Operational Risk Assessments

Sabal Financial Group, L.P.

October 2014

Operational Classifications:	Commercial Mortgage Primary and Special Servicer	
Rankings:	Primary Servicer: Special Servicer:	MOR CS3 (Affirmed) MOR CS2 (Raised)
Forecast:	*Stable* - Both Rankings	
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Rationale

Morningstar Credit Ratings, LLC (Morningstar) raised its commercial mortgage special servicing ranking to 'MOR CS2' from 'MOR CS3' and affirmed its 'MOR CS3' commercial mortgage primary servicer ranking for Sabal Financial Group, L.P. (Sabal). The rankings reflect Morningstar's assessment of Sabal's operational infrastructure and portfolio administration capabilities as a primary and a special servicer. In particular, Morningstar's assessment and respective rankings are based on the following factors:

Primary Servicing:

- Expanded internal audit and compliance program: Sabal, which hired a compliance risk officer this year, will undergo internal audits in addition to its FDIC Compliance Monitoring Contractor program in 2014. The additional audits will include a Regulation AB attestation and a SOC 1℠ Service Organization Controls Report®. The most recently completed FDIC audit cited no material exceptions related to operational controls.
- Expertise administering nonperforming loans: Sabal has the expertise to service nonperforming loans based on its practices and policies governing loan administration and portfolio management. Sabal is capable of administering performing loans as its third-party servicing activities increase.
- High level of automation: Sabal's technology tools provide a high level of automation and centralized data management that address commercial mortgage-backed securities reporting requirements, as well as loan-administration and portfolio-management duties.
- Comprehensive training function: Sabal is expanding its training function with courses related to commercial real estate finance and servicing.
- Experienced management team: Sabal has an experienced management team, and the company's servicing manager has significant experience with the administration of performing, nonperforming, and construction loans for third-party clients.
- Sound loan administration and portfolio management: Sabal has sound practices that cover payment processing, tax and insurance administration, collateral performance monitoring, and the handling of credit issues on performing loans. The company also has expertise in distressed portfolios and providing investors with customized surveillance and asset management.

- Growth in servicing activities, client base, and portfolio diversity: Sabal continues to increase its assets under management by acquiring nonperforming loan portfolios. It has obtained additional servicing assignments involving nonperforming loan securitizations and continues to grow its third-party servicing activities, which has resulted in an increase in larger-balance assets.

Special Servicing:

- Successful asset-resolution performance: Sabal continues to resolve many challenging assets within its FDIC small-balance and CMBS nonperforming loan portfolios. It reported average net recoveries exceeding 100% of value for real estate-owned sales between 2011 and 2013 and 96% during the first half of 2014, a noteworthy achievement given the generally smaller sizes and correspondingly distressed nature of these properties.
- Experienced professional team: Sabal's management team and asset managers are experienced with complex asset management involving diverse collateral and investor types.
- Effective technology: Sabal uses the Microsoft Dynamics Client Relationship Management, or CRM, system and SS&C Technologies' Loan Management System for asset-management functions and tracking activities. The integrated systems address CMBS reporting requirements.
- Sound asset-management practices: Asset plans and all proposed resolutions require formal committee approval based on a delegation-of-authority matrix. Asset business plans are centrally located in Sabal's CRM system and are updated during the resolution process.
- Enhanced internal audit and compliance functions: The special-servicing operation undergoes annual FDIC Compliance Monitoring Contractor audits and will undergo a Regulation AB attestation and a SOC 1℠ Service Organization Controls Report® beginning this year. The latest FDIC audit cited no material operational exceptions.
- Effective management of conflicts of interest: Based on Sabal's representations and control practices, the company has an autonomous decision-making process and practices to manage any conflicts of interest.

As of June 30, 2014, Sabal's primary-servicing portfolio consisted of 2,086 loans with an unpaid principal balance of approximately $2.77 billion. The portfolio included 1,282 CMBS loans ($1.38 billion by UPB), 356 third-party (investment funds and banks) loans (approximately $278.1 million by UPB), and 448 FDIC loans ($1.11 billion by UPB). By comparison, as of Dec. 31, 2013, Sabal's primary-servicing portfolio consisted of 2,329 loans with a UPB of approximately $2.69 billion.

As of June 30, 2014, Sabal's total active special-servicing portfolio comprised 1,258 loans and 4,632 REO properties with a combined UPB of approximately $2.52 billion. The CMBS portion of the active special-servicing portfolio comprised 823 loans and 1,746 REO properties with a combined UPB of approximately $1.30 billion. By comparison, as of Dec. 31, 2013, Sabal's total active special-servicing portfolio, inclusive of CMBS and non-CMBS, comprised 1,572 loans and 4,549 REO properties with a combined UPB of approximately $2.43 billion.

Forecast

The forecast for both rankings is Stable. Morningstar expects Sabal to continue serving as an effective commercial mortgage primary and special servicer for CMBS and third-party investors.

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Company Profile and Business Overview

Sabal Financial Group is a privately held financial-services management firm formerly known as Milestone Asset Resolution Co. LLC (Milestone). Milestone formed in 2009 to provide credit advisory services to banks and private investors and to provide asset-management and servicing for principal investors. In June 2011, it changed its name to Sabal Financial Group and expanded operations following a corporate investment from Oaktree Investment Holdings, L.P. (Oaktree Investment), which is an affiliate of the global investment-management firm Oaktree Capital Management, L.P. Sabal specializes in the acquisition and valuation of real estate loan portfolios, including a concentration in the acquisition of commercial and residential real estate loans and development/construction loans. In addition, it provides credit advisory services and loan-portfolio performance assessments and management for investment and commercial banks. To date, it has managed more than $5.10 billion of acquired assets and is led by a senior management team with backgrounds in banking and real estate in both the government and private sectors. The company is headquartered in Newport Beach, California, with offices in Pasadena, Sacramento, and San Francisco, as well as Miami; Washington, D.C.; Greenville, South Carolina; Atlanta; Austin, Texas; and New York.

As of June 30, 2014, the company had completed its third securitization of distressed assets, in which it securitized assets from its previously acquired distressed funds. The company's first securitization, a $195 million single-class transaction (Oaktree Real Estate Investments/Sabal, Series 2012-LV1) was collateralized by 700 loans and 78 REO properties and paid down in 2013. Subsequently, the company completed its second and third securitizations (Oaktree Real Estate Investments/Sabal, Series 2013-LV2 and Oaktree Real Estate Investments/Sabal, Series 2014-LV3) which, as of June 30, 2014, were collateralized by 1,323 assets representing a total UPB of $1.36 billion. The properties collateralizing the portfolio consist of income-producing commercial assets, residential, agricultural land, residential real property, non-real estate assets and unsecured liens.

While the principal stakeholder in Sabal is Oaktree Investment, this entity is distinct from the Oaktree funds which owned the underlying portfolios within the nonperforming loan pools prior to CMBS securitization. The company reported that neither the Oaktree funds nor Oaktree Investment owns any of the CMBS bonds, and that third-party investors own those CMBS bonds. In addition to acquiring nonperforming real estate debt portfolios and providing credit advisory services, the company has business lines for homebuilder construction, term lending and commercial real estate bridge lending, underwriting and re-underwriting services for CMBS investors and originators, including fund surveillance and analytics, and providing oversight, reporting, and disbursement functions on behalf of equity providers in real estate and non-real estate joint ventures.

As of June 30, 2014, Sabal cumulatively acquired 24 portfolios of distressed assets (compared to 20 as of February 2013). Sabal reported that 18 of these pools have assets pledged in securitizations, and that assets remaining from the payoff of the first securitization were transferred to the third securitization. As of June 30, 2014, Sabal had acquired five FDIC portfolios representing 448 assets with a UPB of $1.11 billion under management, and acquired 19 bank portfolios, representing 356 assets with a total UPB of approximately $2.50 billion, and securitized two CMBS portfolios valued at $1.40 billion (see Table 1). The average size of assets in its portfolio is approximately $1.4 million. Its portfolio by UPB was $2.77 billion, divided between commercial real estate (including commercial land and development sites) and residential real estate (including undeveloped land and residential development sites) (see Chart 1).

As of June 30, 2014, Sabal had 17 servicing employees.

Table 1 - Cumulative Portfolio Acquisitions (through June 30, 2014) – Primary Servicing

Seller	Portfolios (#)	Current UPB (000s)	Current Assets (#)
FDIC	5	1,114,459	448
Banks	19	278,147	356
CMBS	2	1,377,373	1,282
TOTAL	26	2,769,979	2,086

Chart 1 - Assets under Management by Investment Type (UPB)

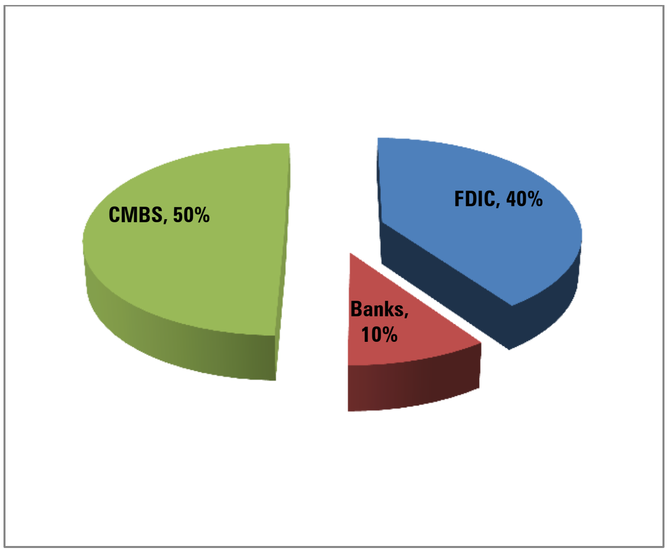
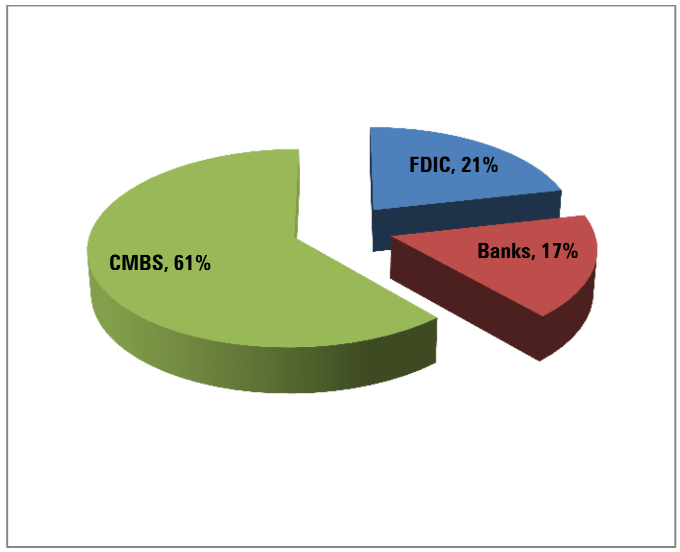


Chart 2 - Assets under Management by Investment Type* (Number of Assets)



*Does not total to 100% due to rounding.

Table 2 - Historical U.S. Servicing and Special-Servicing Loan Volumes

	June 30, 2014		Dec. 31, 2013		Dec. 31, 2012	
	UPB (000s)	Loans (#)	UPB (000s)	Loans (#)	UPB (000s)	Loans (#)
Primary Servicing	2,769,980	2,086	2,685,233	2,329	2,673,305	1,918
Average Loan Size	1,300		1,200		1,400	
Securitized Servicing Only	1,377,373	1,282	983,459	1,235	494,687	555
Active Special Servicing*	2,519,926	5,890	2,429,256	6,121	2,389,812	1,628
Average Asset Size	1,400		1,200		1,500	

*Includes loans and REO assets.

Operational Infrastructure

Organizational Structure

Sabal's organizational structure comprises the following business units: investments, loan servicing, lending, joint venture equity finance, advisory/valuation, third-party commercial real estate underwriting, equity surveillance, European operations, business development, and finance and accounting. In addition to these business units, the company has divisions for information technology and legal.

The investments unit comprises teams for acquisitions, acquisitions underwriting, special servicing, and dispositions/capital markets. The loan servicing unit comprises teams for internal and third-party servicing and small-loan asset management. The lending unit comprises teams that cover builders, bridge, and permanent lending. The JV equity finance unit has teams dedicated to builders (construction) and bridge lending. The valuations unit is comprised of a bank credit advisory practice which performs bank valuations with the FDIC in accordance with receivership basic ordering agreements, and it performs valuations for bank mergers and acquisitions which includes allowance for loan and lease-loss reviews. The valuations unit is also comprised of a commercial advisory practice, which provides loan underwriting and valuation advisory to lenders and investors. The third-party underwriting unit has teams dedicated to whole loans and CMBS assets. The special-servicing teams include asset managers, supporting analysts, and portfolio leaders who report to the head of investments. Sabal also dedicates personnel from servicing, information technology, legal, and accounting and reporting to support its special-servicing work. In 2014, the company hired a compliance officer to perform special-servicing audits, as well as a REO transition manager and transaction closing coordinator to facilitate asset-recovery processes.

Management and Staff Experience

Because Sabal's portfolios mostly contain nonperforming assets, most staff members' responsibilities include primary and special-servicing functions. As such, Sabal reported staffing and experience levels for primary and special servicing combined. As of June 2014, senior management within primary and special servicing had an average of 26 years of experience. Sabal did not report the average years of experience among middle management because it does not formally recognize that level of management. Instead, the company reported that portfolio leaders and senior staff members serve in that capacity within the organization. The average experience of the remaining professional staff was 13 years compared to 12 years as of June 30, 2013. The average experience of asset managers increased to 15 years as of June 2014 compared to 13 years as of June 2013.

Table 3 - Average Years of Experience

	June 30, 2014		December 31, 2013		December 31, 2012	
	Industry	Tenure at Company	Industry	Tenure at Company	Industry	Tenure at Company
Primary/Special Servicing*						
Management Positions	26	4	25	3	24	2
Professional Staff	13	2	13	3	10	2
Asset Managers Only	15	2	16	4	13	2

*Includes construction loan servicing. Sabal does not have middle-management positions.

Management and Staff Turnover

Sabal experienced its highest employee turnover rate in 2012 and lower turnover in 2013. During the first half of 2014, its turnover rate was roughly that of entire year of 2013. However, if annualized, the turnover rate for 2014 would be 34%, representing Sabal's highest turnover rate in three years. The company reported that it anticipated a large portion of this turnover as several asset managers accepted executive-level positions elsewhere. According to Sabal, it hired experienced asset managers in lower-level positions during the market crisis, and as market conditions improved those employees resumed prior high-level positions within the industry.

Table 4 - Management and Staff Turnover Rates*

	First Half 2014	2013	2012
Total Staff - Beginning of Period (# positions)	93	73	41
Total Turnover	17% (16 positions)	18% (13 positions)	24% (10 positions)
Involuntary	0%	7% (5 positions)	0%
Voluntary	17%	11% (8 positions)	24%
Management Only	0%	0%	0%
Staff Only	17%	18%	24%
Total New Hires (#)	11	33	42
Total Staff - End of Period (# positions)	88	93	73

* Staff departures divided by number of staff at beginning of period.

Workload Ratios

Because Sabal acquires mainly nonperforming assets, its servicing operation combines primary- and special-servicing functions. Additionally, most of Sabal's loan administrators have special-servicing backgrounds. As of June 30, 2014, Sabal dedicated 88 employees to primary and special servicing combined, including three employees for construction-loan administration. By comparison, Sabal had 95 employees as of June 30, 2013. Within special servicing as a whole, Sabal determines workloads according to each asset manager's skill set and nature of the collateral. Sabal allocates assignments according to the asset manager's expertise in acquisitions, development and construction, or other commercial real estate asset types. The company had 10 analyst positions to support the asset managers.

Morningstar calculated that Sabal had a 24:1 ratio of loans per employee as of June 30, 2014, based on its total portfolio and staff count. By comparison, we calculated that Sabal operated with a 30:1 staffing ratio as of June 30, 2013. Sabal reported that as of June 30, 2014, it had 41 asset managers with assigned portfolios. Morningstar calculated that Sabal had a 43:1 ratio of assets per asset manager as of June 30, 2014. By comparison, we calculated that Sabal had a 53:1 ratio of assets per asset manager as of Dec. 31, 2012, and a 59:1 ratio of assets per asset manager as of Dec. 31, 2011.

Assessment: Morningstar holds a positive view of Sabal's decision to make servicing a distinct business unit from the lending and investment units. In our view, servicers that segregate their third-party servicing business from other business units demonstrate best practices. Sabal previously reported that the entire loan-servicing unit reported to the investments division. As of June 30, 2014, the investments division oversees most asset-management functions, which in our view is reasonable given that the investment division is responsible for acquiring and managing the funds containing distressed assets. Asset managers are therefore closer to fund managers and investors to facilitate the asset-management process.

Sabal, as a servicer and special servicer, has an experienced management and professional team. The average experience for senior managers and professional staff remain solid, and increased between 2012 and mid-2014, despite turnover and substantial hiring during that period. This appears to indicate that the company hired a significant number of experienced employees during this period.

Morningstar believes that Sabal's ratio of loans per employee is relatively low because most of its nonperforming portfolio is in need of special-servicing asset management rather than cashiering and other performing-loan servicing functions. Concurrently, we believe that Sabal has a high ratio of specially serviced assets to asset managers because of its high concentration of small-balance assets and non-income-producing assets secured by land. Such assets tend to require less intensive asset management because they usually have a reduced need for property manager oversight, financial reviews, or cash-management functions.

Training

Sabal offers courses through its intranet site "Sabal U," and the company is planning to implement a formal two-year educational program covering asset management, real estate accounting, finance and law. The company plans to use instructors within the organization and to hold classes after business hours. Employees who complete the program will receive certification. The company arranges sessions with external professionals to discuss topics relating to the industry, and it conducts various training seminars each year. It is considering industry certification sponsorships such as the Chartered Realty Investor level 1 designation and the Mortgage Bankers Association Commercial Mortgage Servicer (CCMS) level 1 and level 2 designations as part of its training program. The company cross trains employees and expects all personnel to complete at least 20 hours of formal training annually. During the first half of 2014, employees completed 11 training hours.

Assessment: Sabal takes a proactive approach by planning educational initiatives such as its two-year program, which will likely boost training hours above the current 20-hour requirement. Morningstar notes that some servicers require at least 40 hours of training for employees per year and offer best-practice seminars among each business unit to familiarize other departments on developments and to further mitigate risks.

Audit, Compliance, and Procedural Completeness

The special-servicing operation undergoes annual FDIC Compliance Monitoring Contractor tests and will undergo Regulation AB and SOC-1 level audits beginning in 2015. Sabal's FDIC audit tests a high percentage of assets within that portfolio, and the most recent audit conducted in February 2014, did not cite any material exceptions. Sabal also has a formal, independent in-house audit department for internal reviews and it leverages the company's technology to test asset-management quality controls. Supplemental internal reviews conducted in 2014 covered cash controls and posting.

A dedicated compliance officer and a risk-management committee convene monthly to review risks, controls, and policies and procedures. The compliance officer is responsible for planning and scheduling audits from clients, investors, third-party firms, and the FDIC.

The servicing group maintains a risk matrix of key loan-administration tasks that identifies the exact task, the corresponding control activity, the document or report used to evidence control over the task, and the owner of the task. The compliance function for primary servicing includes a formalized performance-tracking process to monitor timeliness and accuracy metrics. The special-servicing compliance function focuses on adherence to servicing-level agreement requirements and protocols, with a monthly asset-level exception tracking report based on data downloaded from the servicing system.

Sabal's policies and procedures for primary and special servicing are accessible in read-only format on the company's intranet site. The company controls updates and changes through a centralized approval process governed by compliance in conjunction with senior management in its primary- and special-servicing areas, respectively. To help manage its policies and procedures, Sabal uses its company intranet portal for tracking versions, archiving, and the approval workflow.

> **Assessment:** In Morningstar's view, Sabal has a sound internal audit function for both primary and special servicing as demonstrated by the lack of material exceptions cited in any of its audits during 2013 or 2014. We believe that future SOC-1 and Regulation AB examinations will enhance Sabal's audit program. However, we believe that Sabal could supplement the audit function further by implementing quality-control tests for servicing functions such as payment processing, investor reporting, account reconciliation, and data input. In Morningstar's view, quarterly supplemental audits that test quality controls demonstrate best practices. Sabal's processes and practices suitably address CMBS requirements and related investor compliance.

Legal Liability and Corporate Insurance

Sabal reported that it is not involved in pending law suits related to its servicing or special servicing operations. It reported that it has directors and officers, errors and omissions, and mortgage impairment insurance coverage in place. The company reported that it has not received any notices of default on pooling and servicing agreements or citations related to performance.

> **Assessment:** Morningstar believes the company's insurance coverage limits are within industry guidelines based on government-sponsored enterprise seller/servicer requirements. Based on Sabal's representations, we are not aware of any material lawsuits related to, or which could negatively affect, its operations.

Technology and Disaster Recovery

Sabal has an information-technology department for programming projects, user training and help desk, and managing data backup and disaster-recovery testing. Sabal uses SS&C's Loan Management System, or LMS, for the life of the loan from origination and underwriting to loan funding and administration. It also uses LMS for property-level accounting for foreclosed and investment real estate, construction-loan administration (budgeting, scheduling funding, and disbursements), managing special-servicing workout scenarios, tracking delinquency status, and performing portfolio analysis. Additionally, the company uses FISERV Premier on behalf of one third-party servicing client. Sabal uses Microsoft Dynamics CRM for tracking certain asset-management activities such as phone conversations, credit-related requests, default triggers, and bankruptcy and foreclosure management. Sabal also uses CRM as a dashboard reporting system across all functions and to track vendor performance. Sabal uses LMS for CMBS investor reporting, and it implemented a data warehouse for other reporting functions this year. Sabal's technology platform includes a file management system and scanning for centralized document management. The company reported that it plans to implement borrower and investor secure web portals integrated with LMS later this year.

For special servicing, Sabal uses CRM with LMS for asset-management functions. Both systems are compliant with the Commercial Real Estate Finance Council to address the latest CMBS investor reporting package, or IRP, requirements along with functionality to handle detailed asset-level tracking for CMBS and other client-type specifications. The company continues to make various enhancements to the CRM application. The special servicing operation uses LMS for foreclosed or investment real estate accounting. CRM also provides pipeline reporting for each portfolio and asset manager, and serves as a workflow tool to facilitate loan administration and asset management.

Sabal conducts disaster-recovery and business-continuity testing every calendar year. Its last test for the primary- and special-servicing operations occurred in July 2014. Alternate sites for data and business recovery are located beyond 25 miles from their respective primary sites. Sabal uses a vendor as part of its daily, mirrored data-backup routines to primary and alternate servers using two redundant data centers. Sabal maintains a contract with the vendor for full recovery services. The documented disaster-recovery/business-continuity plan includes an employee calling tree and a list of critical external contacts that the company updates at least annually. Employees have connectivity to remotely access all network applications.

> **Assessment:** In Morningstar's view, Sabal's servicing and asset management systems provide the degree of process automation and data management to support the company's current portfolio and growth plans as a third-party primary and special servicer. Morningstar believes that the CRM application and LMS enable proactive asset- and portfolio-level management. We believe that they support CMBS special-servicer reporting and accounting, provide asset and property-level tracking for large and complex assets, and can address other investor requirements.

Primary-Servicing Portfolio Administration

Sabal's primary-servicing assignments include mostly nonperforming loan pools principally for investment funds, banks, CMBS, and FDIC portfolios. Sabal also provides primary servicing on performing loans for third-party clients. As of June 30, 2014, approximately 19% of Sabal's primary-servicing portfolio consisted of performing loans. By comparison, approximately 15% of its primary-servicing portfolio consisted of performing loans as of June 30, 2013. The portfolio composition of performing loans has grown over the past year and includes some larger and highly structured assets, including mezzanine, bridge loans and participations.

Sabal provides primary servicing on behalf of its investment partner the Oaktree funds. To date, Sabal and the Oaktree funds have securitized three pools of mostly nonperforming assets. As of June 30, 2014, Sabal serviced 1,282 CMBS loans representing a total UPB of $1.38 billion.

Chart 3 - Primary-Servicing Portfolio: Geographic Concentration by Property Count (June 30, 2014)

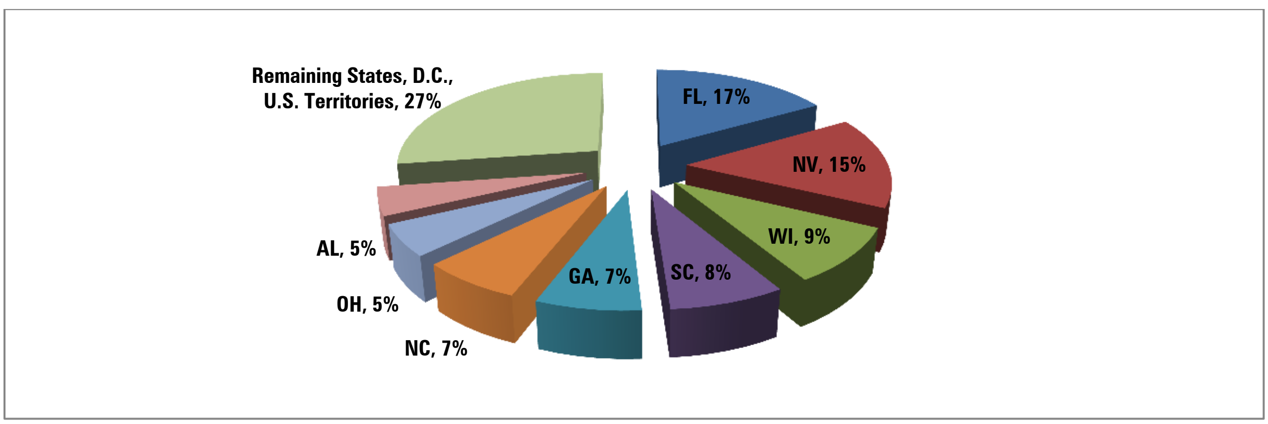


Table 5 - Total Primary-Servicing Volume by Investor Type (June 30, 2014)

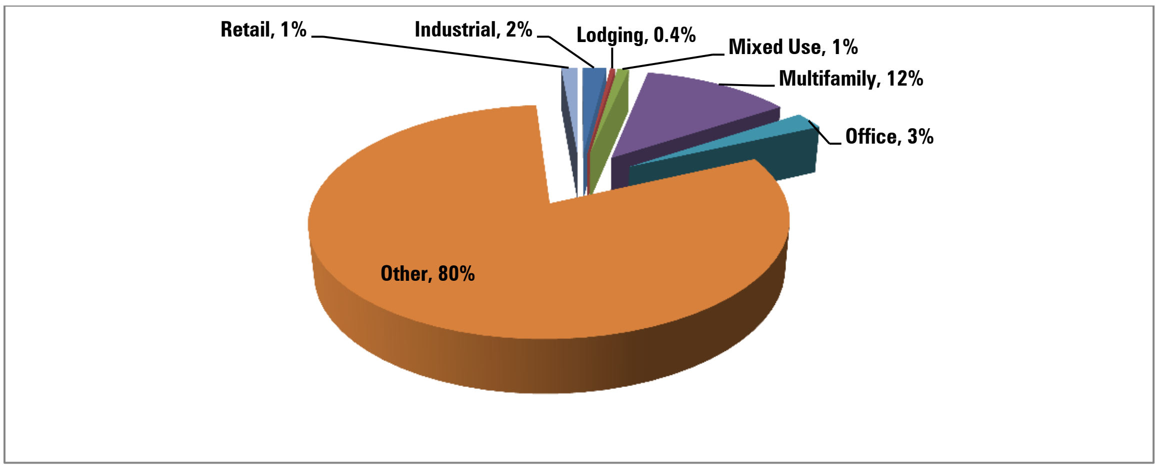
Investor Type	UPB (000s)	Loans (#)	% (UPB)	% (# Loans)	Average Size (000s)
CMBS	1,377,373	1,282	50	62	1,074
FDIC	1,114,459	448	40	21	2,488
Other Third-Party Investors	278,148	356	10	17	781
TOTAL	2,769,980	2,086	100	100	1,328

Table 6 - Total Servicing Volume by Property Type (June 30, 2014)*

Property Type	UPB (000s)	Loans (#)	% (UPB)	% (# Loans)	Average Size (000s)
Industrial	123,735	132	4	6	937
Lodging	39,948	21	1	1	1,902
Mixed Use	39,053	16	1	1	2,441
Multifamily	147,345	250	5	12	589
Office	212,309	124	8	6	1,712
Retail	303,848	101	11	5	3,008
Other	1,903,742	1,442	69	69	1,320
TOTAL	2,769,980	2,086	**99	100	1,328

*2,086 loans collateralized by 10,747 total properties. Portfolio did not include any defeased loans. ** Does not total 100% due to rounding.

Chart 4 - Primary-Servicing Portfolio by Property Count (June 30, 2014)*



* Does not total 100% due to rounding.

Loan Boarding, Hedge Agreements, Letters of Credit, and UCCs

As of June 30, 2014, Sabal boarded 174 new loans, including commercial, mezzanine, bridge and construction loans, with a total UPB of approximately $325.4 million. Sabal's primary-servicing portfolio comprises acquired loans rather than originations. To facilitate the boarding process, Sabal's loan underwriting and origination application interfaces with the servicing system.

Sabal stated that it boards new loans with the data necessary to conduct payment processing and investor reporting within one day. This includes time to fully board nonperforming loans. The company uses ticklers and multiple levels of quality control to identify and pursue missing data or documentation. As a practice, Sabal stated that it generally conducts quality-assurance reviews of input data to the servicing system within 45 days of boarding the loan.

Team members from servicing, information technology, and project management coordinate the boarding process for newly acquired loans. The company sends loan-servicing transfer instructions setting forth Sabal's requirements to the existing servicer, who provides data to Sabal to be uploaded into LMS and CRM. Upon receipt of acquisition data, Sabal's loan-servicing and asset-management teams conduct postclosing quality-control checks to verify the accuracy of data and compliance with loan terms. The company boards acquired loans using a data transfer module within LMS, and it uses the origination module for construction and bridge loans that it originates.

Sabal issues a borrower welcome letter within 15 days after boarding the loan. The servicing system is the main tool used to track borrower compliance items, covenant triggers, missing documents, and other file exceptions. As of June 30, 2014, Sabal reported that no new loans originated and boarded had incomplete or missing file documentation six months after boarding. Sabal uses a multistep checklist to board modified loans, including a recently enhanced loan-modification report which tracks all key terms and performance requirements. The servicing team uses workflow features in CRM to trace modifications and completion of system updates followed by a call back procedure.

The company stated that it services some loans with interest-rate cap agreements and that it centrally tracks interest-rate changes affecting these agreements. It also services some performing loans with letters of credit as supporting collateral, which are stored with a document custodian and tracked through the servicing system for upcoming expiration. Sabal tracks Uniform Commercial Code, or UCC, filing expiration dates via the servicing system, and the company uses a third-party vendor to assist with filing UCC continuation statements. The company reported no lapsed UCC filings during 2013 and first half of 2014.

Assessment: Loan-boarding practices are, in Morningstar's view, efficient and controlled based on the company's stated procedures. However, we believe that the servicer's targeted time frame to send borrower welcome letters is longer than industry norms and best practices. In general, we believe that Sabal makes effective use of its servicing system and CRM to board loans according to investor requirements and for CREFC-type reporting.

Payment Processing

Because Sabal's servicing portfolio is largely nonperforming, it does not set up incoming loan payments for electronic processing, depositing, and direct system posting. The company receives approximately 70% of payments by checks sent directly to its office and 30% by wire transfer. The company segregates payment posting, depositing, and system balancing tasks among the staff. The servicing system balances payment receipts daily, and a quality-control group reviews all incoming payments and outgoing remittances to ensure accurate end-of-day reporting. As of June 30, 2014, Sabal reported no unreconciled items aged more than two days in its payment receipts accounts. It also reported no suspense items aged more than 60 days, including any loans that it specially serviced.

Assessment: Sabal has acceptable controls for payment processing as supported by its segregation of duties and by the lack of unreconciled items and suspense items. Morningstar believes that Sabal's payment-processing function reflects the nature of its largely nonperforming, small-balance loans, which do not require payments by way of Automated Clearing House or cash management by the lender, and therefore has limited Sabal's need to fully automate the payment-processing function. Though Sabal does not currently service loans with cash-management features, we believe that it is capable of servicing such loans based on its ability to administer construction loans.

Real Estate Tax, Insurance, and Capital Expenditure Reserve Administration

Sabal's loan and escrow administration group handles related escrow account analysis and initiates disbursement requests in conjunction with the company's corporate treasury and accounting group. As of June 30, 2014, Sabal had 48 loans, or approximately 2% of all serviced loans, escrowed for real estate taxes. Tax payments generally are remitted within early pay discount periods. Sabal monitors escrowed taxes and makes payments prior to due dates through the use of third-party vendors. It reported that no escrowed loans had tax payment penalties. However, Sabal noted that some loans within its pool of distressed assets may have back due taxes and penalties.

As of June 30, 2014, the company had 13 loans, or less than 1% of all serviced loans, escrowed for insurance. Sabal manages insurance administration through a third-party insurance vendor to assist with coverage adequacy reviews. The vendor monitors expirations, and Sabal tracks coverage through LMS. Sabal stated that LMS generates insurance policy renewal reminder letters at 30 days prior to expiration unless the property is insured through Sabal's blanket policy. The company reported that its vendor reviews insurance-carrier ratings prior to renewal for compliance. Because of the nonperforming nature of the portfolio, the company has placed most properties on its own property and casualty insurance policy. Sabal's property portfolio insurance carrier is Westchester Surplus Lines, which has a financial strength rating of 'A++' with A.M. Best.

Members of the servicing operations department along with the asset-management team review and release capital reserve requests. The company tracks reserve-account escrows and controls disbursement activity through the servicing system. Management must review and approve all reserve-account disbursement requests. Sabal generally handles reserve accounts similar to construction-loan draws by requiring backup invoices, approved line-item budgets, lien waivers, and prefunding inspections.

> **Assessment:** In Morningstar's opinion, Sabal has sound controls over real estate tax and insurance administration given that its portfolio comprises mostly nonperforming loans from regional banks that did not escrow for taxes and insurance, in addition to having many acquired loans with past due taxes and penalties. We believe the company's use of a tax service and a third-party insurance vendor is effective for risk mitigation. Sabal has controls for capital expenditure funding requests and reserve-account management, and its practice of analyzing and controlling reserve-account activity is one of its core strengths honed through its increasing construction-loan servicing experience.

Investor Reporting and Accounting

Sabal has a dedicated group that handles this function with input from the corresponding asset manager to provide monthly remittance and performance reports to its master servicer for the securitizations and to its parent for balance sheet loans. The securitizations are principally secured by real estate loans and require reporting similar to the latest version of the CREFC investor reporting package, which Sabal produces through its servicing system. The company tracks custodial banks' credit ratings for servicing agreement compliance and it segregates tasks related to investor report preparation, investor remittances, and account reconciliations. Sabal requires a secondary level of review and sign off for custodial account reconciliations. Although investor reporting and the monthly reconciliation processes for custodial, reserve, and cash-managed bank accounts are not fully automated, employees may access online custodial-account activity. For June 2013 through June 2014, the company reported no unidentified items in custodial accounts aged more than 60 days. Sabal monitors the accuracy and timeliness of investor-reporting data through a number of validations and compliance triggers embedded in its systems, which include calendar and tickler-event features to track abstracted PSA requirements. During 2013 and through June 2014, the company disclosed that it did not incur any penalties or restatements with respect to investor remittances or reporting. It reported that it did not experience any late investor remittances or late submissions of investor reports.

> **Assessment:** In Morningstar's view, Sabal's investor accounting and reporting functions are well controlled based on Sabal's solid track record to date of timely and accurate reporting for securitized and other third-party portfolios. Our opinion also considers the company's lack of remittance and reporting errors in the past two years. However, we believe that a fully automated process for reconciling custodial investor accounts could strengthen operational efficiency. We also believe that Sabal has sound investor-reporting practices based on its monitoring of master servicers' remittance reports.

Portfolio Management and Surveillance

Sabal assigns asset managers in tandem with a credit analyst to monitor credit performance and covenant compliance and to provide asset status reports, which include information on market conditions, property cash flow and performance issues, inspection results, and lease-rollover risk. Sabal subscribes to various third-party market-research tools to assist asset managers with their analyses and their preparation of asset business plans. The servicing system tracks rent rolls and lease-rollover risk, maintains status comments, and produces many standard and ad hoc reports. A portfolio manager reviews all financial analyses and reports before they are submitted.

Financial Statement Analysis and Property Inspections

For performing loans, the company's practices require the assigned asset managers, with support from credit analysts, to track, collect and analyze financial statements from borrowers. The company primarily uses the features of the servicing system to manage these tasks. Furthermore, the servicing department orders credit reports and inspections, and the call-center staffers contact borrowers to pursue missing financial and other information with all calls and attempts logged through the CRM system. The company uploads financial information to its document repository for underwriters and asset managers to spread and analyze. For its nonperforming portfolio, Sabal does not have a formalized routine to collect annual financials from borrowers. However, asset managers are responsible for obtaining financial information from their assigned borrowers as part of their surveillance and asset-resolution work.

For high-risk or high-balance loans in primary or special servicing, Sabal's staff members conduct inspections while relying on third-party vendors for all other assets. For specially serviced assets, asset managers inspect properties based on the severity of issues as determined by the asset manager. For the third-party servicing portfolio (nonconstruction performing loans), Sabal performs annual inspections through a third-party vendor. The company reported that it does not typically conduct inspections based on predetermined size thresholds, and that it does not centrally track deferred-maintenance issues on its systems. However, the company will contact borrowers through formal notices and calls to resolve issues found from inspections.

Watchlist, Trigger Events, and Early-Stage Collections

Sabal performs an annual loan-level review of its performing loan portfolio rather than relying on the traditional practice of preparing a monthly loan watchlist. The annual review is based on inspection results, financial-statement spreads, performance trends, and other credit-related information. In particular, Sabal performs annual reviews on a performing loan portfolio owned by a bank client. The credit group of this bank client reviews the final annual report and assigns/updates the risk rating of each loan as necessary. Because Sabal's securitizations and other acquired portfolios to date have principally comprised nonperforming assets, normal watchlist and standard CMBS watchlist criteria reporting have not applied. However, Sabal uses the servicing system to monitor loan-level compliance covenant trigger events on all assets.

Sabal also has a dedicated call center to initiate early-stage collection efforts. For performing loans, the company monitors payment trends among its borrowers and will often contact them by phone during the payment grace period if they notice atypical payment patterns. Sabal issues its first delinquent payment notice to borrowers within one day after the grace period expires, and it maintains a centralized chronology of collection efforts and borrower comments on its systems.

> **Assessment:** In Morningstar's view, given the nature of its nonperforming portfolios, Sabal has appropriate practices covering financial-statement analyses, property-inspection reviews, covenant compliance/trigger-event tracking, and credit performance monitoring. However, for performing loans, we believe that the company could implement more proactive credit-event monitoring practices to identify and report loan-level and portfolio-level performance risks. In particular, rather than perform annual loan-level reviews, the company could perform quarterly reviews. In our opinion, the company's practices covering property inspections for performing loans require strengthening with formalized schedules with collateral for larger loans inspected more frequently, and

deferred-maintenance issues centrally tracked and monitored. We believe that best practices require all properties to be regularly inspected for deferred maintenance, as property deterioration or deficiencies correlate with increased risk of loan default.

In our view, the company has proactive early-stage collection practices. In particular, the company's efforts to monitor payment trends and its efforts to reach out to borrowers to seek payment demonstrate best practices

Borrower Consents and Requests

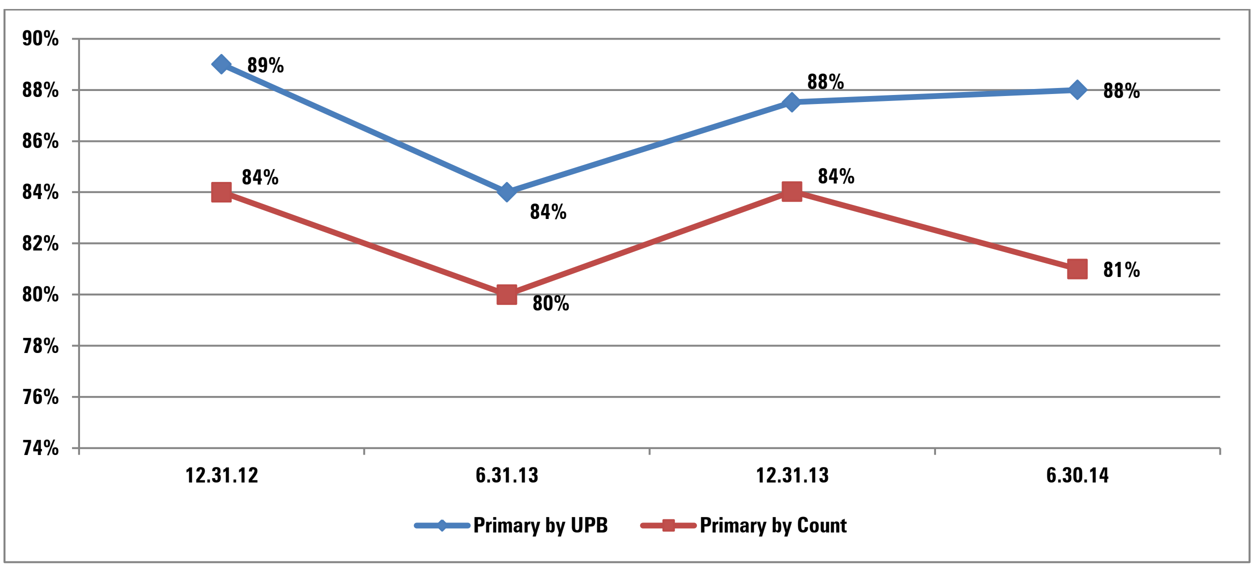
Because Sabal's servicing portfolio consists largely of nonperforming loans, it does not have a team dedicated for borrower consents and requests. As its performing loan servicing portfolio increases, the company stated that it intends to use its CRM system to track open issues and the approval status for any borrower consents and credit requests.

Assessment: Although Sabal has processed few borrower consent requests on performing loans, Morningstar believes the company has sufficient capabilities to track and underwrite consents in a timely manner.

Primary-Servicing Portfolio Delinquency Detail

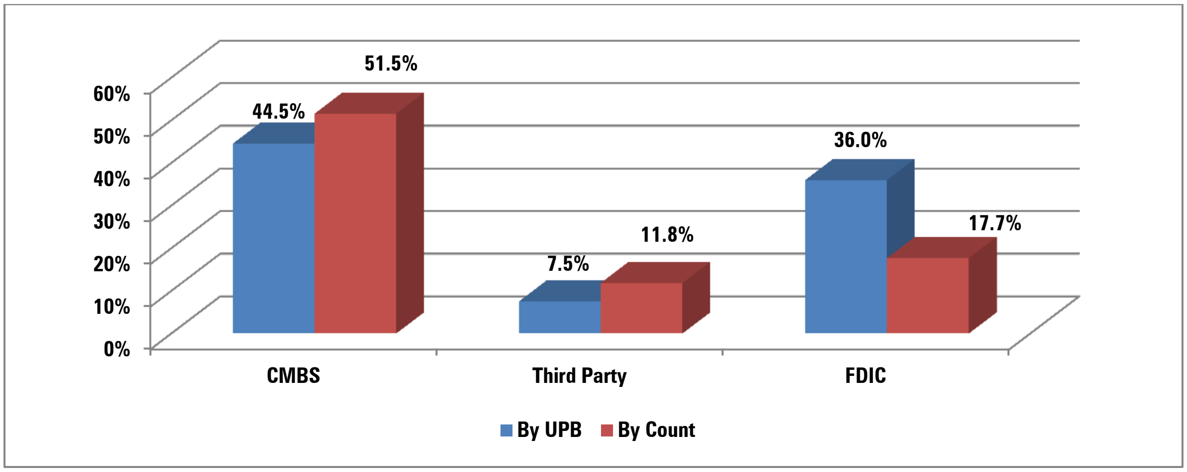
Historically, Sabal has had higher than industry average delinquencies because of its many distressed-loan portfolio acquisitions. As of June 30, 2014, approximately 19% of the portfolio (by loan count) comprised loans current in their payments. Out of the 1,691 delinquent assets (including REO properties), 96% were 90 days or more past due. Sabal's delinquencies appear to be mostly small-balance assets as demonstrated by their overall average loan size of $1.4 million. Approximately 63% of all delinquencies (by loan count) were in CMBS transactions followed by FDIC assets, and then assets owned by third-party investors.

Chart 5 - Primary-Servicing Portfolio Historical Delinquency Percentages*



*All loans 30+ days delinquent plus REO.

Chart 6 - Primary-Servicing Portfolio Delinquencies within Investor Types (June 30, 2014)*

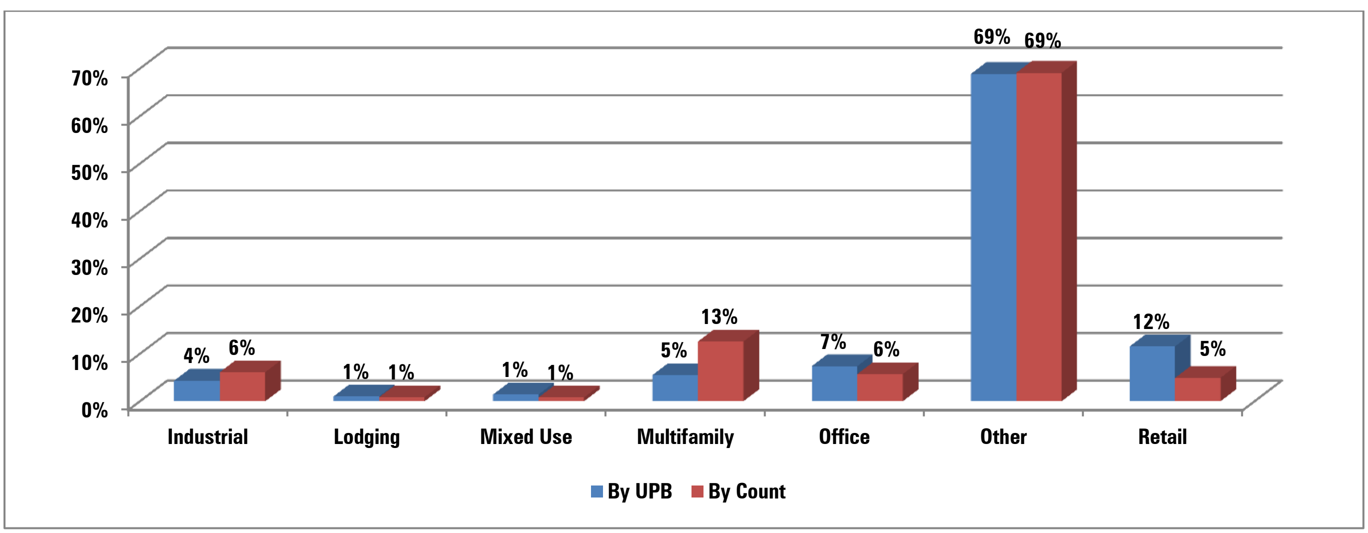


*All loans 30+ days delinquent plus REO.

Special-Servicing Administration

As of June 30, 2014, Sabal's total active special-servicing portfolio comprised 1,258 loans and 4,632 REO properties with a combined UPB of approximately $2.52 billion. The CMBS portion of the special-servicing portfolio comprised 823 loans and 1,746 REO properties with a combined UPB of approximately $1.30 billion. By comparison, as of Dec. 31, 2013, Sabal's total active special-servicing portfolio, inclusive of CMBS and non-CMBS, comprised 1,572 loans and 4,549 REO properties with a combined UPB of approximately $2.43 billion. As of June 30, 2014, Sabal was the named special servicer on two CMBS transactions. In addition, Sabal provides special servicing on five FDIC structured sales. As of June 30, 2014, Sabal had 369 FDIC loans in inventory.

Chart 7 - Active Special-Servicing Portfolio by Property Types (June 30, 2014)*



*Does not total 100% due to rounding. Includes loans and REO assets.

Asset Review Process

Upon acquisition of a portfolio, Sabal prepares a comprehensive business plan that covers approximately 85% of the portfolio by balance. In particular, the plan sets forth a recovery forecast and analysis of assets and includes detailed loan-level projections with collateral valuation and disposition strategies. Thereafter, each year, Sabal performs a detailed business plan on the top 15 loans by balance, regardless of performance. The remaining assets require an in-depth cash flow forecast.

Upon receiving new special-servicing assets, asset managers, in collaboration with asset analysts, conduct file reviews (including a review of an online PSA abstract in the case of a CMBS asset), order property inspections, and complete new-asset transfer checklists. Through their initial file reviews, asset managers are expected to formulate potential recovery options and strategies. Before engaging in any workout discussions, Sabal requires that borrowers sign pre-negotiation agreements. Asset managers prepare initial asset status reports, or ASRs, generally within 45 days of a loan transfer, and the company stated that ASRs are required for all loans regardless of size. Asset managers submit an updated ASR or asset business plan, which includes a net present value analysis of each alternative resolution strategy, to obtain approval for specific terms of negotiated resolutions. Sabal will typically pursue an asset-recovery strategy based on a dual path of foreclosure and working out an alternative resolution. Because Sabal does not transfer foreclosed assets to an REO group, the existing loan business plan is updated to reflect the foreclosure and postforeclosure asset issues. Approvals are governed by a delegation of authority with committee approval required for the majority of asset actions. Sabal hired a disposition manager to facilitate the REO sales process and the loan-to-REO transition process. Sabal also has two employees to support the disposition process including closing and escrow.

> **Assessment:** Morningstar considers Sabal to have proactive and controlled practices for asset analysis, workout, and recoveries based on its stated policies and procedures. Morningstar believes that the company's technology applications serve as effective tools to track asset-resolution activities, including the management of CMBS-related requirements. In Morningstar's view, the fact that the company does not monitor outstanding advances against property values and expected recovery amounts is acceptable because of the nature of its two CMBS transactions which consist of nonperforming loans and REO assets.
>
> Morningstar considers Sabal's decision not to segregate loan and REO asset management to be acceptable because the company reported that asset managers have significant backgrounds in REO management and are capable of resolving loans while managing and liquidating REO assets. We have been monitoring Sabal for possible signs of workload stress or adverse resolution performance given the company's continued increase in REO asset volume over the past two years. To date, workloads appear to be in line with other special servicers that have predominately small-balance assets, and the company continues to achieve high net recoveries to value on asset liquidations.

REO Property Management

Asset managers prepare a preliminary budget as part of the required business approval case to complete a foreclosure action and take title to a property. During the month before a foreclosure date, the asset manager engages the property-management company and listing broker. Once a loan becomes an REO asset, the asset manager obtains approval of an REO business plan, with subsequent cases submitted to obtain approval of specific sales offer terms or other major decisions.

Sabal uses single trust accounts rather than separate rent collection and expense accounts for REO property management. Sabal reported that while it receives operating statements from property managers, it does not upload monthly property-management operating statements electronically to LMS or CRM. Sabal informed Morningstar that LMS has the functionality for REO property-level accounting. The company stated that its accounting department does not formally reconcile property-management REO bank accounts. However, asset managers review property-management operating statements and approve budgets. As a practice, the company does not conduct formal audits of property-management companies, but it does provide property managers with a set of specific reporting requirements. The company also maintains its own property and liability coverage for REO assets. Policies and procedures require property managers and brokers to use Sabal's own engagement agreements, and procedures address property preservation issues such as remediation and safety projects. Lastly, asset managers may use third-party vendors for certain site inspections and property preservation work.

> **Assessment:** In Morningstar's view, Sabal has sound practices to prepare for new REO property transfers and their management. It has adequate controls to oversee REO property managers, brokers, and their respective monthly reporting. We believe the company could improve upon property-management oversight by engaging external audit firms to audit property-management companies for larger assets and by having a separate accounting area reconcile accounts rather than relying on analysts and asset managers for this function. However, Morningstar recognizes that property-management accounting risks are mitigated by the fact that Sabal's special-servicing portfolio primarily consists of small-balance assets that tend to have limited income and property-management needs.

Vendor Oversight

Sabal does not use a centralized list of approved vendors (with the exception of law firms) but it does track all vendor engagements, performance, and communications with vendors on CRM. The company relies on third-party firms for engineering, environmental assessments, property-preservation projects, and brokerage, but generally not for appraisals. The company informed Morningstar that it rarely uses appraisals for valuations, and instead bases values on broker price opinions because most assets are small balance in nature. During 2014, the company updated CRM to include a vendor rating system so that asset managers may assess which vendors are preferred for certain markets and assignments.

Sabal reported that it generally conducts a request-for-proposal bidding process to engage a vendor. For most engagements, Sabal requires vendors to use Sabal's standardized agreements. Sabal's legal department supports all business lines by providing counsel on new servicing contracts and various business issues. The legal department includes at least one attorney to support the special-servicing operation. Sabal also uses an external firm for general counsel and to engage local law firms using a standard engagement letter. Asset managers, along with their team leaders, review and approve legal invoices prior to payment.

> **Assessment:** In Morningstar's view, Sabal has adequate vendor engagement and management practices. However, Morningstar believes that Sabal could strengthen controls over vendor management by maintaining a centralized list of approved vendors. The company's use of an in-house legal department to support special servicing is an expected characteristic of highly ranked special servicers. Sabal could consider broadening the role of its legal department in special-servicing activities by more formally monitoring external legal fees and case strategies and providing more transaction form documents.

Managing Conflicts of Interest

As a practice, the company reported that it does not selectively engage in fee-sharing arrangements in order to obtain or retain assignments. The company reported that it does not seek from its investors or CMBS trusts any fees, inclusive of loan modification fees, that it has already received and earned from borrowers or other sources. It does not use an affiliate to broker note or REO sales. It reported that it adheres to a formal policy to disclose all asset resolutions or active assets that would involve the use of an affiliate. Sabal also stated that it maintains a "firewall" policy between itself and its investment entities in order to restrict information sharing. Finally, Sabal stated that it adheres to the CMBS servicing standard that requires it to pursue the asset-resolution strategy which results in the highest recovery on a net present value basis for the trust as a whole.

Assessment: In Morningstar's view, Sabal prudently manages any inherent conflicts of interest relative to involving affiliates in its asset-resolution work and its representations to maintain the servicing standard in its asset-recovery practices and decision-making processes.

Asset Resolution and Recovery Performance

Asset-Resolution Hold Times

For 2013 and the first half of 2014 combined, Sabal's average completion time was approximately 17 months for foreclosures and loan modifications, 11 months for note sales, 13 months for full payoffs, 14 months for DPOs, and 14 months for REO sales. While the company's average resolution times for all loan liquidations appear to be well in line with other special servicers we rank, Sabal's average for loan modifications may be at the higher end of the range. The 14-month average hold time for sold REO appears to be at the lower end of the range compared with some other Morningstar-ranked special servicers.

Chart 8 - Special-Servicing Resolution Type (Including Foreclosures) Percentages by Asset Count (January 2013 – June 2014)

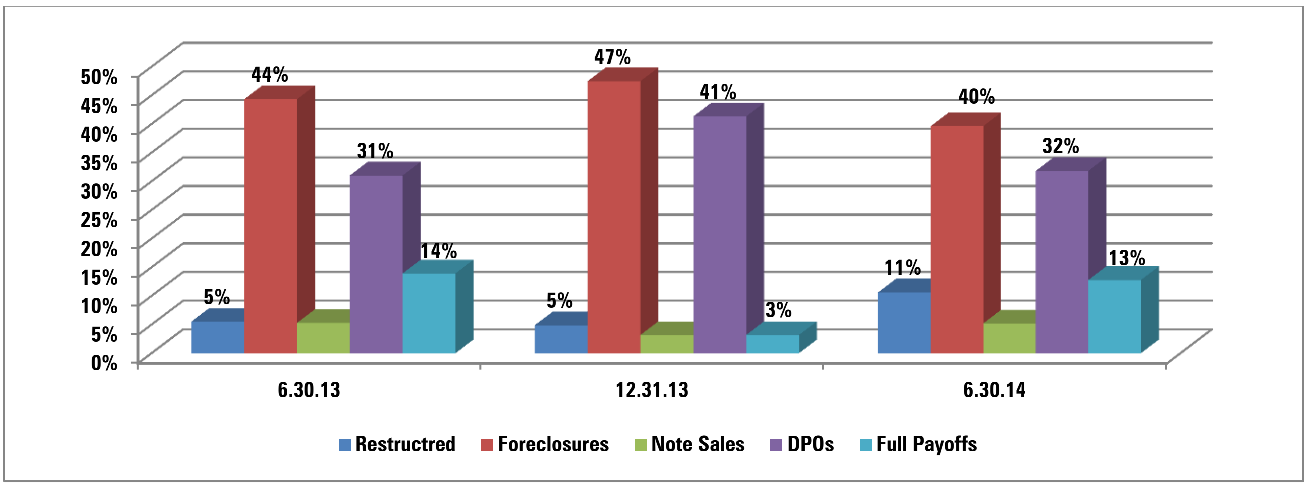
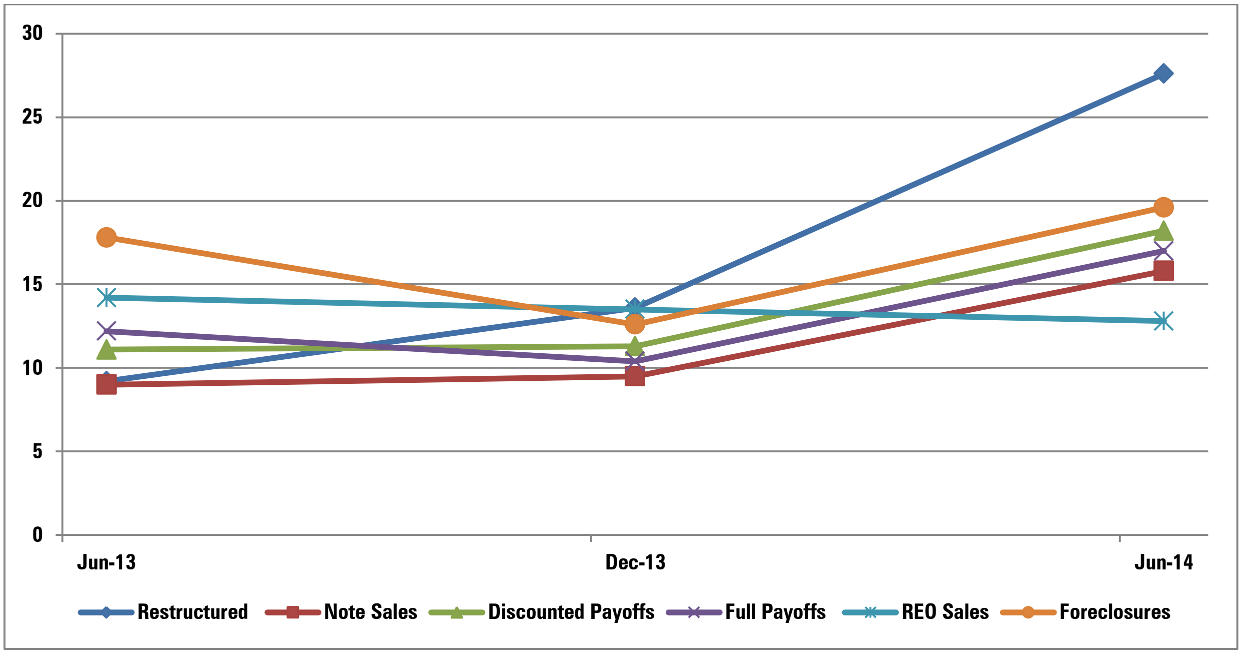


Table 7 - Special Servicing Average Resolution Times (months)

	First Half 2013	Second Half 2013	First Half 2014	Overall (un-weighted)
Restructured Loans	9.2	13.6	27.6	16.8
Note Sales	9.0	9.5	15.8	11.4
Discounted Payoffs	11.1	11.3	18.2	13.5
Full Payoffs	12.2	10.4	17.0	13.2
REO Sales	14.2	13.5	12.8	13.5
Completed Foreclosures	17.8	12.6	19.6	16.7

Chart 9 - Special-Servicing Average Asset Resolution Times (Months)*



Asset-Resolution Recovery Proceeds and CMBS Realized Loss Severities

For 2013 through the first half of 2014, Sabal's aggregate ratio of net proceeds-to-collateral value for CMBS loan liquidations, including discounted payoffs and note sales, was 101%, and 112% for REO sales. For CMBS loan liquidations during the first half of 2014, Morningstar calculated that Sabal's actual proceeds were approximately 94% of the company's own internal estimates of projected cash recoveries. The company does not report realized losses for its CMBS loans because these pools were issued as nonperforming transactions with performance based on cash recoveries rather than on losses.

Table 8 - Asset Recoveries Relative to Collateral Values and UPB (2013 and First Half 2014)

Six Month Period Ending	June 2013	Dec 2013	June 2014	Overall (un-weighted)
Net Recovery Proceeds-to-Value (%)				
Individual Note Sales	101.1	103.2	100.0	101.4
Discounted Payoffs	120.8	79.4	100.0	100.1
REO Sales	88.9	150.0	96.0	111.6
Net Proceeds-to-UPB (%)				
Note Sales	61.6	55.3	53.6	56.8
Discounted Payoffs	69.8	31.3	72.0	64.7
Full Payoffs	101.0	100.0	100.0	100.0

Table 9 - Special-Servicing Loan Portfolio Activity (First Half 2014)

	Total $ Vol (Mil)	Total Loans (#)	Total Props (#)	CMBS $ Vol (Mil)	CMBS Loans (#)	CMBS Props (#)
Loan Portfolio at Beginning of Period	1,194.1	1,572	6,603	596.9	930	4,296
Loans Transferred into Portfolio:						
Re-transferred/Re-defaulted Loans	29.6	27	81	15.5	19	58
Pre-existing from Another Special Servicer	126.8	99	124	27.3	3	3
New Nonmonetary/Imminent Default Transfers	33.0	38	88	23.5	28	76
New Monetary Default Transfers	15.0	24	40	3.3	16	32
Total Transfers into Special Servicing	204.4	188	333	69.6	66	169
Loans Fully Resolved:						
Modified or Corrected Loans	(15.4)	(49)	(88)	(12.7)	(35)	(71)
Note Sales	(19.7)	(24)	(111)	(12.9)	(13)	(68)
Discounted Payoffs	(103.7)	(147)	(427)	(56.8)	(89)	(319)
Full Payoffs	(42.6)	(59)	(256)	(15.3)	(31)	(197)
Total Loan Resolutions	(181.4)	(279)	(882)	(97.7)	(168)	(655)
Completed Foreclosures and Converted to REO	(245.3)	(183)	(752)	(110.4)	(120)	(602)
Net Adjustments and Other Loans Transferred Out	(35.0)	(40)	(293)	89.2	115	757
Loan Portfolio at End of Period	936.8	1,258	5,009	547.6	823	3,965
Average Loan Size at End of Period	0.7			0.7		
Nonperforming Loans - End of Period (% by count)		100			100	

Table 10 - REO Portfolio Activity (First Half 2014)

	Total $ Vol (Mil)	Total Props (#)	CMBS $ Vol (Mil)	CMBS Props (#)
REO Portfolio At Beginning of Period	1,235.1	*4,549	284.1	713
Assets Already REO when Acquired	250.8	39	0	0
Completed Foreclosures	245.3	752	110.4	602
REO Sold During Period	(40.2)	(404)	(24.0)	(162)
Other REO Transferred Out	0	0	0	0
Other Adjustments	(107.9)	(304)	384.4	593
REO Portfolio At End of Period	1,583.1	4,632	754.9	1,746
Average REO Size	.34		.66	

*Restated from prior period and includes individual lots.

Table 11 - Special-Servicing Loan Portfolio Activity (Full Year 2013)

	Total $ Vol (Mil)	Total Loans (#)	Total Props (#)	CMBS $ Vol (Mil)	CMBS Loans (#)	CMBS Props (#)
Loan Portfolio at Beginning of Period	1,458.9	1,333	2,373	353.6	484	717
Loans Transferred into Portfolio:						
Re-transferred/Re-defaulted Loans	51	74	130	18.9	35	66
Pre-existing from Another Special Servicer	1,428.6	2,087	6,840	1,428.6	2,087	6,840
New Nonmonetary/Imminent Default Transfers	93.2	99	323	21.4	36	7
New Monetary Default Transfers	101.2	155	533	23.2	22	8
Total Transfers into Special Servicing	1,674.0	2,415	7,826	1,492.1	2,180	6,921
Loans Fully Resolved:						
Modified or Corrected Loans	(60.1)	(49)	(106)	(13.7)	(21)	(73)
Discounted Payoffs	(240.0)	(342)	(763)	(55.4)	(133)	(290)
Note Sales	(51.8)	(40)	(52)	(13.0)	(23)	(26)
Full Payoffs	(72.1)	(81)	(103)	(12.0)	(18)	(20)
Total Loan Resolutions	(424.0)	(512)	(1,024)	(94.1)	(195)	(409)
Completed Foreclosures and Converted to REO	(634.5)	(434)	(1,248)	(224.0)	(165)	(461)
Net Adjustments and Other Loans Transferred Out	(880.3)	(1,230)	(1,324)	(930.7)	(1,374)	(2,472)
Loan Portfolio at End of Period	1,194.10	1,572	6,603	596.9	930	4,296
Average Loan Size at End of Period	0.8			0.6		

Table 12 - REO Portfolio Activity (Full Year 2013)

	Total $ Vol (Mil)	Total Props (#)	CMBS $ Vol (Mil)	CMBS Props (#)
REO Portfolio At Beginning of Period	887.8	399	204.2	150
Assets Already REO when Acquired	115.2	100	0	0
Completed Foreclosures	634.5	1,248	224.0	461
REO Sold During Period	(214.4)	(564)	(48.7)	(196)
Other REO Transferred Out	0	0	0	0
Other Adjustments	(188.0)	0	(95.4)	298
REO Portfolio At End of Period	1,235.1	1,183	284.1	713
Average REO Size	1.0		0.4	

Assessment: In Morningstar's view, Sabal achieved excellent recoveries for asset liquidations during 2013 through the first half of 2014. Most resolutions involved small-balance assets which tend to incur higher losses than larger-balance assets. The company has managed to resolve a high volume of assets while attaining recoveries that have averaged at least 100% of value for liquidations. Morningstar believes that the company's higher than average foreclosure and REO liquidation activity corresponds to the characteristics of the portfolios acquired. Morningstar observed that the average time frame to sell REO properties increased during the first half of 2014 compared to 2013. Morningstar will continue to monitor workloads and REO liquidation time frames to determine whether the company's practice of assigning asset managers loans and REO together may contribute to delays in selling REO assets. For loan liquidations during 2014, the company's internal projection for aggregate cash recoveries was 94% of actual net proceeds, which we believe may be lower than some other special servicer's we have ranked. However, Morningstar believes that the company's projections may be based on gross proceeds rather than actual net proceeds.

Investor and Master-Servicer Reporting

Sabal's procedures cover its reporting requirements as a special servicer for FDIC and CMBS assets, with respect to reporting property protection advances, losses, and communicating with investors on asset-management decisions. As a special servicer on several FDIC pools, Sabal typically provides its initial and updated asset status reports to investors, including the FDIC. It stated that it provides investors with its final asset-resolution plans containing the specific terms and details of a workout or liquidation. It represented that it will respond to related investor questions in accordance with servicing-agreement provisions. Sabal's chief financial officer, responsible for reporting to various investors, including the FDIC, has prior securitization reporting experience. As a CMBS special servicer, Sabal provides its initial ASR to the trustee, as well as the final asset-resolution cases containing the specific terms and details of a completed workout or liquidation.

Assessment: Morningstar believes that Sabal has effective, proactive special-servicer-related reporting capabilities to address CMBS and other investor reporting requirements. Morningstar believes that Sabal is suitably positioned in its reporting capabilities to address the additional disclosure and reporting requirements now expected from CMBS special servicers with respect to their use of affiliates and providing information on completed resolutions.

Ranking Definitions

The numerical scale of 'MOR CS1' to 'MOR CS4' is defined as follows:

'1'	Exceeds prudent loan servicing standards in key areas of risk
'2'	Demonstrates proficiency in key areas of risk
'3'	Demonstrates compliance in key areas of risk
'4'	Demonstrates lack of compliance in one or more key areas of risk

A servicer assigned a ranking of at least 'MOR CS3' is deemed to comply with what we view as the minimum prudent loan servicing standards and requirements for the servicer's operational category and role. To access Morningstar's *Operational Risk Assessments of Commercial Servicers: Methodology and Process* and other published reports, please visit https://ratingagency.morningstar.com.

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