



News Release

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FOR IMMEDIATE RELEASE

Morningstar Credit Ratings, LLC Affirms 'MOR CS2' Commercial Mortgage Primary Servicer Ranking; Raises Special Servicer Ranking to 'MOR CS1' for Situs

NEW YORK, April 2, 2014--Morningstar Credit Ratings, LLC today affirmed its 'MOR CS2' commercial mortgage primary servicer ranking for Situs Asset Management LLC, and raised its commercial mortgage special servicer ranking for Situs Holdings, LLC to 'MOR CS1' from 'MOR CS2.' The affirmed primary servicer ranking and raised special servicer ranking are based on the following factors:

Primary Servicer Ranking:

- Stabilizing operations: Situs had high staff turnover rates during 2013 as the company made further organizational modifications as part of a revised business strategy initiated in early 2012. Signs now indicate that the company's employee turnover rate in 2014 should be much lower.
- Effective and strengthened technology: Situs has effective technology tools for its loan administration and portfolio management duties, which now involve more large-scale assets and customized reporting. In Morningstar's view, the company's conversion to a new servicing system in 2012, along with other completed technology enhancements, is strengthening its servicing capabilities.
- Solid professional experience and depth: Situs has retained an experienced professional staff and an organizational structure that promotes portfolio management accountability. Situs also has an effective training function.
- Sound internal audit and new compliance program: Situs has a multi-level internal audit function that examines its operations annually. Recently completed audits cited no material exceptions related to operational controls and procedures. Situs also established a formal compliance function for primary servicing in 2013.

- Effective portfolio management: Situs has diligent practices to monitor collateral performance and handle credit issues. The company has experience with highly structured assets, distressed portfolios, and providing investors customized surveillance and asset management.
- No commercial mortgage-backed securities (CMBS) servicing history, yet robust client reporting capabilities: According to Morningstar, Situs has proven capabilities to deliver customized and detailed investor reporting. While the company has not yet served as a primary servicer for a government-sponsored entity or other CMBS, Situs services one securitized small-balance portfolio. The company also provides supplemental commercial real estate finance council (CREFC)-compliant portfolio surveillance reporting to certain CMBS investors.

Special Servicer Ranking:

- Extended record of asset resolution achievement: Situs demonstrates highly successful asset resolution performance results involving many challenging assets nationwide. Morningstar considers Situs to be a very adept CMBS special servicer.
- Very experienced professional team: Situs continues to have a highly experienced management team and asset managers. Adding further professional depth, the operation includes a dedicated asset management subsidiary for a bank-owned portfolio.
- Excellent technology: Situs uses a highly effective 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 diligent and controlled asset analysis practices. The company also strengthened its real estate-owned (REO) property oversight by establishing an ongoing property management company audit program.
- Sound internal audit and compliance functions: The special servicing operation undergoes annual audits and has its own compliance function. Recently completed audits indicated no material exceptions related to operational controls and procedures.
- Effective conflicts of interest management: Situs is a CMBS special servicer for transactions in which two affiliated investors respectively hold first-loss positions and are the controlling class holders. In Morningstar's view, Situs has sound practices to manage any conflicts of interest in this regard.

As of Dec. 31, 2013, Situs' primary servicing portfolio consisted of 879 loans with an unpaid principal balance (UPB) of approximately \$12.1 billion. The portfolio included one securitized transaction and three commercial real estate collateralized debt obligation (CRE CDO) transactions. As of Dec. 31, 2013, Situs

was the named special servicer for 1,907 loans with an approximate UPB of \$23.2 billion, including 18 CMBS transactions. The company's total active special servicing portfolio contained 320 assets with a combined UPB of approximately \$2.4 billion. The active CMBS portfolio comprised 97 assets with a combined UPB of approximately \$1.2 billion.

The forecast for both rankings remains Stable. As a primary servicer, Situs should continue to operate effectively to meet its clients' servicing and portfolio management requirements. Morningstar also believes the company will continue to maintain the practices and expertise to serve as a highly effective special servicer for CMBS and other investors.

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 non-credit 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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its registered investment advisor subsidiaries and had approximately \$159 billion in assets under advisement and management as of Dec. 31, 2013. The company has operations in 27 countries.

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