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FOR IMMEDIATE RELEASE**Morningstar Credit Ratings, LLC Assigns 'MOR CS2' Commercial Mortgage Special Servicer Ranking for Torchlight Loan Services, LLC**

NEW YORK, March 25, 2015—Morningstar Credit Ratings, LLC today assigned its 'MOR CS2' commercial mortgage special servicer ranking for Torchlight Loan Services, LLC. The forecast for the ranking is Positive. The assigned commercial mortgage special servicer ranking is based on the following factors:

- Stabilizing operations: Morningstar believes Torchlight has a soundly designed organizational structure, with dedicated staff for asset management, investor reporting, and accounting. Although the relocation of Torchlight's asset-recovery unit from New York to Miami in early 2014 triggered employee turnover and hiring, Morningstar believes the operation is stabilizing. Since June 2014, the company's employee-turnover rate has eased.
- Successful performance servicing commercial mortgage-backed securities (CMBS) transactions: Morningstar views Torchlight as a skilled special servicer for legacy CMBS transactions. Morningstar determined that Torchlight had excellent recovery results in 2013 and 2014 involving many large and complex assets.
- Sufficient operational capacity: Torchlight's workload ratios, particularly for real estate-owned (REO) properties, are higher compared with most special servicers. However, based on Torchlight's pace of resolutions and trend of lower active portfolio volume, Morningstar believes the company has sufficient personnel.
- Experienced management and professional team: Following the relocation of Torchlight's office, the average years of staff experience declined relative to previous levels; although some CMBS special servicers have higher averages, Morningstar believes Torchlight's professional team remains well experienced. Torchlight also demonstrates a sound training function that supports employee development.

- Effective and improving technology: Torchlight purchased the Backshop™ asset management system to replace its older database. Morningstar believes the new system, once fully implemented, will strengthen Torchlight's asset-tracking, investor-reporting, and workflow-control capabilities. Torchlight meets its technology needs, including network support and disaster recovery, entirely through a third-party vendor. Although this approach is uncommon, Morningstar considers it to be acceptable, based on the vendor's stated capabilities and the results of independent security audits to validate that the vendor meets industry best practices.
- Proactive, controlled asset analytics and management: Torchlight follows diligent asset analysis practices and well-defined policies and procedures for CMBS special servicing. Morningstar believes Torchlight's new asset management system should facilitate the company's ability to monitor procedural compliance and conduct thorough asset analysis. As a control enhancement, Torchlight is initiating a program to audit third-party property managers for REO properties.
- Sound internal audit function: Torchlight has a dedicated compliance manager to monitor the company's adherence to servicing agreements and to coordinate the internal audit function, which consists of an annual Regulation AB attestation and an audit of cash controls conducted every other year. The results of the most recent audits were satisfactory. Morningstar believes the internal audit regimen, while sound, could be enhanced by annual audits with wider scope to supplement the annual Regulation AB attestation.
- Effective management of conflicts of interest: Torchlight is a special servicer for many CMBS transactions in which its parent company, Torchlight Investors, LLC, is the controlling class holder. Torchlight does not use affiliates for its special-servicing work, although its parent company has acquired assets from CMBS trusts using permitted purchase options. Based on Torchlight's compliance procedures and asset resolution practices, Morningstar believes the company effectively manages its conflicts of interest.

As of Dec. 31, 2014, Torchlight was the named special servicer on 34 CMBS transactions consisting of 2,104 loans with an unpaid principal balance (UPB) of approximately \$27.58 billion. Torchlight was also the named special servicer on one commercial real estate collateralized debt obligation consisting of 25 loans with a UPB of approximately \$377.4 million. The company's total active special servicing portfolio consisted of 79 loans and 74 REO properties with a combined UPB of approximately \$1.92 billion. CMBS assets accounted for 99 percent of the active portfolio by asset count and 98 percent by UPB.

The forecast for the ranking is Positive. Morningstar views Torchlight as an effective asset manager for Torchlight's investment funds and an effective special servicer for CMBS transactions, based on the company's history of asset resolution, proactive and controlled practices, and experienced personnel. The Positive forecast recognizes Torchlight's strengthening technology, successful office relocation and hiring efforts, expected lower staff turnover in 2015, and launch of a property manager audit program, as well as Morningstar's expectation that Torchlight, based on past performance, will continue to achieve strong asset recovery results.

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