

Media Contact:

Michelle Weiss, +1 267-960-6014 or michelle.weiss@morningstar.com

FOR IMMEDIATE RELEASE**Morningstar Credit Ratings, LLC Assigns 'MOR CS2' Commercial Mortgage Special Servicer Ranking for Rialto Capital Advisors**

NEW YORK, June 5, 2014--Morningstar Credit Ratings, LLC today assigned its 'MOR CS2' commercial mortgage special servicer ranking for Rialto Capital Advisors, LLC, the asset management unit and a wholly owned subsidiary of Rialto Capital Management, LLC, which is a wholly owned operating subsidiary of Lennar Corporation. The assigned special servicer ranking is based on the following composite factors:

- Solid asset resolution achievement; still limited commercial mortgage-backed securities (CMBS) history: Morningstar considers Rialto to be an effective special servicer based on its performance to date for its own opportunity funds, structured transactions with the FDIC, and rated non-performing loan securitizations. Principally investing in distressed portfolios, Rialto's special servicing work involves not only large loans but also a high volume of small-balance and land assets. The company's performance is mainly driven by its own investment return targets, and is therefore not easily comparable to that of many other special servicers. Because Rialto is a named CMBS special servicer only on newer-issue transactions, it has only managed and resolved a few assets within the conventional CMBS master-special servicer framework.
- Very experienced professional team: Rialto has a very experienced senior management team and professional staff. A number of managers have also worked together for many years at predecessor companies. Adding further professional depth, the operation includes a dedicated compliance manager, an in-house legal staff, and a dedicated investor reporting team, who are collectively well-experienced in CMBS pooling and servicing agreement requirements. The average experience of Rialto's asset managers is quite solid at approximately 12 years, although Morningstar has assessed some CMBS special servicers with a higher average.
- Effective technology and investor reporting capabilities: Morningstar views Rialto's proprietary asset management application as one of the company's core strengths. The application is

particularly well-engineered for CMBS reporting, detailed and automated compliance tracking, and workflow management.

- Diligent asset analytics and management: Rialto displays diligent, controlled asset analysis practices along with well-delineated policies and procedures that include integrated instructions for using the asset management system. The company is also strengthening its real estate-owned (REO) property management oversight by implementing a property management company audit program this year. With a preponderance of small-balance assets, Rialto soundly controls decision-making through authority delegations requiring senior manager approvals instead of a formal committee process, which Morningstar views as a customary and preferred practice for approving large-asset resolutions.
- Sound internal audit function supplemented with an effective compliance program: The internal audit function comprises an independent annual examination of operational controls conducted for Rialto's FDIC-managed pools, and an annual Regulation AB attestation for its rated CMBS transactions. Rialto's 2014 attestation letter cited no operational control exceptions, and the company addressed a few items noted in the last FDIC review. To supplement these audits, Rialto has developed a robust and automated compliance program, with particular attention given to CMBS assets, to monitor adherence to servicing agreements and loan-level requirements. To the extent its active portfolio becomes more concentrated with CMBS or other third-party, non-FDIC assets, Rialto may benefit from an expanded audit regimen.
- Effective conflicts of interest management: Rialto does not serve as a CMBS special servicer on any legacy CMBS transactions, but is the named special servicer for many newer-issue CMBS in which it has purchased first-loss position bonds and is the current controlling class holder. Rialto stated that it maintains corporate firewalls between its investment oversight and asset management areas. It also does not use affiliates for its special servicing work.

Rialto's special servicing activity has principally emanated from FDIC structured sale and securitized transactions, other distressed portfolios acquired through its two opportunity funds--with many of the acquired loans subsequently being securitized, and a few asset transfers in newer-issue CMBS. As of Dec. 31, 2013, Rialto was the named special servicer on 27 CMBS transactions comprising 2,148 loans with an approximate unpaid principal balance (UPB) of \$31.4 billion. The company's total active special servicing portfolio, inclusive of CMBS and non-CMBS, contained 4,170 loans and 2,212 REO properties with a combined UPB of approximately \$3.8 billion. Approximately 82 percent of the active portfolio by asset

count consisted of land or residential properties. The CMBS portion of the active special servicing portfolio consisted of 26 loans and two REO properties with a combined UPB of approximately \$103.0 million.

The forecast for the ranking is Stable. Morningstar expects Rialto to continue serving as an effective special servicer for its investment funds, the FDIC, and securitized transactions based on the company's diligent procedures and practices, technology tools, and well-experienced personnel. Rialto has been steadily broadening its capabilities and extending its record of successful resolution achievement, including some work involving newer-issue CMBS assets.

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