AURELIUS CAPITAL GROUP

STANDARD OPERATING PROCEDURE (SOP)

Commercial Real Estate Asset Screening & Qualification

Purpose:
To ensure that every asset introduced by Aurelius Capital Group ("ACG") meets institutional standards for quality, compliance, and execution readiness, thereby minimizing friction, reducing wasted diligence, and protecting partner reputation.

Scope:
This SOP governs the end-to-end screening of income-producing commercial real estate assets prior to introduction to tokenization platforms, capital structuring firms, and institutional partners.

I. CORE SCREENING PRINCIPLES

All assets must satisfy the following **non-negotiable principles**:

1. **Institutional Readiness** – Assets must be capable of withstanding third-party underwriting and regulatory scrutiny.
2. **Economic Substance** – Real cash flow, real ownership, real operating history.
3. **Execution Clarity** – Clean structures that can close, not theoretical opportunities.
4. **Reputational Protection** – No asset is introduced that could damage partner credibility.

If an asset fails **any** core principle, it is rejected.

II. SCREENING PIPELINE OVERVIEW

ACG applies a **five-stage screening pipeline**.
Only assets that pass **all stages** advance to partner introduction.

1. Intake & Eligibility Gate
2. Ownership & Legal Verification
3. Financial & Operating Analysis
4. Structural & Tokenization Suitability
5. Partner Readiness & Final Approval

III. STAGE 1 — INTAKE & ELIGIBILITY GATE

Objective: Eliminate non-qualifying assets immediately.

Minimum Eligibility Criteria

- Asset type: Commercial real estate (office, industrial, multifamily, logistics)
- Asset value: **$2M–$20M**
- Income-producing or near-stabilized
- Clear primary owner or controlling entity
- Owner seeking **partial liquidity**, not forced sale

Initial Intake Data Required

- Property address & type
- Estimated value
- Ownership structure (entity / individual)
- Current NOI (approx.)
- Existing debt summary
- Owner objectives

Outcome:

- ✅ Advance to Stage 2
- ❌ Rejected (no further review)

Typical rejection rate at this stage: 40–50%

IV. STAGE 2 — OWNERSHIP & LEGAL VERIFICATION

Objective: Confirm the asset can legally transact.

Ownership Review

- Verify controlling ownership
- Confirm authority to transact
- Identify co-owners or consent requirements
- Review existing liens or encumbrances (high-level)

Structural Red Flags (Automatic Rejection)

- Disputed ownership
- Unclear beneficial owner
- Pending litigation affecting title
- Inability to grant economic rights

Outcome:

- ✅ Clean ownership → Stage 3
- ❌ Structural risk → Rejected or deferred

V. STAGE 3 — FINANCIAL & OPERATING ANALYSIS

Objective: Ensure the asset has real economic substance.

Required Financial Review

- Trailing 12–24 months NOI
- Rent roll (summary level)
- Occupancy history
- Major expense categories
- CapEx requirements (known)

ACG Financial Filters

- Stable or improving cash flow
- Explainable volatility
- Reasonable expense ratios
- Debt structure compatible with partial equity

What We Are NOT Doing

- No valuation opinions
- No investment recommendations
- No forecasting beyond reasonableness

Outcome:

- ✅ Financially credible → Stage 4
- ❌ Weak or opaque economics → Rejected

VI. STAGE 4 — STRUCTURAL & TOKENIZATION SUITABILITY

Objective: Confirm the asset can realistically be tokenized.

Tokenization Compatibility Review

- Portion suitable for tokenization (typically 10–50%)
- Existing lender consent requirements
- SPV / entity readiness
- Governance complexity assessment

Key Suitability Questions

- Can economic rights be cleanly defined?
- Can the owner retain control post-transaction?
- Is investor disclosure straightforward?
- Does the structure align with platform norms?

Assets are rejected if:

- Structure requires excessive customization
- Debt prohibits equity participation
- Governance is unworkable

VII. STAGE 5 — PARTNER READINESS & FINAL APPROVAL

Objective: Protect partner time and reputation.

Partner-Facing Readiness Checklist

- Clean executive summary (2–3 pages)
- Clear owner objectives
- Defined transaction scope
- No unresolved structural questions
- Owner understands process & timeline

Internal Approval

- ACG conducts final internal review
- Asset is approved for specific partner profiles
- No “blast distribution” — targeted introductions only

Outcome:

- ✅ Introduced to selected partners
- ❌ Held back or declined

VIII. INTRODUCTION PROTOCOL (CRITICAL)

ACG **never** sends raw deals.

Each introduction includes:

- Curated asset brief
- Clear articulation of fit for partner
- Defined expectations
- Confirmation of owner readiness

This ensures:

- Higher close rates
- Faster diligence
- Lower partner fatigue

IX. QUALITY CONTROL & REPUTATION MANAGEMENT

- Post-transaction reviews conducted
- Partner feedback integrated into screening criteria
- Repeat issues trigger process tightening
- Assets that underperform expectations inform future filters

ACG prioritizes **long-term partner trust over short-term deal volume**.

X. WHY PARTNERS VALUE THIS SOP

This process:

- Eliminates low-quality deal flow
- Reduces wasted diligence cycles
- Improves execution timelines
- Protects regulatory and reputational standing
- Aligns incentives across all parties

XI. INTERNAL RULE (NON-NEGOTIABLE)

> **If an asset does not make a partner's life easier, it does not get introduced.**

FINAL POSITIONING STATEMENT

> "Aurelius Capital Group operates as a disciplined origination layer. Our screening process is designed to ensure that every asset introduced is institutionally credible, structurally executable, and aligned with partner standards. We would rather reject ten assets than send one that wastes a partner's time."
