Torchlight Loan Services, LLC

Servicer Report

Ratings

Commercial Special Servicer	CSS2–

Servicer Summary

Torchlight Loan Services, LLC (TLS, or the company) is the special servicing subsidiary of Torchlight Investors, LLC (Torchlight Investors), a New York-based investment advisor whose core business is the management of commercial real estate-related (CRE) debt investments for institutional investors. The company has $4.9 billion in funds under management that focus on benchmarked, opportunistic, and long-/short-term commercial real estate debt strategies.

TLS performs special servicing predominantly for Torchlight Investors, but in 2013 began performing third-party special servicing for investment managers and private equity firms that hold non-securitized B-notes as well as hedge funds that hold controlling class positions in CMBS and credit debt obligation (CDO) transactions. The company's named special servicing portfolio continues to be concentrated in legacy CMBS transactions but also includes recent vintage CMBS transactions that Torchlight Investors expects to continue acquiring over the next several years.

Key Rating Drivers

Company/Management: TLS primarily supports Torchlight Investors' CRE investments but continues to grow third-party special servicing. Torchlight Investors manages multiple funds that invest in CMBS controlling class bonds providing TLS with ongoing special servicing assignments and mitigating the run off of legacy vintage CMBS. Approximately one-half of TLS's employees are shared resources with Torchlight Investors performing compliance, financial controls, underwriting, and asset management functions.

Staffing and Training: TLS's staff consists of 13 employees supplemented by nine full-time consultants performing asset management, compliance, operations, and investor reporting. While TLS has experienced several consecutive years of elevated turnover as a result of the small size of the team and relocation of principal special servicing functions to Miami, FL, the company maintains a tenured and experience management team averaging 21 years of experience and six years of tenure. Employee training, increased significantly to an average of 43 hours per employee for the 12 months ended June 2015, up from 17 hours the prior year.

Procedures and Controls: TLS maintains detailed special servicing policies supplemented by desktop procedural checklists, both of which are reviewed annually. The company does not maintain compliance and internal audit functions independent of special servicing; compliance is monitored by senior managers, the use of delegations of authority, and formal credit committee reviews for all significant workout decisions for loans. TLS has engaged a third-party vendor to perform its first internal operational risk audit which is expected to be completed in early 2016.

Technology: TLS replaced its legacy asset management system in 2015 with a custom-built version of Backshop to support special servicing and surveillance functions. The application, which continues to be developed and enhanced, represents a significant improvement over the legacy application for reporting, cash flow modeling, and asset management. The application may provide for improved reporting and enhanced internal controls.

Related Research

Fitch Affirms Torchlight Loan Services' Commercial Mortgage Special Servicer Rating (October 2015)

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Additional Rating Drivers

Governance and Conflicts of Interest: Special servicing decisions are made by a committee composed of five members, two of which are members of the Torchlight Investors investment committee. The company mitigates potential conflicts of interest with code of conduct and ethics policies; all employees and consultants are required to certify their compliance annually.

Defaulted/Nonperforming Loan Management: Proactive portfolio surveillance is supported by an operations team of three that interacts monthly with master servicers to monitor watchlists and potential maturity defaults. Separate special servicing teams are maintained with team leaders and senior managers maintaining an active role in workouts.

Financial Condition: Fitch does not publicly maintain an issuer default rating for Torchlight Investors or TLS: however, Fitch performed a financial assessment of Torchlight Investors and determined the company's short-term financial viability adequate to support the servicing platform.

Servicer Ratings

Fitch rates primary and master servicers, which protect the interests of the certificateholders in the trust, by servicing and administering the mortgage loans. The primary servicer is responsible for day-to-day servicing functions, while the master servicer is responsible for monitoring the activities of the primary servicers, investor reporting, and timely remittance of funds to trustees.

Fitch also rates special servicers, which are key to maintaining the credit quality of a pool containing nonperforming commercial mortgages and real estate-owned assets. The special servicer is responsible for working out loans, foreclosing, and liquidating assets.

In assessing and analyzing the capabilities of primary, master, and special servicers, Fitch reviews several key factors, including the management team, organizational structure and operating history, financial condition, information systems, and, with respect to the special servicer, workout and asset disposition experience and strategies.

Fitch rates commercial mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within each of these rating levels, Fitch further differentiates ratings by plus (+) and minus (–) as well as the flat rating.

Company Overview

Torchlight Investors, the parent company of TLS, was founded in 1995, is based in New York and is an SEC-registered investment advisor that specializes in CRE debt finance and investments. The parent company was previously known as ING Clarion Capital, LLC. In July 2010, ING Groep NV (ING) sold its minority interest in ING Clarion Capital and its subsidiary ING Clarion Capital Loan Services, LLC to the parent company's management and principals; the parent company was renamed Torchlight Investors.

TLS (and its predecessor ING Clarion Partners) had been a Fitch-rated servicer since 1999. Torchlight Investors' core business continues to be the management of CRE-related debt investments. The company has approximately $4.9 billion under management in benchmarked, opportunistic, and long-/short-term commercial real estate debt strategies. Torchlight Investors launched Torchlight Debt Opportunity Fund V in 2015 to invest primarily in CRE debt. The fund has a target capital goal of $1 billion.

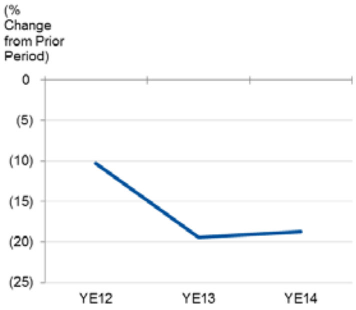
Torchlight Loan Services, LLC was formed in 1998 to workout distressed commercial real estate debt loans and real estate owned (REO) assets on behalf of Torchlight Investors. Presently, TLS manages approximately $1.5 billion of distressed commercial real estate loans and REO property on behalf of Torchlight Investors. TLS also performs limited third-party

Related Criteria

Rating Criteria for U.S. Commercial Mortgage Servicers (February 2014)

Rating Criteria for Structured Finance Servicers (April 2015)

Special Servicing Portfolio



Source: Torchlight Loan Services, Inc
Note: Special servicing includes loans actively in special servicing (including REO).

servicing on behalf of controlling class holders in CMBS transactions. While the majority of CMBS special servicing appointments are on behalf of Torchlight affiliates, seven of the company's 33 named CMBS transactions are third party.

Torchlight Investors maintains three active funds with allocations for CRE investments, including CMBS B-pieces. The company is currently harvesting proceeds from Torchlight Investors Fund III and investing funds from the $965 million Torchlight Investors Fund IV. The company is in the process of raising capital for Torchlight Investors Fund V which is expected to exceed $1 billion when it closes at year end. Torchlight's funds have a greater than a five-year investment period allowing the company to continue to invest in CMBS B-pieces under the five-year risk retention period beginning in December 2016.

Servicing Portfolio Overview

	6/30/15	% Change	12/31/14	% Change	12/31/13
Special Servicing – Named					
UPB ($ Mil.)	24,625.5	(12)	28,038.5	(16)	33,407.6
No. of Loans	1,904	(9)	2,100	(22)	2,709
Special Servicing – Active[a]					
UPB ($ Mil.)	1,715.7	(11)	1,925.5	(19)	2,369.4
No. of Loans	129	(12)	146	(5)	153

[a]Including REO

In May 2014, Torchlight relocated principal special servicing operations from New York to Miami, FL. Loan and REO asset management operations are based in Miami with investor reporting, operations, and compliance remaining in New York. Of the 13 TLS employees, four are located in Miami and nine are located in New York; however, only two of the New York employees are dedicated to special servicing with the remaining employees shared resources of Torchlight Investors. Of the firms nine consultants, seven are located in the Miami office and the remaining two are located in New York.

Financial

Fitch does not maintain credit ratings on TLS or Torchlight Investors. Fitch performed a financial assessment of Torchlight Investors and noted the company's good track record, broad expertise across CRE finance, solid liquidity position, contractual asset management fee revenue from long-dated investment funds, and commitment to retain capital ensuring appropriate liquidity. In addition, Fitch noted that special servicing fee income continues to decline, consistent with the industry, and reliance of management fee income from affiliated funds' management.

Employees and Training

At 31:1, TLS's ratio of assets to asset managers is higher than the average of 12:1 for most Fitch-rated special servicers; however, if asset manager consultants are included, the ratio would decline to 15:1.

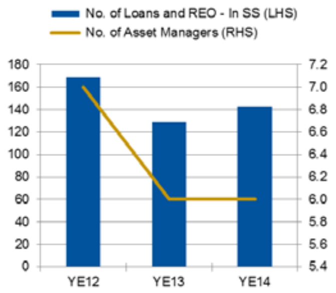
As of June 30, 2015, the special servicing team consisted of 13 employees; six people are employees of TLS including four asset managers. The seven remaining professionals were employed by Torchlight Investors whose time is split between Torchlight Investors and TLS. The shared functions include areas such as compliance, financial controls, underwriting, and asset management functions. In addition, TLS retained nine consultants to support asset management responsibilities as well as compliance, operations, and investor reporting functions of TLS. The consultants were not included in headcount or turnover in Fitch's analysis; if consultants were included, the special servicing team would total 22, of which eight were asset managers.

Employee Statistics[a]

	2015				2014			
	No. of Employees	Avg. Years Industry Experience	Avg. Years Tenure	% Turnover	No. of Employees	Avg. Years Industry Experience	Avg. Years Tenure	% Turnover
Special Servicing								
Senior Management	6	21	7	15	8	21	6	33
Middle Management	2	21	4	50	2	14	4	44
Servicing Staff	5	11	3	33	7	9	2	58
Total	13	—	—	27	17	—	—	49

[a]Employee statistics do not include consultants retained by Torchlight.

SS Loan and Employee Counts



Source: Torchlight Loan Services
Note: SS – Special Servicing. REO - Real estate owned.

Four consultants are asset managers with assigned portfolios of defaulted loans and who average nine years of experience. As of June 2015, only two of the nine consultants engaged by Torchlight have been with the company for less than 12 months, with all but two located in Miami, an increase from seven consultants in 2014, partially mitigating the decline in total number of employees from 17 to 13 since 2014. In addition to asset manager functions, one consultant performs operations, investor reporting, and compliance duties, one performs loan consent reviews, two are loan analysts, and one serves as the chief compliance officer of TLS and Torchlight Investors.

Aggregate employee turnover declined to 27% from 49% in 2015; there were four staff departures, two of which were internal transfers, while one was voluntary and one was involuntary. Turnover was highest among middle managers at 50% given one of the two existing middle managers departed TLS but remains with Torchlight Investors. Turnover numbers are higher in Fitch's analysis as consultants are not included in the employee count.

Turnover among asset managers declined significantly to 40% from 80% during the prior year, following the relocation of TLS's principal servicing operations to Miami. Turnover among asset managers was the result of two employee separations, one of which transferred internally to Torchlight Inventors. The company's four asset managers, exclusive of consultants, average two years of tenure and 15 years of experience. As of June 2015, the ratio of assets to asset managers was 31:1, considerably above the Fitch average of 12:1 for active conduit special servicers. If consultants were included, the asset to asset manager ratio declines to 15:1.

Training

The average number of employee training hours, a concern identified by Fitch in 2014, increased to 44 hours in 2015 from 17 the prior year. The majority for formal training occurs during regular lunch n learn session.

Management's goal is for employees to attend an average of 40 hours of training annually through a formal training program including external instructor-led training and lunch-and-learn sessions. The majority of training is held in Miami with New York staff participating by webex or teleconference. One staff member is designated the training coordinator responsible for working with the manager of special servicing to identify potential topics and coordinating external trainers. Training needs are evaluated based on the level of staff experience and individual strengths and weaknesses.

Recent training topics include loan documents, title issues, guarantor liability and recourse, intercreditor agreements, and retail market performance trends. The company also provides expense reimbursement for continuing education expenses for CFA and CPA designations and well as profession educational programs. The company also provided formal training in borrower assumption reviews and underwriting in response to increased assumption volume in recent vintage transactions. Additionally, in conjunction with Torchlight's new asset management application, employees have been participating in additional instructor and web based training for the new application.

Employees averaged approximately 44 hours of training in the 12 months ended May 31, 2015, comparable to other Fitch rated servicers and a significant improvement from 17 hours the prior year. TLS primary training method for employees is on the job, pairing asset managers and analysts with team leaders. While this may be an effective method for TLS's open space work environment, it is not reflected in formal training hours. If on the job training is included, the average training hours increase to 82 hours for the same time period.

Operational Infrastructure

Outsourcing

Torchlight does not outsource core special servicing functions; however, the company does supplement its staffing needs through the use of consultants. A single staffing company provides personnel to TLS through a master contract that expires in January 2016. Consultants, who are screened by Torchlight Investors, are required to confirm their compliance with the company's code of conduct and conflicts of interest policies as well as execute confidentiality agreements. As of June 2015, TLS had nine consultants, including four asset managers performing loan and REO asset management, one consent analyst, one special servicing analyst, an operations, investor reporting, and compliance analyst as well as a chief compliance officer. All but two of the consultants are located in the Miami office.

Vendor Management

TLS does not have a formalized vendor management program; however, vendor performance is continually monitored through team communications. Vendor assignments are tracked in the company's special servicing application allowing customized reports to analyze trends in vendor performance and exposure. Team leaders and the manager of special servicing must approve all vendor assignments and actively solicit feedback on past performance from asset managers prior to engagement.

Information Technology

In 3Q15, TLS replaced its legacy custom-developed asset management application built on Microsoft SharePoint and CorasWorks Web parts in favor of a custom-built version of Backshop. The customized version of Backshop was designed by TLS and the vendor to support asset management and tracking, investor reporting, and scenario-modeling capabilities in addition to the existing commercial loan underwriting features.

The Backshop application is populated with the CREFC IRP data fields from various Trustees for all transaction for which TLS is the named special servicer. The reporting functions of Backshop provide TLS with internal controls around workout milestones as well as consolidated IRP and ad hoc reporting. TLS continues to develop the application with plans to add portfolio management, asset tracking, and deal underwriting features over the next 12 months.

In conjunction with the implementation of Backshop, TLS has migrated pooling and servicing agreement (PSA) requirements, deadlines, and documentation into Backshop to support systematic internal controls. The addition of PSA requirements allows relevant PSA sections and deliverables to be prepopulated and allow specific special servicing tasks to be setup and monitored.

In addition to Backshop, TLS employees use SharePoint for document management as well as the complete suite of Microsoft Office products, REIS, and Argus to aid in analysis and workouts.

Network and desktop support is provided by a third-party contractor, Eze Castle Integration (ECI). ECI provides 24-hour help desk support and provides a part-time on-site engineer. Support for Backshop is continuously available by phone and email from the vendor as well as a select group of TLS employees with the most experience.

Disaster Recovery/Business Continuity Plan

TLS, through Torchlight Investors, maintains disaster recovery and business continuity processes that are tested on a regular basis and annually at a minimum. The disaster recovery process is also outsourced to ECI, which hosts Torchlight Investors' data and applications at both a primary data center in New Jersey and a disaster recovery site in Boston, MA. The most recent disaster recovery test occurred in November 2014 with successful results.

The support provided by ECI includes management of the disaster recovery process, including monitoring and maintenance of both data replication and the associated IT hardware and applications at the disaster recovery data center. Data is backed up through data replication technology that regularly copies all data from the primary data center to the disaster recovery site, making the maximum possible data loss in the event of a disaster 30 minutes or less. In the event of a disaster, TLS employees have access to systems through remote access which has a stated recovery goal of four to six hours.

Given special servicing functions are performed out of offices in New York and Miami, TLS does not maintain an employee back-up location or hot site. In the event access to an office was restricted and virtual private network access restricted, employees in the unaffected office are able to access core systems and perform servicing functions negating the need to alternate work sites.

Internal Control Environment

TLS does not maintain dedicated internal compliance resources independent of servicing to monitor operational compliance. The managers of operations and special servicing, who report to the head of servicing, are responsible for monitoring compliance on a monthly basis using exception reports for key deliverables.

TLS uses multiple layers of internal controls to maintain compliance. While the company does not currently maintain compliance and internal audit resources independent of the special servicing group, compliance with policies, procedures, and the delegations of authority is monitored by senior managers through monthly compliance monitoring and exception reporting. The company is currently undergoing it first formal internal special servicing operational audit by a third-party consultant which is expected to be complete in 1Q16. Additionally, a formal special servicing credit committee and delegation of authority to senior managers are responsible for all significant workout decisions.

Policies and Procedures

Fitch found Torchlight's policies and procedure manual and supplemental checklists to be sufficiently detailed to perform asset management functions.

The special servicing manual is reviewed semiannually with changes or updates made as necessary. The manager of operations is responsible for changes and updates which are reviewed and approved by senior management prior to implementation.

The policies and procedures manual is distributed to employees through the company's intranet. Training is provided to all new employees who are required to review the manual and important updates are distributed by email as necessary. Fitch reviewed the March 2015 version of TLS's policy and procedures manual that provides a detailed overview of special servicing including the analysis of loan, property, and sponsor attributes, as well as strategies and rational for evaluating potential resolutions methods.

In addition to policies and procedures, TLS maintains supplemental checklists, which have been incorporated within their asset management, outlining key steps for loan transfers, changes in special servicer, loan modifications, foreclosure, and deed-in-lieu. The check lists, which Fitch also reviewed, outline the basic procedures to be performed in a step-by-step format and specifically identify approved templates for borrower correspondence, business plans, and internal resources.

Compliance and Controls

TLS maintains formal agendas for special servicing committees which describe requested actions to be reviewed as well as include a portfolio aging of loans in special servicing greater than 32 months.

TLS itself does not have a dedicated internal compliance function; however, Torchlight Investors, as an SEC registered investment advisor, has an internal compliance function staffed by three employees who report to the chief compliance officer. While focused primarily on SOX controls, the compliance group monitors conflicts of interest and disclosure of non-public information of TLS.

Additionally, the manager of operations and special servicing manager of TLS, supported by two investor reporting, compliance, and operations analysts, are responsible for operational compliance through monthly exception reporting utilizing the company's surveillance database and Backshop. Monthly compliance reports are generated and reviewed to confirm servicing requirements are met, including key servicing agreement deadlines and timely appraisal and site inspections. Fitch reviewed a sample exception report used to monitor portfolio aging; the report listed all loans in special servicing greater than 32 months and a current status comment.

The company also uses a delegation of authority process that states that only senior vice presidents or higher are permitted to sign contracts or engage third-party services on behalf of the trusts they represent. The use of delegations of authority and the requirement of dual signatories for funding requests for real estate owned (REO) assets, are also viewed by the company as an affective internal control to monitor REO assets and advancing.

Fitch noted that TLS's evolving technology platform presents the company with the opportunity to improve compliance tracking for all aspects of special servicing, as operations and reporting are consolidated within Backshop. During a demonstration of Backshop, Fitch noted that individual tasks and milestones associated with workout actions can be setup, tracked, and visually represented as a progress bar for asset managers. Fitch believes this level of information along with detailed commentary, if maintained and reported properly, could further enhance seniors managers ability of oversee workouts.

Internal Audit

TLS engaged a third-party consultant to perform an internal audit of special servicing during 4Q15, a prior concern noted by Fitch.

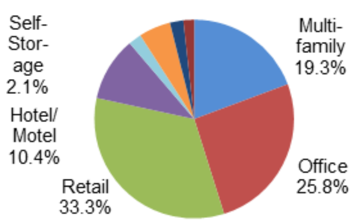
TLS does not have an independent internal audit function that performs regular risked based audits of special servicing functions; it leverages the chief compliance officer of Torchlight Investors to perform some internal audit functions. The most recent internal audit occurred in March 2015 focusing on CMBS trade compliance. The audit did not real any material issues of non-compliance, but was focused on trading compliance and the separation of duties and information between servicing and Torchlight Investments.

Torchlight has engaged a third-party vendor to perform a full operational risk audit in 3Q15 to focus on accounting and investor reporting, cash controls, PSA compliance, and project management activities. The audit is expected to be complete in 1Q16 and depending on the results, TLS will evaluate the need and frequency of internal audits. Highly rated servicers typically undergo an operational risk audit every 12–24 months using either independent internal resources or third parties.

External Audit

Fitch reviewed Uniform Single Attestation Program (USAP) and Reg AB letters dated March 18, 2015 and March 10, 2015, respectively, which noted that TLS complied with the minimum servicing standards set forth in the Mortgage Bankers Association of America's USAP and TLS management's assertion that it complied with the servicing criteria set forth in Reg AB for the year ended Dec. 31, 2014.

Named Special Servicing - CMBS Servicing Property Type
(As of June 30, 2015)



Source: Torchlight Loan Services, LLC.

Audits

Audit	Date	Auditor	Findings
USAP	March 18, 2015	CohnReznick, LLP	None
Regulation AB	March 10, 2015	CohnReznick, LLP	None

Special Servicing

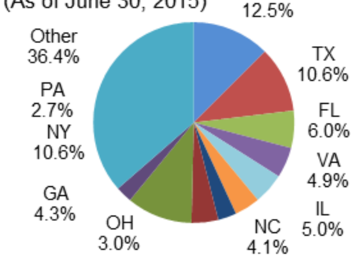
Special Servicing Portfolio

TLS's CMBS special servicing portfolio includes 34 transactions consisting of 27 legacy transactions from 2000 through 2007 vintages and seven recent vintage transactions issued between 2011 and 2015. While the portfolio continues to be heavily weighted in legacy transactions, TLS expects to be named special servicer for two to four new issue transactions annually. The company is also active in the secondary bond market owning several mezzanine CMBS bonds that may become controlling class in the future.

Special Servicing Portfolio Overview

	6/30/15	% Change	12/31/14	% Change	12/31/13
CMBS					
No. of Transactions — Special Servicer	34	0	34	6	32
UPB — Named Special Servicer ($ Mil.)	24,291.3	(12)	27,655.1	(17)	33,394.0
No. of Loans — Named Special Servicer	1,879	(9)	2,075	(23)	2,707.0
UPB — Actively Special Servicer (Non-REO) ($ Mil.)	1,004.7	(21)	1,266.8	(21)	1,6064
No. of Loans — Actively Special Servicer (Non-REO)	66	(18)	80	(19)	99
UPB — REO Assets ($ Mil.)	667.2	7	623.5	6	589.4
No. of REO Assets	59	(6)	63	24	51
Non-CMBS					
UPB — Named Special Servicer ($ Mil.)	334.2	(13	383.4	2719	13.6
No. of Loans — Named Special Servicer	25	0	25	1150	2
UPB — Actively Special Servicing (Non-REO) ($ Mil.)	36.2	3	35.2	159	13.6
No. of Loans — Actively Special Servicing (Non-REO)	3	0	3	50	2
UPB — REO Assets ($ Mil.)	7.6	—	—	(100)	160.0
No. of REO Assets	1	—	—	(100)	1

Named Special Servicing - CMBS Geographic Distribution
(As of June 30, 2015)



Source: Torchlight Loan Services, LLC.

In addition to being active in new issue CMBS, TLS has also been named as a third-party special servicer for seven transactions on behalf of three non-affiliated clients that are private

TLS maintains three groups of asset managers: loan asset management, REO asset management, and hybrid asset managers providing for a flexible staffing structure.

equity firms or investment managers. Included within third-party servicing is the TLS's first Freddie MAC commercial market transaction, FREMF 2012-K705 in 1Q15.

As of June 30, 2015, TLS was named special servicer for 34 CMBS transactions, representing 1,879 loans totaling $24.3 billion. Of its CMBS special servicing portfolio, the company was actively working out 66 loans representing $1.0 billion in outstanding balance and managing 59 REO properties with $667.2 million in unpaid principal balance. As of the same date, TLS was servicing three non-CMBS loans representing $36.2 million in unpaid balance and one REO asset representing $7.6 million all from a CRE CDO on behalf of a third party.

Loan Administration

Fitch noted TLS has made significant enhancements to Backshop to support special servicing; however, noted the system currently lacks some of the robust reporting features of other applications and business plans contain less detail on the history of workouts.

TLS is proactive in its surveillance practices through regular communication with master servicers for CMBS transactions in which it is named special servicer. Prior to the implementation of Backshop, TLS obtained surveillance data by transaction from individual master servicer websites. Backshop gives TLS access to real time CREFC reporting data within the application without the need for manual updates. The surveillance team uses monthly CREFC reports to monitor delinquencies and underperforming loans and may request additional information from master servicers. Additionally, surveillance personnel maintain a proprietary database of the company's bonds, from which the major tenant, location, and rent exposure are assessed. The company cross-references this database with major company announcements and news items (bankruptcies, mergers, and major disasters) and shares this information with the special servicing group.

Fitch expects TLS will build out its surveillance efforts as it continues to use and enhance Backshop to support surveillance efforts.

Defaulted/Nonperforming Loan Management

Upon notification of a servicing transfer event, the relevant loan documents and historical information are requested from the master servicer under the supervision of an assigned team leader. The loan documents and original underwriting information are reviewed to obtain a clear understanding of the loan structure, the existing lender protections, and the economic conditions present both currently and at the time of origination.

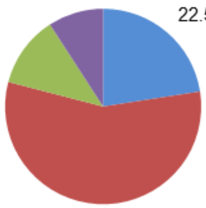
Members of TLS's special servicing credit committee include Torchlight Investors head of acquisitions, chief credit officer, and a senior officer as well as the special servicing manager and REO team leader.

TLS creates business plans within 90 days after the loan is transferred to special servicing, including obtaining an updated appraisal and at least brokers opinions of value, as well as with 60 days of the conversion of a loan to REO. Each asset manager works with legal counsel and other third-party vendors to develop a resolution strategy, requiring the approval of the team leader, manager of special servicing, as well as the special servicing committee. Asset status reports are created and distributed per the guidelines in the PSA and updates are provided in the monthly remittance reports.

All special servicing functions, including the creations of asset status reports and business plans, consent tracking, cash flow modeling, contract management, and disposition strategy development and analysis take place in Backshop. Fitch found Backshop to be a robust system for underwriting and noted TLS's significant efforts to adapt the system into a robust asset management and surveillance application, and believes it has the potential to compare to other robust systems used by highly rated servicers managing large volumes of defaulted loans.

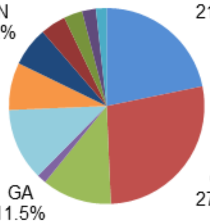
For market research, the company uses third-party data providers, local market contacts, and proprietary data to identify other defaulted loans in the same submarket or by the same borrower to determine a strategy. The asset manager is also responsible for obtaining or performing a physical property inspection within 30 days. In addition to using various data

Named Special Servicing - Non-CMBS Property Distribution
(As of June 30, 2015)



Source: Torchlight Loan Services, LLC.

Named Special Servicing - Non-CMBS Geographic Distribution
(As of June 30, 2015)



Source: Torchlight Loan Services, LLC.

sources and publications in conducting its market research for newly transferred loans, the special servicing team identifies local brokers from which to obtain broker opinions of value.

TLS's special servicing committee is an additional internal control around the workout process, as each workout is subject to approval by the relevant members of the five-member committee. The company maintains two special servicing committees with oversight authority based on loan balance above and below $10 million. The special servicing committee is comprised of senior management of Torchlight Investors and TLS team leaders whose approval is required for business plans, significant lease approvals, foreclosure filings, discounted payoffs, loan modifications and assumptions, foreclosure bid strategies, and REO business plans and liquidations.

REO Management

When a property is put into receivership or foreclosure is completed, the REO asset manager oversees property-level operations and develops the ultimate resolution strategy. The REO asset manager works with the property manager to develop a budget as well as with other third-party service providers to develop a business plan to maximize net present value (NPV) at resolution. Budgets include operating and capital expense necessary to operate and maintain the property for sale. The REO asset manager monitors budget variances monthly as part of the funding request process.

TLS's policies and procedures require updated business plans for REO assets to be presented to the special servicing committee within 60 days of foreclosure. Approved REO business plans are reviewed no less than annually by the special servicing committee or more frequently if there is a significant change in strategy, occupancy, or pending liquidation.

Torchlight implemented a property manager oversight program for REO assets in 2015. The program consists of a third-party audit firm being engaged by TLS, on behalf of the trust, to perform one property manager audit per month with the ultimate goal of auditing 15%–20% of eligible firms annually. The scope of the audits include rental income reporting and collection verification, review of expense processing, cash account reconciliations, common area accounting review, review of third–party contractors, and compliance review of the property management agreement.

Governance and Conflicts of Interest

Managing Potential Conflicts

Potential conflicts of interest in special servicing arise through various forms, particularly as investors retaining controlling positions in securitizations or specific loans have influence on workout strategies and the ability to select the special servicer.

While the majority of TLS's named special servicing assignments are on behalf of its parent, the company also performs third-party special servicing for investment managers and private equity firms that hold non-securitized B-notes as well as hedge funds that hold controlling class bonds.

Torchlight manages potential conflicts of interest on two levels: first, through its policies and procedures that require all major special servicing decisions be made by the special servicing committee. The committee, whose members average approximately 25 years of CRE experience, are comprised of five senior members with representatives from TLS and Torchlight Investors. TLS has compliance and code of ethics policies with which employees are required to certify their annual compliance. The policies address the disclosure of confidential information and potential conflicts of interest that may arise through the normal course of business.

Fitch reviewed a sample of business plans for approximately seven specially serviced loans and found that the business plans to be sufficient and generally reflected the consideration of alternate resolution strategies with a net present value analysis to support the ultimate workout strategy. While the business plans were complete, they contained less narrative discussion of alternative resolution strategies and fewer supporting assumptions used in NPV calculations as well as more limited history of the asset and workout progress relative to other highly rate servicers. While Fitch believes TLS adequately considers alternate resolution strategies and records workout milestone and progress within their asset management system, it is not consistently documented in business plans.

Investor Relations

Fitch views positively servicers that proactively disclose information to investors, including workout commentary, detail on modified loans, fee disclosures, and the collection and reporting of financial statements for defaulted loans.

With respect to fee collection and disclosure for modification, defeasance, and other transaction fees, TLS reviews each transaction on a case-by-case basis depending on the type of request. TLS may in some instances use borrower-paid fees to offset fees charged to the trust; however, the company has no formal policy against double dipping and it may charge CMBS transactions for servicing fees per the PSA at its discretion in addition to fees collected from the borrower. Senior management of TLS expressed to Fitch that the company has no reservations regarding the disclosure of borrower-paid fees through CREFC reporting.

Fitch reviewed a sample of five loans that were modified by TLS and returned to the master servicer as corrected mortgage loans to assess the transparency of loan modification and historical financial statements disclosed. In all instances, Fitch found that the loan comments adequately described the terms of the modification, allowing investors to make modeling assumptions. In terms of historical financial statements, Fitch observed that majority of loans sampled had historical financials reported, a significant improvement from the prior year, and those loans missing financial statements were collected by TLS but not reported by the master servicer.

Affiliated Companies

Neither TLS nor Torchlight Investors currently have affiliate companies that provide real estate management or CRE property brokerage services. Torchlight Investors or affiliate entities may provide CRE financing options for maturing loans or loans being worked out by TLS.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.