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FOR IMMEDIATE RELEASE**Morningstar Credit Ratings, LLC Affirms 'MOR CS2' Commercial Mortgage Primary Servicer Ranking and 'MOR CS1' Commercial Mortgage Special Servicer Ranking for Situs**

NEW YORK, May 13, 2015—Morningstar Credit Ratings, LLC today affirmed its 'MOR CS2' commercial mortgage primary servicer ranking for Situs Asset Management, LLC and 'MOR CS1' commercial mortgage special servicer ranking for Situs Holdings, LLC. The forecast for both rankings is Stable. The affirmed commercial mortgage primary and special servicer rankings are based on the following factors:

Primary Servicing:

- **Stabilizing operations:** In 2014, Situs transitioned most of the loan operations department to the company's North Carolina office. The transition contributed to an elevated employee turnover rate; meanwhile, Situs hired and increased staff count at the North Carolina office. Morningstar expects Situs to have a lower employee turnover rate this year.
- **Solid staffing depth and experience:** The average number of years of experience has increased for senior managers and portfolio management staff. Although the average years of experience for all servicing staff have declined slightly, Morningstar believes this reflects the transfer of loan operations to North Carolina and subsequent hiring. Additionally, Situs has an effective training function for new and tenured employees.
- **Strong technology:** Morningstar believes Situs operates with a robust suite of technology applications that effectively address the company's data management and reporting requirements for large, complex transactions. Situs continues to implement technology enhancements, including a current project to redesign its data warehouse. Situs has experienced information technology staff and demonstrates sound practices for data protection and disaster recovery preparedness.
- **Effective internal audit and compliance program:** Situs has a multilevel internal audit function that consists of annual Uniform Single Attestation Program examinations and Regulation AB

attestations, a Service Organization Control Report®, a compliance program, and other audits covering primary and special servicing. Recently completed audit reports cited no material control or procedural exceptions. Last year, Situs hired a dedicated compliance manager to expand the company's quality monitoring program.

- Effective portfolio management: Situs has diligent practices to monitor asset performance and manage credit issues. The company has solid experience in servicing distressed portfolios and highly structured assets, including mezzanine debt and syndicated positions.
- Limited history with commercial mortgage-backed securitizations (CMBS), yet robust client-reporting capabilities: In Morningstar's view, Situs has proven capabilities to deliver detailed reporting for institutional investor clients. The company is experienced with portfolio-surveillance reporting to bond investors using the Commercial Real Estate Finance Council reporting formats. Although Situs has not serviced many CMBS loans and is not a servicer for any government-sponsored entities, the company services one securitized small-balance portfolio and became a subservicer last year for two single-asset securitizations.

Special Servicing:

- Extended asset-resolution achievement record: Situs demonstrated successful asset-resolution performance results in 2014 that involved many challenging assets nationwide. Morningstar considers Situs an adept CMBS special servicer that has consistently obtained high recoveries relative to collateral values. Situs is also the named special servicer for a number of single-family rental securitizations. Although the affirmed special servicer ranking does not expressly extend to these transactions, which have not experienced any defaults, Morningstar believes Situs possesses the capabilities to competently serve in this role.
- Experienced managers and asset managers: Adding further professional depth, Situs has a dedicated asset management team operating as subsidiary Hanover Street Capital, which manages a bank-owned portfolio.
- Strong technology: Situs uses a proprietary asset management system that is well suited for CMBS reporting and integrated with the company's other applications.
- Well-controlled, diligent asset analytics and management: Situs has sound practices for asset analysis and preparing asset-resolution business plans. Situs also strengthened its oversight practices last year by establishing a property management company audit program for real estate-owned (REO) assets.

- Sound conflict-of-interest management: Situs acts as a third-party special servicer without any investment in the securitized transactions it manages. Situs stated that it does not use affiliates to manage or acquire CMBS assets and that its new majority owner, Stone Point Capital, also does not hold any investments in CMBS.

As of Dec. 31, 2014, Situs' primary servicing portfolio consisted of 963 loans with an aggregate unpaid principal balance (UPB) of approximately \$21.8 billion. The portfolio included 116 securitized loans, including the Velocity 2011-1 transaction, which contained 114 smaller-balance commercial mortgage loans with an aggregate UPB of approximately \$42.2 million. The portfolio also included eight commercial real estate collateralized debt/loan obligation transactions, which had a combined UPB of approximately \$5.0 billion, and 110 remaining loans.

As of Dec. 31, 2014, Situs was the named special servicer on 1,617 loans with an aggregate UPB of approximately \$24.1 billion, including 18 CMBS transactions, six single-family rental securitizations, the Hanover Street Capital portfolio, and other third-party investor-held loans. The company's active special servicing portfolio contained 193 assets, which consisted of 158 loans and 35 REO properties with a combined UPB of approximately \$1.4 billion. The CMBS portion of the active special servicing portfolio consisted of 41 loans and 14 REO properties with a combined UPB of approximately \$639.9 million.

The forecast for both rankings is Stable. Morningstar expects Situs to continue serving as an effective primary servicer, based on its proactive and controlled loan administration practices, commitment to training, solid reporting capabilities, and retention of experienced managers. Morningstar also expects Situs to benefit from the financial resources and opportunities accessible through Stone Point Capital. Morningstar will continue to monitor Situs' ability to maintain performance levels with its increased portfolio activity and to achieve lower staff turnover as it further integrates and leverages the North Carolina office. Morningstar believes Situs will continue to serve as an effective special servicer for CMBS and other investor clients based on its diligent practices, experienced personnel, robust technology, and successful resolution record that has involved many challenging assets.

To access Morningstar's operational risk assessment methodology and all published reports, please visit <https://ratingagency.morningstar.com>.

About Morningstar Credit Ratings, LLC and Morningstar, Inc.

Morningstar Credit Ratings, LLC is a Nationally Recognized Statistical Rating Organization (NRSRO) that specializes in structured credit research and ratings and offers a wide array of services including new-issue ratings and analysis, operational risk assessments, surveillance services, data, and technology solutions.

Morningstar Credit Ratings' rankings, forecasts, and assessments contained in this press release are evaluations and opinions of noncredit related risks, and therefore, are not credit ratings within the meaning of Section 3 of the Securities Exchange Act of 1934 ("Exchange Act") or credit ratings subject to the Exchange Act requirements and regulations promulgated thereunder with respect to credit ratings issued by NRSROs.

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