

Re-engineering processes for a Public REIT to improve Expense Reconciliation, Unapplied Cash, and Property Tax Collection

How a large Publicly Traded REIT leveraged NTrust's unique Real Estate Knowledge to significantly improve cash flow.



PROCESS IMPROVEMENT FOR A LARGE PUBLIC REIT

Problem:

During an audit, this large Publicly Traded REIT found that it had a significant amount of Unapplied Cash on its books...and no way to track how it should be applied.

This was the first problem NTrust was brought in to fix, and in the process NTrust became an integral partner handling:

1. Property Tax billing and collection
2. CAM Reconciliation
3. CAP Rollover



NTrust's small audit team worked with both our client's billing and accounting teams to understand the Unapplied Cash issues.

Solving the Unapplied Cash Problem:

NTrust started with a small team to work with client resources to understand the process of how expense payments from tenants were processed. During these meetings we discovered:

- No clear process documentation for the application of cash to expense accounts

Upon completing this audit, NTrust proposed a project to review all expense billings and all cash applied to these billings, then reviewing the source of all Unapplied Cash entries and suggesting which properties and expense line items each Unapplied Cash entry should be used to offset.

This approach solved the Unapplied Cash issue, but had exposed several underlying process weaknesses that needed to be addressed immediately.

Streamlining Processes and Identifying Performance Improvements:

The success of the Unapplied Cash project and the process issues it had identified lead REIT management to engage NTrust on an ongoing basis. This was six (6) years ago now, and the REIT has continuously given NTrust new work...because of our focus on continuous process improvement...which has allowed the REIT to report significant investment performance increases.

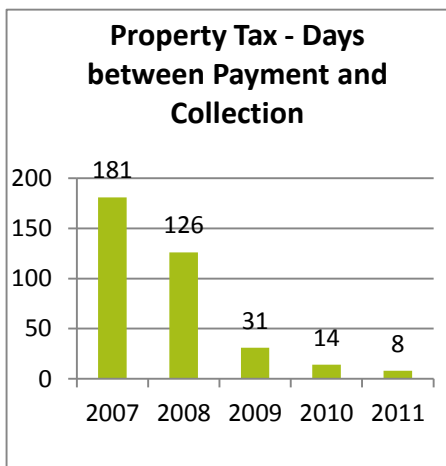
Now in our 6th year of serving this client, NTrust now handles all CAM expense billing, property tax billing and payments, and expense recovery.

Property Tax Billing and Payment

The first process REIT management asked NTrust to address was to accelerate the billing of over \$25 million in property taxes across 10 states.

NTrust worked with the REIT's internal tax group and created a consolidated payment schedule calendar. Using this, NTrust arrived at an optimum and effective way to bill these back to Tenants, without affecting the Tax Escrows these tenants were paying to REIT.

Using these key measures, NTrust defined the Tax Bill Back Calendar for each of the Property & Tenants within each property.



Expense Reconciliation – Cutting 6 months out of the process

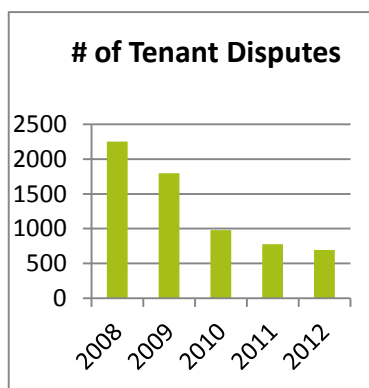
Because of the number of tenants (over 4,000) and the number of property management companies the expense reconciliation process took from January to October every year. This left a lot of money on the table for a very long period of time.

NTrust approached this challenge with an eye to cutting this process time in half. The first step was to clearly map all the expense line items submitted by the property managers to the REIT’s accounting system.

Having done that, NTrust validated all the leases (limited

only to expense reconciliation & bill backs), and revised all lease setups for bill backs. During this process, NTrust also help identify the critical dates by which tenants should have the reconciliations (for some major national tenants). This helped NTrust sequence and prioritize properties for processing bill backs.

Finally, we added validation steps that allowed us to assure 100% accuracy of billed amounts to reduce the number of tenant disputes.



Working on the training of all property management companies, and improving their internal processes yielded significant improvements both in

the accuracy of the data and in when the expense reconciliation could be completed.

Accelerating Expense Reconciliation	
Year	Month Exp. Recon. Complete
2008	October
2009	August
2010	June
2011	May
2012	April

NTrust has accelerated completion of expense reconciliation by over 6 months!

The Bottom Line:

Over the last 6 years NTrust has introduced significant process improvements to this multi-billion dollar publicly traded REIT.

As a direct result of our efforts the reported performance of the REIT portfolio has been increased. This has impressed investors and attracted new capital for expansion of the REIT’s portfolio.