. It is an economist's measurement of cost in a cost-benefit analysis. For examinationple:

A person:

- is given a free ticket, that is nontransferable and has no resale value, to attend Event One;
 - has a next-best alternative activity of attending Event Two, that is at the identical time and has a ticket cost of \$50
- and
- normally would be willing to pay up to \$60 for a ticket to attend Event Two

Given that there are no other costs of attending either Event, what is the person's Opportunity Cost for attending Event One?

- A. \$0
- B. \$10
- C. \$50
- D. \$60

The Key, or correct answer, is B (\$10), the total value of everything the person must forgo to attend Event One (i.e., the \$60 Event Two is worth to the person minus the person's \$50 cost to attend Event Two). The Distracters are A (\$0), C (\$50) and D (\$60).

Overburden: The rock and soil overlying a mine.

Overcollateralization Test: An analysis of the Par amount of collateral relative to the debt issued by a Special-Purpose Entity, or SPE. Failure of this test normally results in the sequential return of principal to the SPE liabilities.

Par Value or Par (aka Face, Nominal or Stated Value or Amount): The notational amount stated on the face of an instrument.

Paydown Factor (aka the Factor or Paydown): The percentage of an original mortgage pool balance that is

still outstanding. It is normally updated and reported monthly to an accuracy of seven decimal places and begins at 1 and decreases to 0 over the life of the mortgage security. The difference between the actual Factor and the expected Factor is analyzed to determine Prepayment level and calculate the Prepayment rate.

Pay-to-Play: (i) An inappropriate practice whereby a market participant is expected to make political contributions to elected officials in order to be considered for selection to provide underwriting or other services. MSRB Rule G-37 was adopted to prevent Pay-to-Play practices; and,

(ii) Any non Transparent, unfair or anti-Fiduciary Duty action wherein a benefit is exchanged for a favor, including but not limited to designating charitable contributions and assigning business opportunities in exchange for a nomination or appointment to any for profit or non profit committee, board or officeholder position.

PBGC or Pension Benefit Guaranty Corporation: was established under ERISA.

Performance Attribution (aka Attribution Analysis): The decomposition of an historical Total Return and classification of its components with the type of investment decision (i.e., Strategic Asset Allocation, Market Timing and Asset Selection) and decision maker (i.e., Plan Sponsor and Investment Manager).

The following table is an Attribution Analysis of Monthly Returns.

Decision Maker	Type of Policy	Investment Timing	Decision Selection	Total
Sponsor:	0.900%	0.025%	-0.005%	0.920%
Manager:		<u>0.015%</u>	<u>-0.155%</u>	<u>-0.140%</u>
Total:	0.900%	0.040%	-0.160%	0.780%

{see Strategic Asset Allocation and Market Timing}

Performance Evaluation: The investor’s methodology for monitoring, measuring, benchmarking, attributing and reporting its Investment Performance. {see Performance Attribution Analysis}

Phase I Report or Environmental Site Assessment (ESA): A professionally prepared, assessment and report (to ascertain the presence of environmental hazard(s) and to recommend whether an investigation (Phase II) is justified.

PIPE (Private investment in public entity): A PIPE transaction is the direct purchase, usually a discount to the market price, of publicly listed or soon-to-be listed shares.

PITI: Principal, interest, taxes and insurance are normal components of a monthly mortgage payment.

PO: Principal-only Security.

Point: One percent of Par Value. {see bp}

Ponzi Scheme: An illegal Pyramid Scheme named for Charles Ponzi, who duped thousands of New England residents into investing in a postage stamp speculation scheme in the 1920s. Based on the "rob-Peter-to-pay-Paul" principle, money from new investors is used to pay off earlier investors until the whole scheme collapses. {see Pyramid Scheme}

Pooling and Servicing Agreement: A contract entered into with the trustee that governs much of the CMBS process, including the responsibilities and the obligations of the Master Servicer and the Special Servicer, e.g.:

- collect mortgage payments and transfer the collected funds to the trustee, who distributes them to the certificate holders
- advance any late payments to the trust
- provide mortgage performance reports to bond holders
- refer all loans that are in default or likely to be in default soon to a Special Servicer
- interpret and enforce the specific terms of each loan in the pool

The acronym “PSA” is used by the mortgage industry to mean both “Pooling and Servicing Agreement” and “Public Securities Association”.

Portfolio Management Process: The feedback loop of an investor’s:

- return objectives, risk tolerance objectives, constraints and the current and expected market conditions (collectively the “Inputs”)
- portfolio investment strategy determination and implementation
- performance evaluation
- monitoring the Inputs and investment strategy
- modifying the portfolio investment strategy and
- rebalancing the portfolio asset allocation

Preliminary Official Statement (POS): aka a Red Herring or Prospectus includes information about the issuer and on the Securities underwriting.

Prepayment: The difference in the actual balance of a debt (e.g., a mortgage) compared with the balance expected by normal payment (e.g., amortization).

For single-family residential MBS pools (and for other similar debt securities subject to Prepayment), the:

- Prepayment causes include:
 1. moving (e.g., Household relocation is increased by employment change, marriage, divorce, child birth),
 2. default on a loan and other voluntary Prepayments (e.g., insurance payments),
 3. refinancing and

4. curtailments (i.e., Additional principal payments that retire a loan before its original term curtail, or shorten, the term of the mortgage)
- Prepayment determinants are:
 1. age of a loan and
 2. coupon rate of a loan.{see WAC, WAL, WAM and Prepayment Factor}
 - Prepayments are forecast by analyzing:
 1. interest rate levels (e.g., Prepayments accelerate as the ratio of the pool WAC to the current coupon yield, or WAC/CC, increases above 1),
 2. aging (e.g., Prepayments increase at a steady rate and then level off at a peak CPR),
 3. burnout (e.g., Prepayments initially increase as interest rates decline and then decrease; they decline at very high WAC/CC ratios),
 4. seasonality (e.g., Prepayments are faster in the summer versus the winter months),
 5. housing markets, (e.g., Prepayments are depressed by declining house prices, unemployment and weak economic activity and
 6. yield curve shape (e.g., Prepayments increase as borrowers refinance into shorter maturity loans in a steep Yield Curve environment).

Prepayment comparisons are at the pool-level and commonly described using the following conventions:

- SMM
- CPR
- PSA

Prescription: The effect of the lapse of time in creating and destroying rights. The acquisition of title by open and continuous possession over a statutory period of time. The extinction of a title or right by failure to claim or exercise it over a long period.

{see ALTA Glossary, page 16 of 23, "Prescription"
www.alta.org/consumer/tlglossary1.pdf}

Property Management: is the tactical implementation of (short term) operational decisions in accordance with a property owner's Investment Return Objectives and Constraints. The operation of property as a business, including leasing, rent collection, maintenance of the property, and general administration.

Property Selection: One of the three primary classifications of Active Real Estate Management. The ability to add value to a portfolio by selecting and buying or selling mispriced, individual properties that are expected to outperform or to underperform the overall market segment benchmark.

Prudent Expert: The standard of conduct that requires a fiduciary to act in the best interests of a Client with the

care, diligence, prudence and skill under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Prudent Expert is held to the standard of a person who is familiar with the subject matters, that is higher than the standards of:

- **Ordinary Business Care**, i.e.
 1. exercising ordinary and reasonable care,
 2. using honestly and good faith and
 3. acting prudentlyin the circumstances prevailing at the time of the investment decision or action, and a
- **Prudent Man**, i.e. managing the entrusted assets with the care and discretion of a prudent man, including the
 1. avoidance of undue risk,
 2. preservation of capital and
 3. acting in the best interests of the beneficiary(collectively, the **Prudent Man Rule**).
{see Prudent Expert Rule}

Prudent Expert Rule: The standard of conduct that requires fiduciaries, who manage investments governed by ERISA, to act as a Prudent Expert would act. {see ERISA and Prudent Expert}

Prudent Investor Rule: A current and widely accepted fiduciary application of the Prudent Man Rule that uses Modern Portfolio Theory to apply the prudence standard to the entire portfolio rather than to individual investments. This standard of conduct focuses the fiduciary's Investment Decision-Making on the trade-off between return and risk. {see Investment Objectives}

PSA (Public Securities Association) Standard Prepayment Model:

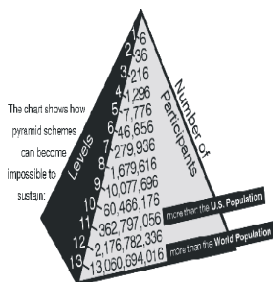
A standard Prepayment model for residential MBS developed in the 1980's by the Public Securities Association (PSA) and various Wall Street firms. It specifies a standard Prepayment percentage (in terms of an annual percentage) each month from origination through the thirtieth month. Thereafter, the repayment rate remains constant. The base is at 100% PSA, or the annual Prepayment rate is 0.2% Constant Prepayment Rate (CPR) the first month, 0.4% CPR the second month, increasing each month by 0.2% CPR until the thirtieth month at 6% CPR (30 X 0.2%). Thereafter, the Prepayment rate is held constant at 6% CPR. To determine the Prepayment rate for any PSA scenario, multiply the corresponding CPR at 100% PSA by the given PSA rate, e.g., for 200% PSA at the fourth month, 4 X 0.2% CPR X 200% = 1.6% CPR. The general PSA formula is:

$$PSA = 100 \times [CPR / \min(\text{age}, 30) \times 0.2]$$

Pyramid Scheme: The organizers attempt to make money [or to create immediately expendable funds] solely by recruiting new participants into the program. The hallmark of these schemes is the promise of sky-high

returns in a short period of time [or of long term retirement, medical or other financial benefits] for doing nothing other than handing over your money and getting others to do the same [and permitting the organizers imprudently to under fund the growing benefit obligations].

The fraudsters behind a Pyramid Scheme may go to great lengths to make the program [or fund] look like a legitimate multi-level marketing program [or insurance plan or trust]. Despite their claims to have legitimate products or services to sell [or invest in], these fraudsters simply use money coming in from new recruits to pay off early stage investors [or contributors]. Eventually the pyramid will collapse, because the schemes get too big and the promoter cannot raise enough money from new investors to pay earlier investors causing many people to lose their money [or increasingly receive less than their invested contributions]. The chart below shows how Pyramid Schemes can become impossible to sustain:



Rate Lock: The process that enables a borrower to fix, or Lock, a mortgage interest rate prior to the closing.

Real Estate: Real estate is the Bundle of Rights, or all the benefits, claims, interests, liabilities, obligations, powers, privileges, promises, protections, restrictions and rights related to a defined volume of space over a specified period of time in the global marketplace. It includes corporeal, or physical, and incorporeal, or conceptual, existence. No distinction is made, between Real Estate and Real Property.

Real Property: Synonymous with Real Estate.

Rebalancing (or Reallocating) the Asset Allocation: is the:

- Analysis of monitored investment feedback, and
- Adjustment of an investment portfolio's Asset Allocation to optimize Investment Performance, because a Material change or deviation was monitored in an investment variable. {see Investment Implementation} Adjustments include:
 1. asset sale
 2. asset re-structuring (e.g., recapitalization) {see ELMS®, Structuring}
 3. asset acquisition
 4. change in property and/or asset management

Realty: See the definition of Real Estate, above.

REIT: Real Estate Investment Trust is a U.S. Congress legislated tax election that permits a qualifying, specially formed corporation or partnership to invest in real estate and/or Securities backed by real estate and not to be taxed at the entity level.

REMIC: Real Estate Mortgage Investment Conduit.

Repo: Repurchase agreement.

Residual Interests or Residual Certificates: Every REMIC must have one and only one class of residual interests, although there may be multiple owners of residual interests. All distributions of residual interests must be prorated; however, a residual interest does not have to entitle the holder to any fixed or minimum distributions in order to qualify as such. Residual interests may accrue income or cash flow in several ways, including the following:

- rate(s) differential(s) between the underlying mortgages and the REMIC regular interests
- income or cash flow resulting from over-collateralization
- buy-down reserves, sinking funds or prepaid insurance
- income from qualified reserve funds or cash flow investments in excess of what is required to service regular interests

RESPA or Real Estate Settlement Procedures Act: A law passed by the U.S. Congress in 1974 and subsequently amended that requires lenders to inform homebuyers and sellers about known and estimated settlement costs. It also seeks to eliminate illegal kickbacks or referral payments and to regulate escrow accounts, servicing and refinance and subordinate-lien loans. It is implemented through HUD Regulation X.

Reverse Merger: A private entity buys all or almost all of the stock of an existing, publicly listed entity.

Rise (aka Travel): Vertical distance from the finished floor level of the terminal landing to the finished floor of the top landing.

RMBS or Residential Mortgage-Backed Security: A Structure Security backed by residential mortgages.

ROS or Research Objectivity Standards: A standard of conduct, created by the CFA Institute, for investment firms and their employees to measure, manage and disclose conflicts of interest that may impair an analyst's ability to conduct independent research and to make objective investment recommendations. It offers compliance procedures for a firm to:

- create a research objectivity policy,
- make recommendations and state opinions in public appearances,

- substantiate the reasonable and adequate basis of its reports and recommendations,
- conduct finance activities (e.g., advisory, debt and equity placement, and brokerage),
- compensate an investment research analyst,
- manage the relationship between its analyst(s) and an debt or equity issuer whose Securities or other asset(s) are the subject of a firm report or recommendation,
- govern employees' personal investments and trading,
- issue timely reports and recommendations,
- monitor, audit, record and enforce the compliance procedures,
- disclose fully and fairly (e.g., completely, comprehensively, prominently and understandably) any firm or employee Conflict of Interest and
- establish a rating system to make investment decisions.

It complements and does not replace any, other, applicable, ethical or professional standard of conduct; {see: www.cfainstitute.org/standards/ethics/sellside_ROS.html}

Rule 10b-5: An SEC rule under the Securities Exchange Act of 1934 that makes it unlawful for any person, in connection with the purchase or sale of any Security, to employ any device, scheme, or artifice to defraud; to make any untrue statement of a Material fact or to omit to state a Material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or to engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person.

Salvage Value (aka Scrap or Residual Value): An asset's value after it is useless to its owner.

Sarbanes-Oxley Act of 2002 (SOX): is a federal statute to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the Securities laws, and for other purposes. A violation of the Rules of the Public Company Accounting Oversight Board ("Board") is treated as a violation of the '34 Act, giving rise to the same penalties that may be imposed for violations of that Securities Exchange Act of 1934.

- **§404, Management Assessment Of Internal Controls,**
 1. requires each annual report of an issuer to contain an "internal control report", that shall:
 - state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting
 - contain an assessment, as of the end of the issuer's fiscal year, of the effectiveness of the internal control structure and procedures of the issuer for financial

reporting. Each issuer's auditor shall attest to, and report on, the assessment made by the management of the issuer

and

2. directs the SEC to:

- require each issuer to disclose whether it has adopted a code of ethics for its senior financial officers and the contents of that code
- revise its regulations concerning prompt disclosure on Form 8-K to require immediate disclosure "of any change in, or waiver of," an issuer's code of ethics

Scalping: {see Front-Running}

Scribner Rule: In many parts of the U.S., the official Log Rule that draws a diagram of rectangles, representing 1 inch boards, within circles, representing the small-end diameters of the logs. A ¼ inch Kerf is incorporated and no allowance is made for taper.

Seasonality: The observed condition that commonly Prepayments for single-family residential mortgage loans reflect a close relation with the level of housing-market activity.

SEC: U.S. Securities and Exchange Commission.

§1031 Exchange: Typically, the sale of an investment, including an investment in real estate, is a taxable event, with the seller being responsible for capital gains taxes on the appreciation of the investment. Under §1031 of the Internal Revenue Code, however, an investor in income-producing or rental real estate may exchange the investment for another investment in income-producing or rental real estate of equal or greater value and defer payment of capital gains. In order to qualify for a deferral under §1031, an investor must acquire an interest in real estate in the exchange, not an interest in a partnership.

Securities Act of 1933, as amended: A federal law that requires Full and Fair Disclosure of the character of Securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes. It includes regulation of the registration and initial public offering of Securities. {see www.sec.gov/about/laws/sa33.pdf}

Securities Broker: Any person engaged in the business of effecting transactions in Securities for the account of others. The following persons and business will have to register as a broker, depending on a number of factors:

- "finders," "business brokers," and other persons or entities that engage in the following activities,
- finding investors or customers for, making referrals to, or splitting commissions with registered broker-dealers, investment companies (or mutual funds,

including hedge funds) or other Securities intermediaries,

- finding investors for "issuers" (entities issuing Securities), even in a "consultant" capacity,
- engaging in, or finding investors for, venture capital or "angel" financings, including private placements,
- finding buyers and sellers of businesses (i.e., activities relating to mergers and acquisitions where Securities are involved),
- investment advisers and financial consultants,
- foreign broker-dealers that cannot rely on Rule 15a-6 under the Securities Exchange Act of 1934,
- persons that operate or control electronic or other platforms to trade Securities,
- persons that market real-estate investment interests, such as limited partnership interests, that are Securities,
- persons that act as "placement agents" for private placements of Securities,
- persons that market or effect transactions in insurance products that are Securities, such as variable annuities, or other investment products that are Securities
- persons that effect Securities transactions for the account of others for a fee, even when those other people are friends or family members
- persons that provide support services to registered broker-dealers and
- persons that act as "independent contractors," but are not "Associated Persons" of a broker-dealer.

Any person acting as a broker must not engage in Securities business until properly registered.

Issuers generally are not "brokers" because they sell Securities for their own accounts and not for the accounts of others. {see the supplemental glossary for Securities Broker-Dealer Registrations and therein The Securities Exchange Act of 1934}

Securities Dealer: Any person engaged in the business of buying and selling Securities for his own account, through a broker or otherwise. This does not include a "trader," that is, a person who buys and sells Securities for his or her own account. The following persons and businesses will have to register as a dealer, depending on a number of factors:

- a person who holds himself out as being willing to buy and sell a particular Security on a continuous basis,
- a person who runs a matched book of repurchase agreements and
- a person who issues or originates Securities that he also buys and sells.

Any person acting as a dealer must not engage in Securities business until properly registered.

Issuers generally are not "dealers" because they do not buy and sell their Securities for their own accounts. {see the supplemental glossary for Securities Broker-Dealer Registrations and therein The Securities Exchange Act of 1934}

Securities Exchange Act of 1934, as amended: A federal law that created and empowered the SEC to register, regulate and oversee brokerage firms, transfer agents, clearing agencies and the nation's Securities self regulatory organizations (SROs; e.g., the stock exchanges and the National Association of Securities Dealers) and to require periodic reporting of information by companies with publicly traded Securities. The Act also identifies and prohibits certain types of conduct in the markets and provides the SEC with disciplinary powers over regulated entities and persons associated with them. {see Sarbanes-Oxley Act and SEC's web site www.sec.gov/about/laws/sea34.pdf}

Securitization: is the process of aggregating the loans into negotiable Bonds.

Security or Securities: Any interest or instrument that evidences the holder's ownership, creditor or other rights in a common enterprise rather than direct participation in the enterprise.

- Any Bond; certificate of deposit for a security; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; Debenture; evidence of indebtedness; fractional undivided interest in oil, gas, or other mineral rights; investment contract; note; preorganization certificate or subscription; any put, call, straddle, option, or privilege on any security; security future; stock; transferable share; treasury stock; voting-trust certificate; certificate of deposit, or group or index of Securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national Securities exchange relating to foreign currency; or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.
- Some products sold by real estate brokers, such as condominiums with corresponding rental pool agreements, may also be Securities. Persons who receive compensation in connection with the sale of these products would need to be registered both as real estate brokers under certain state laws and as broker-dealers. Because this dual registration may be impractical, the SEC Division staff has determined not to recommend enforcement action if licensed real estate brokers in limited circumstances enter into networking arrangements with registered broker-

dealers in order to participate in the offer and sale of real estate Securities without being registered as broker-dealers. In these arrangements, the registered broker-dealers must undertake all Securities-related activity involved with the offer and sale, and the real estate brokers' activities are limited to ensuring compliance with applicable real estate laws. Real estate networking arrangements are generally carried out by real estate brokers who, after showing the property to prospective clients, introduce the clients to registered representatives, then do not participate further in the sale except to share a commission. If the real estate broker performs additional activities or receives transaction-based compensation or controls or holds customer funds or Securities, he or she would have to register with the Commission as a broker-dealer. {see the supplemental glossary for Securities Broker-Dealer Registrations and therein The Securities Exchange Act of 1934}

Security (or Individual Asset) Selection: One of the three primary Performance Attribution classifications for the type of investment decision. The investment policy decision to choose, or select, Actively or Passively individual Securities or assets to represent an asset class.

- **Active Security (or Individual Asset) Selection** seeks to outperform a benchmark by correctly choosing and weighting Securities, or individual assets, within an asset class or style.
- **Passive Security (or Individual Asset) Selection** chooses Securities, or individual assets, to match the return on a benchmark.

Sequential Pay: The principal repayment first to the senior-most, outstanding Tranche in a securitization and then continuing to the next most senior Tranche.

Service Professional: A standard of conduct that requires a person who offers, provides or uses any service to support actively and adhere to the principle of self-disclosing any conduct that:

- is the subject of any Material investigation, litigation, arbitration or other action or written complaint,
- resulted in any conviction of a felony,
- resulted in any prevention from acting as a person who:
 1. is registered, or licensed, under any law or regulation, or is affiliated with any registered, or licensed, entity and
 2. trades on, or in, any market, or marketplace; or
- violated any Real Estate, investment management, Securities or commodity code of conduct, law, regulation, rule, standard of practice or statute.

sf: Square feet (or sq. ft.).

Shingle Theory: The regulatory theory and standard of conduct that a Securities Broker or Dealer and the

Broker/Dealer's employees are held to a higher standard of conduct by holding out to the world that it engages (or hangs out a shingle) in the Securities business or that it is an investment expert. The Securities B/D's depiction implicitly represents that it will be fair and satisfy professional norms and that it has the capabilities to perform the duties of an investment professional.

Shopping Center: The customary distinctions among shopping centers, as standardized by the Urban Land Institute (ULI), are:

- **Neighborhood Center:** Less than 100,000 SF. Provides daily essentials and everyday goods and services
- **Community Center:** 100,000 - 400,000 SF. Commonly a supermarket, discount and/or department store anchor accompanied by smaller stores providing frequently used goods and services
- **Regional Center:** 400,000 - 800,000 SF. Typically two anchor stores plus smaller in-line stores and service providers
- **Super-Regional Mall:** More than 800,000 SF. Typically three or more anchors plus in-line stores
- **Power Center:** Typically at least two anchor stores that are strong attractions in and of themselves but typically not including smaller in-line stores or service providers

Note: The center classification sizes may vary with the source {see the ICSC Shopping Center Definitions www.icsc.org/srch/lib/library.php and REIS Glossary, Property Type, Retail (ICSC) www.ncreif.com/resources/glossary.phtml?range=p-z}

Sinkhole: Land Subsistence caused by the collapse of a cave.

SMM (Single Monthly Mortality): Measures the percentage of dollars prepaid in any month, expressed as a percentage of the expected mortgage balance. The SMM formula is:

$$\text{SMM} = 100 \times [(\text{Scheduled Balance} - \text{Actual Balance}) / \text{Scheduled Balance}]$$

{see Prepayment}

Soft Dollar Standards: The standard of conduct that was created by the CFA Institute to ensure an investment manager will:

- fully and fairly disclosure its policy for directing its client's brokerage transactions
- uniformly and understandably present, disclose and record its client brokerage information
- act ethically in regard to its use of its client's brokerage

{see www.cfainstitute.org/standards/pdf/softdollarstandards2004.pdf}

SOX: {see Sarbanes-Oxley Act of 2002}

SPE or Special Purpose Entity or Vehicle (SPV): A shell company created to issue debt and equity and purchase collateral.

Specially Designated Nationals and Blocked Persons (SDN): The U.S. Treasury's Office of Foreign Asset Control (OFAC) regulations prohibit transactions with certain persons and organizations listed on the OFAC website as "Terrorists" and "Specially Designated Nationals and Blocked Persons," as well as listed embargoed countries and regions. Firms must check this list on an ongoing basis to ensure that potential customers and existing customers are not prohibited persons or entities and are not from embargoed countries or regions before transacting any business with them.

Special Servicer: A separate servicer, in addition to the Master Servicer, in a CMBS transaction who is responsible for managing loans that are in default or likely to be in default soon and for conducting work-outs and foreclosures, e.g., liquidating the loans and advancing the proceeds to the trustee. A Special Servicer is classified by whether it:

- retains first-loss pieces,
- invests in B-pieces in return for special servicing rights and
- is appointed solely because of its specialized asset-management expertise

Strategic Asset Allocation: One of the three primary methods of Asset Allocation and of the classification of the type of investment decision for Performance Attribution. The investment policy decision to use long-term allocations to asset classes based on an investor's Objectives, Constraints and expectations of the long-term performance of different asset classes. A Strategic Asset Allocation policy decision is changed when an investor's Objectives or Constraints change.

Structured Security: A debt obligation issued by a special-purpose entity and backed by the cash flow from a pool of assets.

Subordination: A form of Credit Enhancement that structures a Security into classes, in which the risk of credit loss is disproportionately distributed. It is commonly recognized as a senior/subordinate structure.

Sub-Servicer: A servicer who contracts with a Master Servicer and Special Servicer to perform some of the real estate services, such as property inspections, foreclosure services or individual loan administration. The Master or Special Servicer is legally responsible for the activities of the Sub-Servicer. The Sub-Servicer is likely to be engaged because it originated the loans, for specialized property types or if there is a small number of loans, a subset of the total portfolio, in a given area.

Style Rotation: A form of Market Timing, that is one of the three primary classifications of the type of investment decision for Performance Attribution. The shifting of Securities, or individual assets, within an asset class based on style classification.

Systemic (or Undiversifiable or Market) Risk: The risk that is caused by factors that impact the entire economy and all assets in the market. {see Unsystematic Risk}

Tactical or Active Asset Allocation: One of the three primary methods of Asset Allocation. A form of Market Timing, that is a classification of the type of investment decision for Performance Attribution. The investment policy decision to focus on anticipated short-term changes in the allocation of assets based on the ability to predict correctly market movements. Tactical Asset Allocation acts on projected market shifts, while Dynamic Asset Allocation reacts to actual past market shifts. {see the capitalized terms}

Tangible Asset Value (TAV): The total assets (including the value of patents, copyrights and trade marks but excluding the value of Goodwill) less total liabilities. NASDAQ Stock Market Rule 4200(a)(28).

Tcf: A trillion cubic feet (of natural gas).

Ti: Tenant improvement(s); the cost to improve physically a space, usually paid by a landlord.

TILA or Truth in Lending Act: A federal statute enacted in 1968 and subsequently amended that protects a consumer in the use of credit. It is administered by the Board of Governors of the Federal Reserve through the Regulation Z.

Total Return (TR): The Total Return of a portfolio equals:

- the sum of the (i) portfolio's value at the end of the time period minus the portfolio's value at the beginning of the same period (collectively the asset's appreciation), plus (ii) dividend and interest received on the portfolio for the time period (collectively the current return), divided by
- the portfolio's beginning value

Or, more simply:

$$TR = (\text{price change} + \text{cash received}) / \text{beginning price}$$

Tranche: A collection of Structured Securities that is equal in term of rights and priority of payment, but have more or less senior rights compared with Securities of other Tranches..

Transparent: The standard of conduct that requires direct, prompt and Full Disclosure of complete, correct and current information to the public in an obvious form and with sufficient explanation for easy comprehension by the public.

Travel: See Rise.

TRIA or Terrorism Reinsurance Act: An act, passed by Congress in November 2002, to create a federal reinsurance program requiring insurance companies that offer Property and Casualty Insurance to also offer terrorism coverage to its policyholders. TRIA initially expires at the end of 2005, unless renewed by Congress.

Trust Indenture Act: A federal law enacted in 1939 that applies to debt Securities such as Bonds, Debentures and notes that are offered for public sale. Even though such Securities may be registered under the Securities Act of 1933, they may not be offered for sale to the public unless a formal agreement between the issuer of Bonds and the bondholder, known as the trust Indenture, conforms to the standards of this Act.

{see www.sec.gov/about/laws/tia39.pdf}

UCC: Uniform Commercial Code.

Uniform Management of Institutional Funds Act or UMIFA: Charitable organizations and their directors in the U.S. may be governed the standards of conduct in this Act, that are consistent with the principles of Fiduciary Duty set forth by the Modern Portfolio Theory.

Unsystematic (or Unique or Diversifiable) Risk: The risk that is asset or firm specific; it is not attributable to market factors and can be eliminated by fully diversifying an investment portfolio.

{see Systematic Risk}

UPREIT: Umbrella REIT.

USPAP: Uniformed Standards of Professional Appraisal Practice (published by the Appraisal Standards Board of The Appraisal Foundation). USPAP represents the generally accepted and recognized standards of appraisal practice in the United States.

WAC or Weighted Average Coupon: The average coupon or interest payment on a set of mortgages, weighted by the size of each mortgage in the pool. {see Prepayment}

WAL or Weighted Average Life: The average time until all scheduled principal payments are expected to have been made, weighted by the size of each mortgage in the pool. {see Prepayment}

WAM or Weighted Average Maturity (aka WARM or Weighted Average Remaining Maturity; and WART or Weighted Average Remaining Term): The average time before a set of mortgages will be retired, weighted by the size of each mortgage in the pool. {see Prepayment}

WARF or Weighted Average Rating Factor: A Moody's Investors Service, Inc. representation of the quality of collateral that converts a collateral rating to a numeric scale and then weights it by the holding size. A WARF is the Moody's expected 10-year cumulative default rate, or CDR, for a credit multiplied by 10,000; i.e. a Moody's WARF of 360 equates to a 10-year Moody's expected CDR

for a credit rated Baa2 of 3.60%. A WARF of 2525 will be stressed to withstand 25.25% cumulative defaults over a 10-year period. The lower the WARF, the fewer defaults the financial structure must withstand, producing greater leverage. Sample WARF scores and their equivalent ratings for various CDO structures include:

Type of Security	WARF score	Rating
Plain Vanilla CDO	2500-2720	B1/B2
ABS CDO	260-610	Baa1-Baa3
Balance Sheet CDO	600-1600	Baa3-Ba3

{see Diversify Score}

Waterfall: The priority of interest or principal payments in a Structured Security as defined in the Indenture.

x: The multiplication symbol and synonym for "times".

Yield Curve: A graph that plots market yields on Securities of equivalent quality but different maturities at a given point in time. The vertical axis represents the yields, while the horizontal axis depicts time to maturity.

Yield Maintenance: A prepayment premium that allows investors to attain the same yield as if the borrower had made all scheduled mortgage payments until maturity. Yield maintenance premiums are designed to make investors indifferent to prepayments and to make refinancing unattractive and uneconomical to borrowers. {see Defeasance}

Yr.: Year.

APPENDIX C: Investment and Statistical Formula Information

Below is some salient, investment information on selected statistical formulae. It is only supplemental to the information contained in the Content References in Appendix A and is presented in a practical sequence, that is often a non-alphabetic manner. **This is not a comprehensive listing. It is a supplement to, not a substitute for, the understanding that may be obtained by reading the Content References in Appendix A.** Note: Individual authors may use slightly different symbols for the same term.

A Return: A profit on an investment.

Average Life: The time until all scheduled principal payments and unscheduled principal payments (i.e., prepayments) are expected to have been made. The average life of a CMBS is typically compared to the comparable Treasury (often an interpolated Treasury) to determine the expected yield on the CMBS.

Convexity: See Appendix B.

Duration: See Appendix B.

Expected Return: The probability-weighted average of the range of estimated, possible Returns. The sum of the products of each possible Return and its probability of occurrence. The sum of the probabilities is 100%.

$$E(R) = \sum(a \text{ Return}) \times (\text{the Return's probability})$$

Expected Total Return: Sum of the expected dividend yield and the expected appreciation.

$$E(R_T) = E(D_0) + E(P_1 - P_0)$$

Expected Return's Variance: A quantification of the uncertainty, or risk, associated with an Expected Return. An absolute measure of the dispersion of possible Returns around the Expected Return. The probability-weighted average of the squared deviations from the Expected Return. A larger Variance indicates there is a larger calculated dispersion and greater risk for the investment.

$$\sigma^2 = \sum(\text{probability}) \times [R_{\text{POSSIBLE}} - R_{\text{EXPECTED}}]^2$$

Expected Return's Standard Deviation: A quantification of the uncertainty, or risk, associated with an Expected Return. An absolute measure of the dispersion of possible Returns around the Expected Return in the same units as the data. The square root of the Variance of the Expected Return. A larger Standard Deviation indicates there is a larger calculated dispersion and greater risk for the investment.

$$\sigma = \sqrt{\sigma^2}$$

Coefficient of Variation: A quantification of the uncertainty, or risk, associated with two or more, dissimilar investments. A relative measure of dispersion. The calculated risk per unit of Expected Return. The Standard Deviation of Returns divided by the Expected Return. An larger Coefficient of Variation indicates that the investment has more relative variability or higher risk per unit of Expected Return.

$$CV = \sigma / E(R)$$

Sharpe Measure (aka Reward-to-Variability Ratio): A quantification of an investment portfolio's return to its

risk. A measure of the portfolio's mean, or average, return in excess of the mean return on a risk-free alternative investment divided by the Standard Deviation of the portfolio's returns. A larger Sharpe [Portfolio] Measure indicates more excess portfolio return per unit of total risk. In a graph of the Capital Market Line, any Sharpe Measure above the CML indicates a superior risk-adjusted performance; a plot below the CML indicates an inferior performance.

$$S = (R_{\text{MEAN}} - R_{\text{RISK-FREE}}) / \sigma$$

Capital Market Line (CML): A plotting of portfolio Returns viz. the Standard Deviation of the Returns.

Covariation: A quantification of the degree to which two sets of investments' returns move together. An absolute measure of two Returns' consistent movement over a period of time above or below the individual mean Returns.

- A **Positive Covariance** number indicates that the returns on both investments are consistently and simultaneously above or below their individual mean returns; their investment performance over the period of time was similar.
- A **Negative Covariance** number indicates that the investments' performances differed over the period time.

$$\text{Cov}_{A, B} = [\sum(R_A - R_{A, \text{MEAN}}) \times (R_B - R_{B, \text{MEAN}})] / n$$

Correlation Coefficient: A quantification of the relative measure of the relationship of two sets of investment returns. The Covariation of the two returns is divided by the product of their Standard Deviations.

- A high **Positive Correlation Coefficient** indicates that the investments have similar investment performances, or a direct relationship, over the period of time.
- A **Negative Correlation Coefficient** means that the investments have an inverse performance relationship. A value near zero means that there is a random, nonlinear relationship between the two investments. The range of the Correlation Coefficient number is -1 to +1.

$$r_{A, B} = [\text{COV}_{A, B}] / [(\sigma_A) \times (\sigma_B)]$$

Coefficient of Determination: Indicates how well the total variance in a dependent variable is explained by an independent variable. A Coefficient of Determination of 0.70 means that 70% of the variation in y is accounted for by the Regression Equation. Consider a number of 0.70 or higher for a reasonable model.

$$R^2 = \frac{\text{total variation} - \text{unexplained variation}}{\text{total variation}}$$

APPENDIX D: Real Estate Related Organizations, Associations and Designations

The information and other material contained, cited or referenced in this Appendix do not constitute any investment, legal or tax advice. They are solely for the purpose of understanding the real estate investment industry. In all events, one should seek independent, qualified counsel.

The following information is a (i) representative list of the organizations and associations that are involved in the real estate investment decision-making and/or implementation activities of the portfolio management process and (ii) description of these entities' professional designations (e.g., CMB, CRI Charter, MAI) and operations. It excludes regulatory entities and their regulations, which are listed in Appendix B.

AAF: The American Architectural Foundation is a 501(c)(3) educational organization. Its purpose is to help people understand the importance of architecture in their lives and then use that understanding to enrich their lives and transform their communities.

AAGS: The American Association for Geodetic Surveying is a Member Organization of ACSM. Its mission is to lead the community of geodetic, surveying and land information data users by developing new educational programs, articles and papers that inform the membership of the latest technical developments and how to implement them in the most cost-effective and efficient manner.

ABC: The Associated Builders and Contractors is a national Trade Association representing merit shop construction and construction-related firms across the United States. It is the construction industry's voice with the legislative, executive and judicial branches of the federal government and with state and local governments, as well as with the news media.

ACLI: The American Council of Life Insurers is a Trade Association for life insurance companies, based in Washington, DC, that collects data from about 500 participating life companies on commercial real estate portfolios, including data on mortgage delinquencies, and disseminate those data. The data represent approximately 85% of all mortgages held by life insurance companies.

ACREL: The American College of Real Estate Lawyers is a Trade Association that gathers lawyers distinguished for their skill, experience and high standards of professional and ethical conduct in the practice of real estate law, who will contribute substantially to the accomplishments, achievements and good fellowship of the College and to the best interests of the bar and the general public through the fulfillment of objectives of the College, which specifically include:

- promoting high standards of professional and ethical responsibility in the practice of real estate law,
- seeking to improve and reform real estate law and practice,
- making available to the bar and to the public authoritative educational materials in the field of real estate law,

- informing the membership of the most current developments in various aspects of real estate law and practice,
- addressing issues of importance to real estate law and practice by participating in law reform matters and legislative, administrative and judicial initiatives when appropriate and
- cooperating and consulting with national, state and local bar organizations, government agencies and other groups which have an interest in real estate law and practice.

ACSM: The American Congress on Surveying and Mapping originally was named the National Congress on Surveying and Mapping when it was founded in June 1941. It is a nonprofit educational association dedicated to serving the public interest and advancing the profession of surveying and mapping. It consists of four Member Organizations that serve as special interest groups: The American Association for Geodetic Surveying (AAGS); The Cartography and Geographical Information Society (CaGIS); The Geographic and Land Information Society (GLIS); and The National Society of Professional Surveyors, Inc. (NSPS). ACSM also includes geographically-oriented Sections that comprise the ACSM Council of Sections.

AAF: The American Architectural Foundation is a 501(c)(3) educational organization. Its purpose is to help people understand the importance of architecture in their lives and then use that understanding to enrich their lives and transform their communities.

AGA: The Associated General Contractors of America, the voice of the construction industry, is a Trade Association. Its member services include legislative and public affairs.

ALTA: The American Land Title Association, founded in 1907, is the national Trade Association and voice of the abstract and title insurance industry. ALTA members search, review and insure land titles to protect home buyers and mortgage lenders who invest in real estate. It improves the skills and knowledge of providers in the real property transaction, advocates member concerns and standardizes products for industry use. The title industry has its own language. {see www.alta.org/consumer/ltiglossary1.pdf}

AM Best: AM Best is a NRSRO credit rating agency.

The Appraisal Foundation: Established by Title 11 of FIRREA of 1989 as the organization responsible for appraiser minimum qualifications (the Appraisal Qualification Board) and minimum standards of appraisal practice (the Appraisal Standards Board). (www.appraisalfoundation.org).

Appraisal Institute[®]: The Appraisal Institute is an international Trade Association of professional real estate appraisers with members and 99 chapters throughout the United States, Canada and abroad. It supports and advances its members as the choice for real estate solutions and upholds professional credentials, standards of professional practice and ethics consistent with the public good. Its governmental affairs office presents its member needs regarding critical issues impacting the appraisal profession through continuing interaction with Congress and federal agencies, informing its members on key issues and supporting Congressional candidates who are pro-appraiser and pro-real estate through its political action committee, APPAC (the Appraisal Institute Political Action Committee). {See www.appraisalinstitute.org}.

ARDA: The American Resort Development Association is the professional association representing the vacation ownership and resort development industries. It provides advocacy, networking, educational development, market intelligence, news and alliance services to its members.

ARES: The American Real Estate Society is a society of and for high-level practicing professionals and real estate professors at colleges and universities throughout the United States and the world.

AREUEA: The American Real Estate and Urban Economics Association is a non-profit association, originated in the 1964, to advance the knowledge of real estate development, planning and economics and to facilitate the exchange of information and opinions among academic, professional and governmental people who are concerned with urban economics and real estate issues.

ASHA: The American Seniors Housing Association originally was a committee of the National Multi Housing Council and became an independent non-profit Trade Association organization. It provides leadership for the seniors housing industry on legislative and regulatory matters, advances research, education and the exchange of strategic business information, and promotes the merits of seniors housing.

ASLA: The American Society of Landscape Architects is the national professional association representing landscape architects. It promotes the landscape architecture profession and advances the practice through advocacy, education and communication.

ASTM International: ASTM International is a non-profit organization that provides a voluntary forum for producers, users, consumers, and other industry representatives to meet and produce standards for materials, products, systems, and services.

BOMA: The Building Owners and Managers Association International is a Trade Association, founded in 1907, that acts as a primary source of information on office building development, leasing, building operating costs, energy consumption patterns, local and national building codes, legislation, occupancy statistics and technological developments. It focuses representing and promoting the interests of the commercial real estate industry through leadership and advocacy, through the collection, analysis and dissemination of information, and through professional development.

Bond Market Association: A Trade Association representing the largest Securities markets in the world.

CaGIS: The Cartography and Geographical Information Society is an ACSM Member Organization that serves as the primary focal point in the United States for individuals interested in cartography and geographic information related professions.

CCIM[®]: The Certified Commercial Investment Member[®] designation is conferred by the CCIM institute and was established in 1969.

CFA[®] designation: The Chartered Financial Analyst[®] designation is a globally recognized standard for measuring the competence and integrity of investment professionals. {see CFA Institute}

CFA Institute[®]: Formerly the Association for Investment Research and Management[®], the CFA Institute is a §501(c)(6) tax-exempt organization that has its genesis in 1925. The global membership organization in 117 countries that awards the CFA[®] designation and leads the investment industry by setting high standards of education, ethics and professional excellence and by advocating fair and transparent capital markets. It controls the Research Foundation of CFA Institute, a §501(c)(3) non-stock tax exempt membership organization, that identifies, funds, and publishes research that is relevant to the CFA Body of Knowledge and that is useful to CFA Institute members, investment practitioners and investors and that promotes education in the area of finance and business and related fields.

CFA[®], Charter Financial Institute[®] and AIMR[®] are trademarks owned by the CFA Institute. {see AIMR[®]}

CFP[®] certification: The Certified Financial Planner[™] designation is a NCCA accredited certification of the Certified Financial Planner Board of Standards, Inc. (CFP Board), that helps people benefit from competent, professional and ethical financial planning. The CFP Board was founded in 1985.

Chartered Realty Investor Society: The Chartered Realty Investor Society is an independent industry-based organization that is dedicated to establishing and maintaining standards of excellence and certifying ethics-based competency of the commercial real estate investment professionals. The specialized and diverse disciplines of the industry are represented through the Board of Governors, committees and task forces that guide the development of the certification program. The Chartered Realty Investor Society is a not-for-profit 501(c)(6) corporation and is sponsored by the Commercial Real Estate Education Foundation.

CMB: The Certified Mortgage Banker professional designation is awarded by the Mortgage Bankers Association of America.

CMSA[®]: The Commercial Mortgage Securities Association is an international Trade Association for the commercial real estate capital markets that seeks to improve the liquidity of commercial real estate debt Securities through access to the capital markets. It monitors regulatory and legislative bodies in markets around the world to keep its members apprised of any laws, regulations or standards that are being anticipated that may impact their business. It also participates with other Trade Associations in industry coalitions to comment on issues that may affect the CMBS industry and directs a federal political action committee (CMSA PAC) that raises funds and contributes to federal candidates for office.

CoreNet Global: An organization that was created from the integration of the former International Development Research Council (IDRC) and The International Association of Corporate Real Estate Executives (NACORE International) to become the single voice for the corporate real estate industry and related professionals. It focuses on advancing knowledge, connecting people, promoting personal excellence.

Council of Institutional Investors: An organization of over 140 large public, labor and corporate pension funds, whose total assets exceed \$3 trillion, and over 130 educational sustainers that addresses investment issues that affect the size or security of plan assets. It encourages member funds to take an active role in protecting plan assets and helps members to increase their investment return as part of their fiduciary obligations.

CPM[®]: Certified Property Manager[®] is the designation awarded by the Institute of Real Estate Management to the top professionals in the real estate management industry.

CRE: The Councilors of Real Estate is a professional membership organization founded in 1953 that advances, enhances, and supports its members by serving as a resource for information, by creating opportunities for professional development, by facilitating networking, and

by providing the benefits of camaraderie. The CRE Designation is bestowed by invitation only in recognition of a person's achievements in real estate counseling

CREEF: The Commercial Real Estate Education Foundation is a 501(c)(3) not-for-profit corporation dedicated to the support of the Chartered Realty Investor Society and the Chartered Realty Investor[®] (CRI[®]) designation. The Foundation is the organization that funds the research and development of the examinations for the CRI Charter holder and CRI Associate designations. The Foundation seeks start-up funding from sources committed to excellence, education and professionalism in commercial real estate finance and investment.

CREW (aka CREW Network): The National Council of Real Estate Women is a full service business development network that advances the success of women in commercial real estate. It consists of 56 chapters whose members are involved in all aspects of commercial real estate throughout the United States and Canada.

CRI[®]: The Chartered Realty Investor[®] Charter holder and CRI Associate professional designations are awarded by the Chartered Realty Investor Society.

Dominion: The Dominion Bond Rating Service Limited is a credit rating agency.

DUS: Fannie Mae's designated underwriter and servicing program.

Fannie Mae: Federal National Mortgage Corporation is a U.S. government sponsored entity charged by the U.S. Congress to facilitate liquidity in the U.S. residential, mortgage market.

FASB: Financial Accounting Standards Board.

FHA: Federal Housing Administration.

Fitch: Fitch, Inc. is a NRSRO credit rating agency.

Freddie Mac: The Federal Home Loan Mortgage Corporation (or FHLMC) is a U.S. government sponsored entity (or **GSE**) that is charged by the U.S. Congress to facilitate liquidity in the U.S. residential, mortgage market.

Ginnie Mae: Government National Mortgage Association (or GNMA).

GLIS: The Geographic and Land Information Society is an ACSM Member Organization that encourages the appropriate use of surveying and mapping technologies in the development and use of geographic and land information systems.

Homer Hoyt Institute: an independent, non-profit research and educational foundation established in 1968 that contributes to improving the quality of public and private real estate decisions.

HUD: The U.S. Department of Housing and Urban Development is charged with improving U.S. residential housing.

ICSC: International Council of Shopping Centers is the global Trade Association of the shopping center industry. Founded in 1957, it advances the development of the shopping center industry and establishes the individual shopping center as a major institution in the community.

IFMA: The International Facilities Management Association is the professional association for facility management. Globally, it certifies facility managers, conducts research, provides educational programs, and recognizes facility management degree and certificate programs.

IPI: The International Parking Institute provides leadership, education, technical resources and information to the parking profession and related fields

IREM[®]: The Institute for Real Estate Management helps real estate managers prosper, add value to their companies and the properties they manage and advances the profession of real estate management. It sponsors the CPM[®], Certified Property Management[®], title.

IRS: U.S. Internal Revenue Service.

LMREOC: Life Mortgage and Real Estate Officers Council.

MAI[®]: The Appraisal Institute's membership designation held by appraisers who are experienced in the valuation and evaluation of commercial, industrial, residential and other types of properties, and who advise clients on real estate investment decisions. A collective service mark that members of the Appraisal Institute use to identify their real estate appraisal and consulting services and to distinguish their services from those of non-members. A collective membership mark owned by the Appraisal Institute[®] that its members use to indicate membership therein. The trademark is used as a proper adjective and not as a noun".

MBA: The Mortgage Bankers Association was founded in 1914 and is a national Trade Association that enables its members to invest in communities and achieve their business objectives by developing innovative business tools, educating and training industry professionals, providing a gathering place for the sharing of ideas, acting as the industry's voice on legislative and regulatory issues, and developing open and fair standards and practices for the industry.

MHI: The Manufactured Housing Institute is the national Trade Association representing all segments of the factory-built housing industry. It serves its membership by providing industry research, promotion, education and government relations programs, and by building and facilitating consensus within the industry.

MSRB: The Municipal Securities Rulemaking Board is an independent self-regulatory organization, consisting of representatives of Securities firms, dealer banks and the public that is charged with primary rulemaking authority

over dealers, dealer banks and brokers in connection with their municipal Securities activities. MSRB rules are approved by the SEC and enforced by NASD for broker-dealers other than dealer banks and by the appropriate regulatory agencies for dealer banks

Moody's: Moody's Investors Service, Inc. is a NRSRO credit rating agency.

NAA: The National Apartment Association, "America's Leading Advocate For Quality Rental Housing", is a Trade Association, founded 25 years ago, that serves the interests of multifamily housing owners, managers, developers and suppliers and maintains a high level of professionalism in the multifamily housing industry to better serve the rental housing needs of the public. It is a federation of 164 state and local affiliates. Through a joint legislative alliance with the National Multi Housing Council, it protects and represents its members' interests with regard to legislative and regulatory issues at the federal government level. It also provides education and training opportunities for both multi-site managers and on-site staff.

NAEP: The National Association of Environmental Professionals is a multidisciplinary, professional association dedicated to the promotion of ethical practices, technical competency, and professional standards in the environmental fields.

NAHB: The National Association of Home Builders is a Trade Association that enhances the climate for housing and the building industry and provides and expands opportunities for all consumers to have safe, decent and affordable housing. As "the voice of America's housing industry," NAHB promotes policies that will keep housing a national priority. Founded in 1942, it is a federation of more than 800 state and local associations that analyzes policy issues, takes the industry's story to the public, monitors and works toward improving the housing finance system, analyzes and forecasts economic trends, represents the industry's interests on Capitol Hill, ensures housing is a national priority when laws are made and policies are established, works with federal agencies on regulations affecting housing, and shapes decisions of the courts such that laws and regulations may be interpreted favorably for the housing industry.

NAIC: The National Association of Insurance Commissioners is a non-profit regulatory association that assists state insurance regulators in serving the public interest and achieving fundamental insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members. Founded in 1871, it develops model laws and regulations, maintains market information systems, prepares statistical reports and analysis, sources industry information, review annually and re-examinationines every five years the quality of regulation in an insurance department,

promotes and provides technical expertise, operates a securities valuation office, conducts Federal and international government relations, tracks non-U.S. insurers, assists in financial surveillance, offers professional development programs and assists in market regulation.

NAIOP: National Association of Industrial and Office Properties is a Trade Association that represents the interests of developers and owners of industrial, office and related commercial real estate throughout North America by providing communication, networking and business opportunities for all real estate related professionals, by offering continuing education and by promoting effective public policy through its governmental affairs department and its grassroots network to create, protect and enhance property value

NAR[®]: The National Association of Realtors[®] is “The Voice for Real Estate”[®] and a Trade Association whose core purpose is to help its members become more profitable and successful. It was founded in 1908 and provides a facility for professional development, research and exchange of information among its members and to the public and government for the purpose of preserving the free enterprise system and the right to own, use, and transfer real property.

NAREIM: The National Association of Real Estate Investment Managers was founded in 1990 and provides a dialogue on the challenges and opportunities in the real estate industry on a timely basis through Discussion Forums, that focus on operational and strategic issues and provide exposure to a variety of viewpoints.

NAREIT: The National Association of Real Estate Investment Trusts[®] is a national Trade Association for REITs and publicly traded real estate companies. Its services include representation before national and state policymakers on matters that affect the REIT and publicly traded real estate industry, a voice for the publicly traded real estate industry with the financial media and the investment market, and the latest industry research information about REITs.

NASD[®]: The National Association of Securities Dealers is the world's leading private-sector provider of financial regulatory services, helping to bring integrity to the markets and confidence to investors.

NCCA or National Commission for Certifying Agencies: The National Commission for Certifying Agencies is an independent accreditation organization that provides the quality benchmark against which voluntary certification programs measure themselves. It was founded in 1989 by the National Organization for Competency Assurance (“NOCA”) and replaced an earlier commission that was founded in 1977 and that cooperated with the U.S. Government to develop standards of excellence for voluntary certification. The purpose of NCCA is to provide

the public and other stakeholders the means by which to identify certification programs that serve their needs. It has identified the essential components of a national certification and recertification program and determines whether a certification organization (e.g., the CRI Society) meets established standards based on these essential components. Professional programs that are not accredited by NCCA include the CCIM[®], CFA[®], CMB, CPM[®], CRE, MAI[®], and SIOR designations. The CFP[®] certification is accredited by NCCA.

NCLI: National Council of Life Insurers.

NCREIF: The National Council of Real Estate Investment Fiduciaries is an association of institutional real estate professionals, including investment managers, plan sponsors, academicians, consultants, appraisers, CPA's and other service providers, who have a significant involvement in pension fund real estate investments and who address vital industry issues and to promote research.

NIC: The National Investment Center for the Seniors Housing & Care Industries facilitates efficient capital formation for the seniors housing and care industries through research, networking, and providing business and financial information.

NIRI or National Investor Relations Institute: is dedicated to advancing the practice of investor relations and the professional competency and stature of its members. It is a professional association of corporate officers and investor relations consultants responsible for communications among corporate management, shareholders, security analysts and other financial publics.

NMHC: National Multi Housing Council is a national Trade Association representing the interests of the larger and most prominent apartment firms. It advocates on behalf of rental housing, conducts apartment-related research, encourages the exchange of strategic business information, and promotes the desirability of apartment living. NMHC and the National Apartment Association unite under the auspices of the NMHC/NAA Joint Legislative Program to support legislative and regulatory policies that enable the apartment industry to provide high quality, affordable and accessible homes to the nation's renter households.

NOCA: National Organization for Competency Assurance is a membership organization of certification organizations providing technical and educational information concerning certification practices.

NSPS: The National Society of Professional Surveyors, Inc. is an ACSM Member Organization. It provides (i) the platform by which members can share their thoughts and opinions about common interest through business meetings, committees, regional groups and student chapters, and (ii) a forum for input from other groups

such as the National Association of County Surveyors, members of state boards of registration, and the Forum for State Surveying Society Executives. It administers a number of certification programs including Certified Survey Technician (CST), Hydrographic Surveyor Certification, and Certified Flood Plain Surveyor.

Ofheo: Office of Federal Housing Enterprise Oversight.

PREA: Pension Real Estate Association is a nonprofit organization, founded in 1979, whose members are engaged in the investment of tax-exempt pension and endowment funds into real estate assets and that sponsors objective forums for education, research, membership interaction and information exchange.

RERI: The Real Estate Research Institute is a 501(c)(3) non-profit corporation that stimulates high quality research on real estate investment performance and market fundamentals to elevate the quality of real estate decision making. Incorporated in 1987 as the NCREIF Research Institute under the sponsorship of the National Council of Real Estate Investment Fiduciaries, its name was changed to the Real Estate Research Institute in 1992. Administrative functions of the Institute are housed at the Pension Real Estate Association. {see PREA}

RICS: Royal Institute of Chartered Surveyors.

RLI: The REALTORS[®] Land Institute is an affiliate of the National Association of REALTORS[®]. It is focused on land brokerage and originally was named the Farm & Land Institute.

RMA: The Risk Management Association is a nonprofit, member-driven professional association whose sole purpose is to advance the use of sound risk principles in the financial services industry. It promotes an enterprise-wide approach to risk management that focuses on credit risk, market risk, and operational risk. It does not lobby.

SIOR: A professional affiliate of the National Association of REALTORS[®], the Society of Industrial and Office Realtors[®] is a Trade Association that was founded in 1941 and maintains a commitment to business and industry by providing professional services, publications, and educational programs. It:

- offers opportunities for developing contacts among commercial, industrial and office property brokers and between corporate real estate executives,
- assists members in building media relationships and enhancing personal business recognition,
- sponsors a peer-based system for resolving business disputes and
- certifies, with the SIOR (Specialist, Industrial and Office Real Estate) title, its members who are: Licensed in the state of business residency; Actively

engaged as either a full-time industrial and/or office real estate broker, brokerage salesperson, or sales manager (with recent brokerage experience); A full-time manager of at least ten (10) industrial and/or office brokers and/or salespersons; or A full-time advisor or consultant performing assignments, undertaken for a fee that is not contingent on the completion of a transaction, that involve industrial and/or office real estate (excluding appraisals), and has a credible production record.

S&P: Standard and Poor's Corporation is a NRSRO credit rating agency.

Trade Association: A gathering of business organizations or persons having similar concerns, engaged in similar fields and formed for a common business interest or purpose that takes joint actions for its members' mutual benefit and protection including advertising, collecting industry data, engaging in public and government relations, establishing and maintaining industry standards, exchanging industry ideas and statistics and marketing.

ULI: The Urban Land Institute is a 501(c) (3) nonprofit research and education organization, founded in 1936, that represents the entire spectrum of land use and real estate development disciplines, working in private enterprise and public service. It facilitates the exchange of ideas, information and experience among local, national and international industry leaders and policy makers dedicated to creating better places. Its mission is to provide responsible leadership in the use of land to enhance the total environment. ULI neither lobbies nor acts as an advocate for any single industry. It examines land use issues, impartially reports findings, and convenes forums to find solutions to complex land use problems, collaborating with industry and stakeholder groups worldwide.

USGBC: The U.S. Green Building Council is the nation's leading nonprofit coalition for advancing buildings that are environmentally responsible, profitable and healthy places to live and work. Its programs include the Council's Leadership in Energy and Environmental Design (LEED[®]) Green Building Rating Systems[™] for New Construction, Existing Buildings, Commercial Interiors and Homes; LEED Workshops; LEED Professional Accreditation; and the Greenbuild International Conference & Expo.

WIRE: Women In Real Estate is a San Francisco based Trade Association, founded in 1983, that supports and promotes women in the commercial real estate industry and organizes meetings where guest speakers present issues that are pertinent to the real estate profession.

APPENDIX E

Certification Terminology

The information and other material contained, cited or referenced in this Appendix do not constitute any accreditation counsel. They are solely for the purpose of understanding the certification process used by the CRI Society. In all events, one should seek independent, qualified counsel.

This terminology explains the process of building and operating an accredited, certification program, including the relevant references to the CRI Charter program.

Accreditation: In general, the approval of an educational or Certification Program according to defined standards (e.g., the *NCCA Standards for the Accreditation of Certification Programs*).

Administrative Independence: An organizational structure for the governance of a Certification Program (e.g. the CRI Certification Program) that ensures control over all essential Certification and Recertification decisions without being subject to approval by or Undue Influence from any other body.

Alpha Tester: A qualified and appropriately trained person who actively and satisfactorily participates in the initial or pilot testing, reviewing, rewriting, reassessing and the eliminating or approving of the Items, or questions, in a test.

Applicant: A person who declares interest in:

- earning a credential (e.g., the CRI® Charter) offered by a Certification Program (e.g. the CRI Society), and/or
- becoming a member in a professional organization (e.g., the CRI® Society),

through a request for information and the satisfactory submission of required materials. {see section 6.0}

Assessment Instruments: One of several standardized methods for determining if candidates possess the necessary knowledge and/or skill related to the purpose of the Certification. {see section 3, above, for information on related topics}

Autonomy: Control over all essential Certification and Recertification decisions without being subject to approval by or Undue Influence from any other body. Autonomy in the management and administration of Certification enhances the ability of Certification Programs to serve Stakeholder interests, primarily those of consumers of professional services.

Beta Tester: A qualified person who takes a preliminary draft of a test and whose test results are used in a psychometrically valid manner to assist in establishing a passing score for the test.

Candidate (a CRI® Candidate): A person who has satisfied the eligibility qualifications for, but has not yet earned, a

credential (e.g., the CRI Charter or CRI Associate designation) awarded through a Certification Program (e.g., the CRI Charter program).

Certification: A process, often voluntary, by which a person (e.g., a CRI Candidate) who has demonstrated the level of knowledge and skill required in the profession, occupation, role, or skill (e.g., in the Real Estate Investment Decision Making and/or Implementation Activities) is identified by the Certifying Agency (e.g., the CRI Society) to the public and other Stakeholders (e.g., through the award of a revocable right to hold the CRI Charter or CRI Associate designation). {see Certification Program and Accreditation}

Certification (or Certifying) Agency: The organizational or administrative unit (e.g., the CRI Society) that offers and/or operates a Certification Program (e.g., the CRI Charter Certification Program or CRI Associate Certification Program).

Certification Board: A group of persons appointed or elected to govern one or more Certification Programs as well as the Certification Agency, and responsible for all certification decision making, including governance.

Certification Program: The standards, policies, procedures, Assessment Instruments, and related products and activities through which persons are publicly identified as qualified in a profession, occupation, role, or skill. {see Certification}

Chartered Realty Investor® (CRI®): Chartered Realty Investor® is a proper adjective that only modifies a proper noun (e.g., Chartered Realty Investor Charter or Chartered Realty Investor Charter holder). It is not a proper noun; It is wrong to say, "The person is a Chartered Realty Investor". "Chartered Realty Investor" shall not be used in the plural or as a possessive; It is wrong to say, "Two executives are Chartered Realty Investors", or "She has a Chartered Realty Investor's understanding of investments". {see section 10.1, Using the CRI Society Titles Correctly and section 1.0, Defining a CRI Charter holder and CRI Associate}

CRI® Associate Examination Candidate Guide

Conduct Agreement: A CRI Society form that an Applicant satisfactorily must complete and submit to:

- enroll in a CRI Examination or
- become a member of the CRI Society.

{see Appendix E, Disclosure Statement and Examination Enrollment Form}

Consumer: see Public Member.

Continuing Competence: The standard of conduct that requires the ability to provide service at specified levels of knowledge and skill, not only at the time of initial Certification, but throughout a person's professional career.

Continuing Education: Activities, often short courses that certified professionals (e.g. CRI Charter holders and CRI Associates, not Applicants or Candidates) engage in to receive credit for the purpose of maintaining Continuing Competence and renewing Certification.

CRI®: Chartered Realty Investor® is a proper adjective that only modifies a proper noun (e.g., CRI Society or CRI Charter holder). It is not a proper noun (i.e. It is wrong to say, "The person is a CRI" or, "The person has a CRI"). It shall not be used in the plural or as a possessive. {see section 1.0 Defining a CRI Charter holder and CRI Associate and section 10.1, Using the CRI Society Titles Correctly}

CRI® Associate: A Fiduciary Participant who has been awarded a limited, revocable right to hold the CRI Associate designation from the CRI® Society by satisfying all of the CRI Society's published, uniform standards and criteria, that legally, objectively and fairly evaluate the:

- Verifiable merits of a CRI Candidate and
- Continued compliance of a CRI Associate.

{see section 1.0 Defining a CRI Charter holder and CRI Associate, section 9.1.3, Continuing Requirements to Hold the CRI Charter or CRI Associate designation and section 10.1, Using the CRI Society Titles Correctly}

CRI® Candidate (a Candidate): {see Candidate and section 10.1, Using the CRI Society Titles Correctly}

CRI® Charter holder: A Fiduciary Participant who has been awarded a limited, revocable right to hold the CRI Charter designation from the CRI® Society by satisfying all of the CRI Society's published, uniform standards and criteria, that legally, objectively and fairly evaluate the:

- Verifiable merits of a CRI Candidate and
- Continued compliance of a CRI Charter holder.

{see section 1.0 Defining a CRI Charter holder and CRI Associate, section 9.1.3, Continuing Requirements to Hold the CRI Charter or CRI Associate designation and section 10.1, Using the CRI Society Titles Correctly}

Distracter(s): The three, incorrect responses in an Item.

Disclosure Statement: A CRI Society form that a person satisfactorily must complete and submit:

- with each CRI Examination Enrollment Form,
- to become a member of the CRI Society, and
- annually during the term of CRI Society membership.

{see Appendix E, Conduct Agreement & Enrollment Form}

Equating: A statistical process authorized by NCCA and used by a Certification Program (e.g. the CRI Certification Program) to convert scores on two or more alternate forms of an assessment instrument (e.g. a CRI Associate Examination) to a common score for purposes of comparability and equivalence.

Item: A problem and/or question that appears in an assessment instrument (e.g., a CRI Examination) and to which candidates must respond. An Item consists of a Set-up, one Key and three Distracters.

Key: The correct answer in an Item. {see section 5.3}

NCCA or National Commission for Certifying Agencies: The National Commission for Certifying Agencies is an independent accreditation organization that provides the quality benchmark against which voluntary certification programs measure themselves. It was founded in 1989 by the National Organization for Competency Assurance ("NOCA") and replaced an earlier commission that was founded in 1977 and that cooperated with the U.S. Government to develop standards of excellence for voluntary certification. The purpose of NCCA is to provide the public and other stakeholders the means by which to identify certification programs that serve their needs. It has identified the essential components of a national certification and recertification program and determines whether a certification organization meets established standards based on these essential components.

NOCA or National Organization for Competency Assurance: A membership organization of certification organizations providing technical and educational information concerning certification practices.

Public Member (aka Consumer): A representative of the consumers of services provided by a defined certification member group (e.g., the CRI Charter holder) population, serving as a voting member on the governing body of a Certification Program (e.g., the CRI Society Certification Program).

The Public Member is/has not:

- A current or previous member of the profession encompassed by the Certification Program of the Certification organization,
- An employer or an employee of persons in the profession encompassed by the Certification Programs of the Certification organization,
- An employee of a person certified by the Certification organization or of an employer of persons in the profession encompassed by the Certification Programs of the Certification organization,

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- An employee of any Certification organization,
- Currently deriving more than 5% of their total income from the profession encompassed by the Certification Programs of the Certification organization,
- Derived in any of the five years preceding my appointment as a Public Member on the governing body more than 5% of their total income from the profession encompassed by the Certification Programs of the Certification organization and/or
- Worked for or provided contract services to the Certification organization at any time during the five years preceding my appointment as a Public Member on the governing body.

Recertification: Requirements and procedures established as part of a Certification Program or Accreditation Program (i.e., the NCCA accreditation program) that an individual having been awarded a Certificate must satisfy in order to ensure Continuing Competence and renew their Certification (e.g. the CRI Charter or CRI Associate).

The purpose of periodic Recertification is to measure continued competence and/or to enhance continued competence. If the purpose of Recertification is to measure continued competence of an awardee, then the Certification Program must substantiate the validity and reliability of the Assessment Instruments.

Score Item: A Candidate's Associate Examination score will be based on 200 Items (the "Score Items") that are randomly located in the entire 225 Item Examination. 25 Items (the "Pretest Items") in the Examination do not affect the score and also are randomly located in the Examination and are used to measure continued competence. If the purpose is to enhance continued competence of an awardee, then the Certification Program must demonstrate how the policy contributes to his/her professional development.

Set-up: The background information and actual question in an Item.

Stakeholder: An entity, including Candidates, Charter holders, Associates, Clients, Customers, employers, regulators and third party payers, with an interest in the governance, quality and operation of the CRI Charter and CRI Associate Certification Programs.

APPENDIX F

Websites for Additional Information

The following sources provide optional, supplemental information on topics that may appear in this *Guide*. Citations, links or pointers connecting with web sites and other sources are provided by the CRI® Society as a courtesy only. The CRI Society assumes no responsibility or liability for such other sites' content, accuracy, or compliance with applicable laws.

- **Accreditation** – see *NCCA's Standards for Accreditation of Certification Programs*
www.noca.org/ncca/docs/STANDARDS904.pdf
- **Agriculture** – see *New Mexico State University's Agricultural Glossary*
www.cahe.nmsu.edu/news/aggloss.html
- **Appraisals** – see *The Appraisal Institute's Uniform Standards of Professional Appraisal Practice*
www.freddiemac.com/mbs/html/cs_terms.html
- **Asset Manager, Conduct** – see *Asset manager Code of Professional Conduct*
www.cfainstitute.org/cfacentre/positions/pdf/asset_manager_code.pdf.
- **(Securities) Broker-Dealer Registration** – see *U.S. SEC Guide to Registration*
www.sec.gov/divisions/marketreg/bdguide.htm#II
- **Commercial Mortgage Backed Securities** – see *CMBS' Glossary* in Adobe Acrobat Pfd. format
www.cmbs.org/about/Glossary1.pdf
- **Corporate Bond Underwriting Process** – see *Bond Market Association's plain English documentation*
www.bondmarkets.com/assets/files/Corporate_Bond_Underwriting_PlainEnglish_12092004.pdf
- **Corporate Governance, Global Principles** – see *The Corporate Governance of Listed Companies: A Manuel*
www.cfainstitute.org/cfacentre/cmp/pdf/cfa_corp_governance.pdf
- **Corporate Governance, Glossary of Terms** – see *Council of Institutional Investors*
www.cii.org/library/learning/glossary_of_terms.htm#c
- **Corporate Governance, Listed Companies** – see *Final NYSE Corporate Governance Rules*
www.nyse.com/pdfs/finalcorpgovrules.pdf
- **Derivatives, Accounting Risk** – see *FASB Statement No. 133 Accounting for Derivative Instruments and Hedging Activities*
www.fasb.org/pdf/fas133.pdf
- **Derivatives (Exchange-Traded) Glossary** – see *Chicago Mercantile Exchange's Resources-Glossary of Terms*
www.cme.com/edu/course/resources/glossary.html
- **Derivatives (Exchange-Traded) for Currency Risk Management** – see *Chicago Mercantile Exchange*
www.cme.com/files/FXFOWCME.pdf
www.cme.com/files/FXComparingFuturesForwardsManagingCurrency.pdf
- **Derivatives (Exchange-Traded) for Interest Rate Risk Management** – see *Chicago Mercantile Exchange*
www.cme.com/files/ir_basics.pdf
- **Derivatives (Exchange-Traded) for Risk Mngm't. of Single Family Housing** – see *Chicago Mercantile Exchange*
www.cme.com/files/CmeCsiHousingIntroWhitePaper.pdf
www.cme.com/files/CmeCsiHousing.pdf
- **Derivatives (Exchange-Traded) for Risk Management of Weather** –
see *Chicago Mercantile Exchange's Alternative Investment Products-Weather* for temperature-based index futures and options
www.cme.com/files/IntroWeatherFINAL.pdf
see *Weather risk Management Association's Case Studies*
Construction Industry – www.wrma.org/wrma/library/file772.pdf
Agriculture – www.wrma.org/wrma/index.php?option=com_content&task=view&id=27&Itemid=33

- **Derivatives, Regulation** – see National Futures Association
www.nfa.futures.org/aboutnfa/indexAbout.asp
- **Derivatives, Swap Transactions** – *ISDA 1987 Interest Rate and Currency Exchange Definitions*
www.isda.org
- **Derivatives, Trade Association** – see International Swaps and Derivatives Association, Inc.
www.isda.org.
- **Hazard Map** – see ESRI and FEMA Hazard Information and Awareness flood, earthquake etc. maps
www.esri.com/hazards/makemap.html
- **Fannie Mae** – see *Glossary of Mortgage Terms*
www.fanniemae.com/homebuyers/glossary/index.jhtml;jsessionid=ZCBSUAXLU0SH1J2FQSiSFGAp=Resources&s=Glossary
- **Fannie Mae** – see Prospectuses and Related Documents
www.fanniemae.com/mbs/disclosure/index.jhtml?p=Mortgage-Backed+Securities&s=Prospectuses+%26+Related+Documents
- **Forestry Terminology** –
see Australian Master Tree Grower Program's *Farm Forestry Glossary*
www.mtg.unimelb.edu.au/publications/glossary.htm
see Canadian Forest Service's *Glossary of Forestry Terms*
www.nrcan-rncan.gc.ca/cfs-scf/science/prodserv/glossary_e.html
see Maryland Dept. of Natural Resources' *Glossary of Forestry Terms*
www.dnr.state.md.us/forests/gloss.html
see University of Washington Rural Technology Initiative's *Links*
www.ruraltech.org/links/forestry.asp
- **Freddie Mac** – see *Product Glossary*
www.freddiemac.com/mbs/html/cs_terms.html
- **Freddie Mac** – see legal Documentation
www.freddiemac.com/mbs/html/aop_historical_oc.html
- **Insurance** – see Rupp's *Insurance & Risk Management Glossary*
www.insurance.cch.com/Rupps/index.htm
- **Insurance, Tenant's Requirements** – see NCREIF's *Guidelines for Insurance Language for Leases*
www.ncreif.org/committees/pdf/Guidelines_for_Insurance_Language_for_Leases.pdf
- **Investment Adviser Registration** – see *Form ADV, Glossary of Terms*
www.sec.gov/about/forms/formadv.pdf#glossary
- **Investment Manager Glossary** – see NAREIM's *Glossary of Terms for Real Estate Investment Managers*
www.nareim.org/public/pdfs/glossTerms.pdf
- **Investment Policy Statement, sample state employee retirement system statements** – see:
CalPERS: www.calpers.ca.gov/eip-docs/investments/policies/real-estate/real-estate.pdf
Wisconsin Retirement System: www.swib.state.wi.us/investment_guides.pdf.
- **Investment Styles, Equity Real Estate** – see NCREIF's *Real Estate Investment Styles*
www.ncreif.org/committees/pdf/2004-02-01_portfolio_minutes.pdf
- **Mining Terminology** – see Pennsylvania Dept. of Environmental Protection, Bureau of Deep Mine Safety *Glossary of Mining Terms*
- **NCCA Accreditation of a Certification Program**
www.noca.org/ncca/accreditation.htm
- **Oil and Natural Gas, glossary of petroleum reserves and resources** – see Society of Petroleum Engineers:
www.spe.org/spe/jsp/basic/0,,1104_3306579,00.html
- **Oil and Natural Gas, unit conversion factors** – see Society of Petroleum Engineers:
www.spe.org/spe/jsp/basic/0,,1104_1732,00.html
- **Property Management** – IREM's *Glossary of Real Estate Management Terms*

www.irem.org/sec1ins.cfm?sec=iremfirst&con=glossary_lookup.cfm&par

- **Real Estate Information Standards (REIS) terminology** – see NCREIF’s *Glossary*
www.ncreif.com/resources/glossary.phtml
see NCREIF Property Index *Data Collection and Reporting Procedures Manual: §5. Detailed Property Type Description & § 6. Glossary of Terms*
www.dataconsortium.org/documents/DSSUserManual/NCREIFUsersManual.html
- **REITs** – see NAREIT’s *Glossary*
www.investinreits.com/learn/glossary.cfm
- **Sarbanes-Oxley Act of 2002** – see *Federal Register*
www.frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.89&filename=h3763enr.pdf&directory=/disk2/wais/data/107_cong_bills
- **Securities** – see MSRB’s *Glossary of Terms*
www.msrb.org/msrb1/glossary/default.asp
- **Securities** – see NASD ‘s *Glossary of Terms*
www.nasd.com/web/idcplg?IdcService=SS_GET_PAGE&ssDocName=NASDW_009546&ssSourceNodeId=1108
- **Securities Rules** – see *NASD Manual*
www.nasd.complinet.com/nasd/display/index.html
- **Securities Analysts Regulation** – see SEC Commission Information
www.sec.gov/divisions/marketreg/securitiesanalysts.htm
- **Securities Definitions and Regulation**– see *NASD Glossary*
www.nasd.com/web/idcplg?IdcService=SS_GET_PAGE&nodId=766&ssSourceNodeId=6
- **Securities Definitions and Regulation** – see SEC Fast Answers
www.sec.gov/answers.shtml#r-entries
- **Shopping Centers** – see *ICSC Shopping Center Definitions*
www.icsc.org/srch/lib/library.php
- **Specially Designated Nationals and Blocked Persons (“SDN”)** – see NASD’s Search OFAC’s SDN List
www.apps.nasd.com/Rules_&_Regulations/ofac/default.asp
- **Surveying and Mapping** – see ACSM
www.acsm.net/acsmintro.html
- **Surveys for Land Title**
see *Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys*
www.acsm.net/alta99.pdf
see *Accuracy Standards for ALTA-ACSM Land Title Surveys*
www.alta.org/standards/surveys.pdf
- **Title Insurance, definition of terms** – see *ALTA Glossary*
www.alta.org/consumer/ltiglossary1.pdf
- **Title Insurance, Policies and Endorsements** – see *ALTA Standards and Forms*
www.alta.org/standards/index.cfm
- **U.S. Office Buildings** – NAIOP’s *Terms and Definitions of US Office Market 2004*
www.naiop.org/services/usofficeterms.pdf
- **Water. definition of terms and measurement of properties** –
see *USGS Water Science Glossary of Terms*
ga.water.usgs.gov/edu/dictionary.html
see State of Nevada Division of Water Resources *Water Words Dictionary*
water.nv.gov/Water%20planning/dict-1/ww-index.htm.
see *USGS Common Water Measurements: Temperature, pH, Specific Conductance, Turbidity, Dissolved Oxygen, Hardness and Suspended Sediment*
ga.water.usgs.gov/edu/characteristics.html

**APPENDIX G:
CRI® Associate Examination Application Forms**

To submit an application to become a Candidate for the CRI Associate Examination, a Candidate must complete and return the following forms along with the appropriate Examination Fee to:

Chartered Realty Investor Society
P.O. Box 14924
Lenexa, KS 66285-4924

For overnight delivery, mail to: 18000 West 105th Street, Olathe, KS 66061



CRI® Associate Candidate Application

To apply for the Associate examination, complete this application and return the original copy and documentation with the exam fee to:

**CHARTERED REALTY INVESTOR SOCIETY
P.O. BOX 14924, LENEXA, KS 66285-4924**

For overnight delivery, mail to: 18000 West 105th Street, Olathe, KS 66061

PERSONAL INFORMATION *(Print using black or blue ink)*

Mr. Ms. Name (Last, First, Middle): _____

Company: _____ Daytime Phone Number: _____

Street Address: _____

City: _____ State: _____ Zip Code/Postal Code: _____ Country: _____

Evening Phone Number: _____ E-mail Address: _____

ELIGIBILITY REQUIREMENTS

To be reviewed by the Chartered Realty Investor Society Candidacy and Designations Committee. The original copy of all information must be submitted with your application.

AREA OF EXPERIENCE

I have "qualified professional real estate experience" in the following area(s):

Work in the area of real estate in:	Service provider to real estate professionals:	Academic or research professional:
<input type="checkbox"/> Investment	<input type="checkbox"/> Lawyer	<input type="checkbox"/> Teacher
<input type="checkbox"/> Management or Leasing	<input type="checkbox"/> Accountant	<input type="checkbox"/> Conducting Research and Analysis
<input type="checkbox"/> Finance or Mortgage Lending	<input type="checkbox"/> Mortgage Loan Servicer	<input type="checkbox"/> Student
<input type="checkbox"/> Construction or Development	<input type="checkbox"/> Title Insurer	In this area of real estate:
<input type="checkbox"/> Sales or Brokerage	<input type="checkbox"/> Fiduciaries and Trustees	<input type="checkbox"/> Investment
<input type="checkbox"/> Other:	<input type="checkbox"/> Mortgage Bankers/Brokers	<input type="checkbox"/> Management or Leasing
	<input type="checkbox"/> Due Diligence Providers	<input type="checkbox"/> Finance or Mortgage Lending
	<input type="checkbox"/> Software and Analytic Support Providers	<input type="checkbox"/> Construction or Development
	<input type="checkbox"/> Rating Agency Employees	<input type="checkbox"/> Sales or Brokerage
	<input type="checkbox"/> Urban Planners	<input type="checkbox"/> Urban Planners or Economics
	<input type="checkbox"/> Government Raters	<input type="checkbox"/> Other:
	<input type="checkbox"/> Other:	

Please provide a brief description of your current professional real estate related responsibilities: _____

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REFERENCES

Complete and execute three (3) professional references using the Chartered Realty Investor (CRI) Society Reference Form included in this application. One reference should be from a current or former supervisor. These references must be submitted with this application.

DISCLOSURE AND CONDUCT STATEMENT

The applicable disclosure and conduct statements must be signed and submitted with this application.

EXAM FEE

Application

- \$400 exam fee

Payment must be submitted with this application.

Payment may be made by credit card, company check, cashier's check or money order made payable to the **Chartered Realty Investor Society**.

Exam fee includes a one-year Candidate membership in the Chartered Realty Investor Society.

If payment is made by credit card, complete the following:

- VISA
 MasterCard
 American Express

Credit Card Number: _____

Expiration Date: _____

Name on Card: _____

Signature: _____

Chartered Realty Investor[®] Society Disclosure Statement

Answer the following questions and provide additional information on a separate page(s) for any questions answered in the affirmative, "Yes":

1. Have you ever been convicted of or pleaded guilty or nolo contendere ("no contest") to any felony or any crime punishable by imprisonment of more than one year? Yes No
2. Have you ever been convicted of a misdemeanor concerning moral turpitude (e.g., lying, cheating, stealing or other dishonest conduct) or substantially equivalent crime in any court of law? Yes No
3. Has the U.S. Securities and Exchange Commission, Commodities Futures Trading Commission, or any other Federal, state or foreign government regulatory agency, or any self-regulatory organization, securities or commodities exchange ever found that you have made a false statement or omission? Yes No
4. Have you ever been, or are you presently, expelled or suspended from membership or participation in, or denied or suspended from being associated with any government-regulated financial entity (e.g., bank, insurance company, investment advisor, securities broker/dealer), appraisal or law bar or mortgage banking or real estate brokerage board or association, self-regulatory organization, securities exchange, options contract market, futures association, or substantially equivalent entity of any of the foregoing? Yes No
5. Have you by your conduct ever, while associated with any of the entities identified in Sections 3 and 4 above, been found by any court, the U.S. Securities and Exchange Commission or the Commodity Futures Trading Commission or any other Federal, state or foreign government regulatory agency, or self-regulatory organization to be a cause of any expulsion, suspension, or action of the character identified in Sections 3 and 4 above? Yes No
6. Have you ever been denied or suspended (i) trading privileges on a securities or options contract market, or (ii) appraisal, mortgage banking, mortgage brokerage, property brokerage or property sales privileges in any real estate market? Yes No
7. Have you ever been prevented by any government, regulatory or self-regulatory organization, appraisal or law bar or mortgaging banking or real estate board or association, options contract market, securities exchange, futures association, or substantially equivalent entity from (i) acting as an appraiser, attorney, mortgage banker, real estate sales person or broker, title insurance agent, licensed real estate general contractor or subcontractor, architect, engineer, accountant, investment advisor, securities registered representative or principal, or (ii) acting as a person required to be registered or licensed under any law or regulation, or acting as an employee or a person affiliated with any entity required to be registered or licensed under any law or regulation, or (iii) engaging in or continuing any conduct or practice related to any such activity including, but not limited to, the analysis, construction, credit rating, design, development, engineering, financing, inspection, investment, leasing, recordation, sale, securitization or title insuring of real estate? Yes No
8. Have you ever been found by any court, regulatory or self-regulatory agency, appraisal or law bar or mortgage banking or real estate brokerage board or association, options contract market, futures association or securities exchange, or substantially equivalent entity to have violated or aided, abetted, counseled, commanded, induced or procured the violation by any entity or person of any mortgage lending-, real estate-, securities- or commodities-related law, regulation or rule? Yes No

9. Have you ever been a defendant or respondent in any real estate-, mortgage-, securities- or commodities-related civil litigation or arbitration in which your direct or indirect supervisory, professional conduct was at issue, which has been disposed of by judgment, award, or settlement for any amount? Yes No
10. Have you ever been the subject of any claim for damages, excluding mechanics' liens, by a customer, client, or any real estate, mortgage lending, regulated investment, securities or commodities entity that settled for any amount? Yes No
11. Have you ever been the subject of any disciplinary action taken by a self-regulatory organization involving suspension, termination, the withholding of commissions or imposition of fines, or any significant limitation of activities? Yes No
12. Has any foreign government, court, regulatory agency, or exchange ever entered an order against you related to investments or fraud? Yes No
13. Has any bonding company ever denied, paid out on, or revoked coverage for you under a Fidelity Bond or Securities Dealer Blanket Bond because of your conduct? Yes No

I represent that the information contained herein is truthful and complete, and I agree promptly to inform the Chartered Realty Investor Society of any changes to my responses.

Name (Please print): _____

Signature: _____

Date: _____

Request for Special Exam Accommodations

If you have a disability covered by the Americans with Disabilities Act, please complete this form and the Documentation of Disability-Related Needs on the reverse side so your accommodations for testing can be processed efficiently. The information you provide and any documentation regarding your disability and your need for accommodation in testing will be treated in strict confidentiality.

APPLICANT INFORMATION

Name (Last, First, Middle): _____

Street Address: _____

City: _____ State: _____ Zip Code/Postal Code: _____ Country: _____

SPECIAL ACCOMMODATIONS

I request special accommodations for the CRI Associate Examination.

Date of exam: _____

Location of exam: _____

Time of exam: _____

Please provide (check all that apply):

- Accessible testing site
- Special seating
- Reader
- Extended testing time (time and a half)
- Distraction-free room
- Other special accommodations (Please specify)

COMMENTS: _____

Applicant's Name (*Please print*): _____

Applicant's Signature: _____

Date: _____

For questions regarding certification and exam application, contact:

Chartered Realty Investor Society

P.O. Box 14924 Lenexa, KS 66285-4924

Phone: 913.895.4619

cris-info@goamp.com

www.crisociety.org

For questions regarding exam administration, contact:

Applied Measurement Professionals, Inc.

(AMP)18000 West 105th Street

Olathe, KS 66061-7543

Phone: 913.895.4600

FAX: 913.895.4650

info@goAMP.com

www.goAMP.com
