Situs Asset Management LLC and Situs Holdings, LLC

Servicer Report

Ratings

Situs Asset Management LLC

Commercial Primary Servicer	CPS2–

Situs Holdings, LLC

Commercial Special Servicer	CSS2

See page 16 for Servicer at a Glance details.

Related Research

Fitch Takes Various Actions on Situs Commercial Mortgage Servicer Ratings (January 2015)

CMBS Special Servicing Index – U.S.A. (September 2014)

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Servicer Summary

Situs Asset Management LLC (SAM), the primary servicer, and Situs Holdings, LLC (Situs Holdings), the special servicer, are the commercial mortgage servicing business lines of the parent company (Situs). Situs operates as a commercial real estate loan and advisory company with various business lines including consulting services, staffing and outsourcing solutions, realty advisory services, and European servicing. Situs does not originate commercial mortgage loans or itself invest in CMBS-controlling class positions.

SAM primarily provides commercial loan primary servicing functions for institutional and investor clients. The company continues to significantly increase the balance of loans serviced while decreasing the number of loans, as it focuses on providing servicing for large, complex loan structures rather than small balance and nonperforming loans. The company's CMBS primary servicing portfolio has increased to $2.5 billion as of Sept. 30, 2014 and represents 14% of the primary servicing portfolio.

Situs Holdings provides asset management and special servicing for related companies and third-party clients. Assignments include legacy and recent vintage CMBS transactions, nonperforming loan portfolios, and recently a significant number of single-family rental transactions.

Key Rating Drivers

Company/Management: Situs provides servicing, advisory and consulting for a broad range of clients. The company has grown through acquisitions of complimentary business and expanded servicing operations in Europe. The senior management team has over 25 years of industry experience and a strong management track record servicing commercial real estate loans.

Staffing and Training: While primary servicing staff has experienced several years of high turnover, SAM's staff remains experienced and its employees completed an average of 53 hours per training for the 12 months ending Sept. 30, 2014. Special servicing employees average more than 20 years of experience and five years of tenure. While asset manager turnover has increased in response to declining special servicing volume, experienced staff has been transferred to other business lines in an effort to retain experienced workout professionals.

Technology Platform: SAM completed its conversion to the Enterprise! loan servicing system and added ancillary products to support web reporting and a borrower portal. Situs Holdings' asset management/special servicing system of record continues to be enhanced and provides an adequate infrastructure for special servicing.

Procedures and Controls: Both companies maintain formal servicing policies that are reviewed annually and supplemented by desktop procedures or exhibits. Internal controls consist of compliance oversight from the corporate legal department, a global compliance committee, and compliance managers, as well as from outsourced internal and external audits.

SAM was acquired by Helios AMC, LLC in 2011 forming the combined Situs companies and is expected to be acquired by Stone Point Capital, LLC in first-quarter 2015.

Company Overview

Situs is a provider of commercial real estate loan and advisory services and works to create value across four main areas for its clients: enterprise and process improvement; capital markets and real estate advisory; primary and special servicing; and scalable staffing solutions.

On Oct. 7, 2011, The Situs Companies, LLC was acquired by Helios AMC, LLC, a Ranieri Partners-sponsored company. The combined company, now known as Situs Holdings, LLC, has primary servicing functions performed by SAM and asset management/special servicing functions performed by Situs Holdings. The company's headquarters remain in Houston, TX, with offices across the U.S. and Europe. Primary servicing functions are performed at offices in Houston, TX, and Robbins, NC, while special servicing operations are performed in San Francisco, CA, New York, NY, and Horsham, PA.

On Jan. 6, 2015 Stone Point Capital, LLC (SPC) announced intentions to acquire majority ownership in Situs. SPC, a private equity firm focused on global financial services with real estate experience, will buy out the Ranieri Group and a minority owner in a transaction expected to close first-quarter 2015. SPC has raised and managed six private equity funds – the Trident Funds – with aggregate committed capital of approximately $18.2 billion. SPC maintains an investment in Home Point Capital, a residential mortgage originator and servicer. Fitch believes the change in sponsorship will not result in any negative impacts to the servicing operation as SPC's intentions, as stated by Situs, are to grow the business and there are no staff reductions planned as part of the acquisition.

As of Sept. 30, 2014 Situs' active total U.S. servicing portfolio comprised $15.2 billion of primary servicing, $3.7 billion of special servicing, $29 billion of third-party private client servicing as well as $26 billion as operating advisor assignments. Situs is also responsible for $29.2 billion of primary servicing as well as $2.5 billion of special servicing in Europe, representing approximately 30% of the company's assets under management.

Situs does not originate commercial mortgage loans or invest in or trade CMBS bonds. Primary servicing assignments of SAM are largely obtained through relationships with originators and investors. However, half of the transactions for which Situs Holdings is appointed special servicer are controlled by Ranieri Partners, with the remaining transactions controlled by third-party investors and originators.

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.

Related Criteria

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

Rating Criteria for Structured Finance Servicers (January 2014)

Total U.S. Servicing Portfolio Overview

	Sept. 30, 2014	Dec. 31, 2013	Dec. 31, 2012
Unpaid Balance — Total Primary Servicing Portfolio ($ Mil.)	18,182.2	13,049.8	9,058.5
Number of Loans — Total Primary Servicing Portfolio ($ Mil.)	868	1,006	1,176
Unpaid Balance — CMBS Primary Servicing ($ Mil.)	2,534.1	1,628.3	64.8
Number of Loans — CMBS Primary Servicing	161	161	171
Unpaid Balance — Named Special Servicer ($ Mil.)	22,446.5	21,959.2	22,993.1
Number of Loans — Named Special Servicer	1,429	1,678	1,743
Unpaid Balance — Actively Special Servicing[a] ($ Mil.)	659.4	1,240.3	2,238.3
Number of Loans — Actively Special Servicing[a]	60	97	147
[a]Including REO.			

The company's primary servicing portfolio has doubled in principal balance since year-end 2012 to $18.1 billion as of Sept. 30, 2014 while over the same period the number of loans serviced declined 26%.

Situs Holdings' special servicing portfolio is a mix of legacy CMBS transactions, recent vintage CMBS transactions acquired by a joint venture with a third-party investor, nonperforming loan securitizations, and seven single-family rental securitizations issued since November 2013. To date, Situs Holdings has been named special servicer for a majority of single-family rental transactions from four issuers. In addition, the company also continues to leverage its special servicing surveillance infrastructure to pursue operating advisor appointments for new issue CMBS transactions. As of Sept. 30, 2014, the company was named operating advisor for 24 recent vintage CMBS transactions.

Financial Condition

Fitch does not maintain credit ratings on Situs; however, it performed a financial assessment of the company and determined the company's short-term financial viability adequate to support the CMBS servicing platform. Fitch's assessment noted the growing strength of the company's financial profile coupled with management's effort to diversify and stabilize cash flows through multiple business segments. The company's improving financial performance is somewhat offset by its relatively small size and the inherently cyclical nature of the commercial real estate services industry.

Employees

The aggregate number of employees of SAM and Situs Holdings remained consistent from the prior year, notwithstanding the elevated turnover which remains a concern for Fitch. The primary servicing group has experienced three consecutive years of elevated turnover, which while higher than most Fitch rated primary servicers, has historically been the result of a long-term strategic plan to realign resources in response to a decline in the number of loans serviced and operational efficiencies following the company's conversion to Enterprise.

While SAM experienced three years of high turnover, Fitch expects employee staffing levels to stabilize as additional staff is hired in Robbins, NC mitigating the highly competitive Houston, TX job market, and achieving the company's long-term strategic plan to realign resources gain operational efficiencies through technology.

Primary Servicing

Primary servicing senior managers average 25 years of commercial real estate experience and four years of tenure with SAM while middle managers average 20 and two years, respectively. While primary servicing staff average only two years of tenure, among the lowest of Fitch rated primary servicers, the staff averages seven years of industry experience. Primary servicing staffing decisions are based on the complexity of the loan structure with consideration of the servicing needs of the underlying real estate collateral. Generally, loan assignments are grouped by client relationships to provide a single point of contact. Transaction complexity is measured and monitored via an internally developed metric system that also considers product type and cash management requirements to maintain appropriate staffing levels within the loan operations and portfolio management groups.

Employee Statistics

	2014				2013			
	Number of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover	Number of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover
Primary Servicing								
Senior Management	5	25	4	22	4	22	4	57
Middle Management	13	20	2	30	7	19	7	50
Servicing Staff	35	7	2	54	35	11	4	67
Total	**53**	—	—	**46**	**46**	—	—	**62**
Special Servicing								
Senior Management	7	28	6	0	5	29	5	0
Middle Management	8	21	5	0	7	23	4	0
Servicing Staff	29	12	3	30	38	14	3	27
Total	**44**	—	—	**21**	**50**	—	—	**20**

The primary servicing group experienced 46% aggregate turnover as a result of 23 employee separations consisting of 15 voluntary departures, three involuntary departures, and four internal transfers. The majority of turnover occurred among staff level employees representing 19 of the separations (54% turnover). There were three middle management separations and one senior management separation resulting in 30% and 22% turnover, respectively.

Partially mitigating the employee turnover is the relocation of the positions to Robbins, NC. Of the 53 primary servicing employees, 16 are located in Robbins, NC, a 100% increase from the prior year. The relocation of positions to Robbins, coupled with continued investment in staff training, is intended to reduce turnover in Houston, TX, which continues to experience a very competitive job market driven largely by energy companies which compete aggressively for employees at all levels.

While turnover was elevated, Fitch noted that SAM successfully backfilled vacancies and nearly doubled the number of middle management employees. In addition Fitch noted that while the company's elevated turnover has negatively impacted the average tenure of employees, the average years of commercial real estate servicing experience of senior and middle managers has improved.

Special Servicing

Situs Holdings has 15 asset managers with a CMBS assets to asset manager ratio of 4:1 as of June 30, 2014. While the ratio of assets to asset managers is lower than other Fitch large-volume special servicers, the ratio inclusive of non-CMBS assets increased to 13:1.

Senior managers within special servicing average 28 years of commercial real estate experience and six years of tenure. Middle managers average 21 years of experience and five years of tenure while special servicing staff average 12 and three years of experience and tenure, respectively. Of the 44 special servicing employees, 15 are considered asset managers and average 14 years of experience. The majority of asset managers are located in San Francisco, and also in the Horsham, New York, and Robbins offices. Special servicing asset management staff levels are determined by the number of assets under management and the complexity of the assets, and assignments are generally made based on geography and complexity of the loans.

The special servicing group experienced 21% aggregate turnover, consisting of the departure of 10 staff level employees, similar to turnover experienced in 2013. There was no turnover within the management teams. Special servicing turnover was the result of five internal transfers and three voluntary and two involuntary separations; only four of the separations were replaced resulting a net decline of six employees. Four of the employee departures were asset managers resulting in 24% turnover and not replaced.

While turnover among staff employees was elevated, it did not materially impact the average tenure or experience of the special servicing staff and is consistent with turnover due to declining special servicing volumes among active Fitch-rated special servicers.

Training

Situs maintain a corporate level training program for analyst to executive level employees overseen by an executive managing director and the director of human resources. The program, Situs University, is a training and development program similar to a university curriculum that offers a range of required and elective courses. The senior management teams of SAM and Situs Holdings are responsible for determining relevant training topics and arranging industry-related professional to conduct on-site training for their respective groups. Employees track completed courses and training hours on-line allowing management to track participation.

Primary servicing employees completed an average of 53 hours of training per employee while special servicing employees completed 24 hours, which Fitch believe appropriate for each group.

Primary servicing employees completed an average of 53 hours per employee including recent topics such as loan document training, insurance risk management, and the review of leases, abstracts, rent rolls and estoppels. While the average training hours of primary servicing employees is higher than other Fitch rated primary servicers, Fitch believes it appropriate given the elevated staff turnover and limited company tenure.

Special servicing employees completed an average of 24 hours per employee, excluding weekly investment committee meeting, which provide asset managers and analysts exposure to practical workout experience as all specially serviced assets are reviewed with senior management. Recent special servicing topics include note sales, receiverships, financial statement analysis, bankruptcy and environmental regulatory changes. While significantly lower than primary servicing training hours, special servicing hours are commensurate with the highly experienced and tenured workout staff.

Internal Control Environment

Both SAM and Situs Holdings address internal controls through a combination of documented procedures, technology and internal and external audits. As a whole, internal and regulatory compliance policies and training are set at the company level to ensure compliance with legal and regulatory standards as well as the servicing standard set forth by the company's clients. Compliance with policies and procedures is maintained by management oversight through exception reports and controls within the servicing applications, dedicated compliance resources, outsourced annual internal audits and external audits performed by third-party auditors.

Policies and Procedures

Fitch found the policies and procedures of SAM sufficient to perform servicing functions although less detailed than other Fitch rated servicers.

Primary servicing policies and procedures are accessible to all employees through a SharePoint web portal. Policy statements are a high level overview of specific servicing functions while procedures are step by step desktop guides. It is the policy of SAM to review and update all policies and procedures annually with updates overseen by the compliance manager and approved by the managing director of servicing. All of SAM's policies and procedures for primary servicing were reviewed and updated in 2014. Recent revisions include the addition of a new forced placed insurance policy and revisions to property tax and insurance policies. In addition to SAM's policies and procedures, employees have access to the Enterprise! procedure manual.

The policies and procedures of Situs Holdings include high level procedure and guidance notes supplemented by numerous exhibits necessary to perform special servicing functions.

Policies and procedures of Situs Holdings are also available to all employees electronically through read-only copies stored on a dedicated network drive; these are updated as necessary and formally on an annual basis by the managing director of operations and the compliance manager. Revisions to policies require the approval of the managing director of operations, who utilizes a policy-administration software application to notify employees of policy revisions or when a policy is due for review. New or recent policy revisions include the duties of Situs Holdings as an Operating Advisor as well as updated compliance and training policies.

Compliance and Controls

Situs established a formal compliance review committee to review compliance-related issues and internal controls across all servicing business lines in late 2013.

Compliance across both primary and special servicing is monitored by Situs' corporate legal department and the Global Assets Under Management Compliance Committee (GAUMCC). The GAUMCC was established in 2013 to monitor Situs' primary servicing, special servicing, asset management, surveillance, and operating advisory operations to ensure compliance with company policies and procedures, servicing agreements, training goals, industry standards as well as legal and regulatory requirements. The committee is chaired by the executive managing director and its members include the chief risk officer, the managing directors of operations of primary and special servicing, compliance managers of the companies three servicing business lines, the chief operating office of the third-party advisory business line, the director of European servicing operations, and information technology. The GAUMCC meets no less than quarterly to identify potential risks within any of the company's operations, review internal controls, and resolve any compliance matters.

Mirroring the compliance approach of Situs Holdings, SAM created a compliance manager position in 2014 to enhance internal controls and provide operational oversight.

Responsibility for primary servicing compliance lies with the SAM compliance manager who reports to the managing director of primary servicing. The compliance manager ensures the consistent application of controls throughout all global servicing products and ensures quality servicing. Primary servicing maintains a risk matrix documenting key risk areas and the corresponding controls in place to mitigate those risks. The matrix is reviewed annually by the directors and managing director responsible for primary servicing. Compliance with the matrix is monitored through monthly activity reports of key performance metrics that are distributed to all senior managers.

To supplement compliance, senior managers of primary and special servicing meet daily to discuss servicing issues such as vendors, compliance, staffing and technology.

Fitch reviewed a sample of the risk matrix that identified 35 functional tasks from areas such as cash management, investor reporting, loan boarding, cash management and accounts payable. Each functional task is assigned to a business owner and ranked based on operational, reputational and economic risk to derive an overall risk ranking. The report further documents the control activity in place to mitigate the risk and evidence of the control such as control logs, periodic testing and account reconciliations. Fitch reviewed four sample key performance metric reports that presented key data elements sufficiently but did not evidence any management review.

Situs Holdings maintains two levels of operational reviews to monitor the timeliness and effectiveness of workouts performed by asset manager/analyst teams. Each regional office is staffed with a team leader responsible for managing and mentoring asset management teams in asset level progression and the strategy execution through daily oversight. Additional, the managing directors of Situs Holdings oversee portfolio performance and drill down to the asset level to augment team leaders.

Compliance for the asset management functions and the pooling and servicing agreement (PSA) compliance of Situs Holdings is overseen by the compliance manager, whose primary tool is the company's asset management system, which contains PSA abstracts and action item reminders for key compliance items. Various tickler reports can be run from the asset management system by asset managers to ensure compliance with key PSA requirements. Exceptions reports are distributed monthly to all employees and senior management as well.

Internal Audit

Internal audit for both primary and special servicing is outsourced to David Landau & Associates. The purpose of the audits is to serve as a compliance review, and the focus is validating the controls associated with Regulation AB and USAP requirements as well as Situs' corporate risk management process. Fitch reviewed the September 2014 internal audit report for special servicing that included a review of policies and procedures, check receipts, wire receipts, bank reconciliations, new bank accounts, loan compliance, forbearance, modifications, foreclosures, and restructures. The internal audit did not result in any significant findings. Fitch also reviewed the October 2013 internal audit report for SAM, which also did not result in any significant findings.

External Audit

Fitch reviewed Grant Thornton's SEC Regulation AB letter dated April 24, 2014 for special servicing and SEC Regulation AB and USAP letters dated March 20, 2014 for primary servicing. Both letters noted that in the auditor's opinion, SAM complied with the minimum servicing standards set forth in the MBA's USAP and agreed with Situs Holdings management's assertion that it complied with the servicing criteria set forth in Regulation AB for the year ended Dec. 31, 2013. In addition, Fitch reviewed the Service Organization Control Report (SOC1) for SAM for the year ended Dec. 31, 2013 which did not result in any material findings.

Information Technology

SAM successfully converted its primary servicing system to Enterprise! in July 2012 and is now the largest third-party client to use the system.

SAM utilizes Midland's Enterprise! commercial loan servicing software as its primary servicing system of record on a hosted basis. In addition to the core Enterprise! application, the company also utilizes Midland's Portfolio Investor Insight and Borrower Insight web portals to provide online access to servicing data. SAM also maintains ancillary systems such as Business Objects for reporting, a digital imaging system, and Citrix.

For special servicing and asset management, Situs Holdings uses a proprietary, web-based Management Information Data Analysis System (MIDAS). MIDAS is a robust system that provides asset management functions such as property/loan-level data capture, integrated business plan and cash flow modeling, and assumptions and borrower request tracking, reporting and approval workflows. The system also affords effective controls around asset management and investor reporting through multiple compliance tracking functions, particularly related to PSA, monthly trustee and CREFC reporting.

Situs Holdings uses Microsoft Dynamics for both portfolio and property level accounting and report generation. The applications, which reside on a Microsoft Sequel Server, allow for easily customizable reporting through a built-in report writer that caters to business and financial data, as well as standard accounting functionality. Data to support MIDAS reporting feeds from Microsoft Dynamics in real time.

IT support for SAM and Situs Holdings is provided by an IT support team that provides infrastructure management, server, network and database administration, backup management and 24 hour help desk support. The Enterprise! application is hosted by Midland Loan Services, which is responsible for the maintenance, support and backup of the application and corresponding loan data. Support for the MIDAS application is provided by contracted, onsite staff.

Disaster Recovery/Business Continuity

Situs established a third data center within its technology infrastructure in 2014 enhancing its' disaster recovery and business continuity abilities.

Both SAM and Situs Holdings are supported by a corporate business continuity/disaster recovery plan that is published electronically and made available to all staff. The company has uninterrupted power backup at its data centers, and remote access is available to employees in the event primary operating sites are inaccessible. Servicing data is backed up several times a day as well as continually replicated. Primary and special servicing functions are not location dependent and can be performed from any of Situs offices around the world in the event of a disaster. The company's disaster recovery plans are tested annually as well as intermittent test within business units. The most recent test was completed in October 2013.

The expected recovery time for critical systems is 24 hours, and the maximum possible data loss is 15 minutes or less.

Primary Servicing Portfolio Overview

	Sept. 30, 2014	Dec. 31, 2013	Dec. 31, 2012
CMBS			
Number of Transactions — Primary Servicer	10	3	0
Unpaid Balance — Primary Servicing ($ Mil.)	2,534.1	1,628.3	64.8
Number of Loans — Primary Servicing	161	161	171
Non-CMBS			
Primary Servicing ($ Mil.)	15,648.2	11,421.5	8,993.8
Number of Loans — Primary Servicing	707	845	1,005

Primary Servicing

Primary Servicing Portfolio

As of Sept. 30, 2014, SAM's total servicing portfolio consisted of 868 commercial mortgage loans totaling $18.2 billion, the majority of which are non-CMBS on behalf of life companies, private equity firms and bank clients. SAM performs primary servicing for approximately $2.5 billion of securitized transactions consisting of collateralized debt obligation (CDO) and single- and multi-borrower CMBS transactions. SAM has experienced significant growth its primary servicing portfolio since 2013 due largely to higher balance loans.

In addition to weekly manager meetings to review potential new servicing assignments, work flow tools track incoming loans and allow senior managers to monitor the new loan boarding.

New Loan Setup

New loan setup begins with a loan boarding setup template that is completed to capture the key fields necessary to service the loan. The loan is set up in Enterprise! and a system-generated new loan report is used to verify that the loan has been set up correctly. The loan administration manager is responsible for approving all loans prior to entry into Enterprise! Once a loan has been set up and verified, it is assigned to a portfolio manager who is responsible for performing a final quality control check against the original loan documents. The manual loan-boarding process can be completed in approximately four hours.

The new loan setup process for bulk loan transfers is a similar process facilitated by the prior servicer completing an XML template that is verified, mapped and uploaded into Enterprise! A quality control review is done for 10% of each asset or loan type prior to the data being uploaded to Enterprise! A second quality control review is performed by the loan administration staff once the data upload is complete to verify key data elements, billing and functionality. Due to the nature of SAM’s servicing client relationships, bulk loan transfers are infrequent.

Highly structured loans are summarized into a loan summary based on information in the loan abstract by the Situs legal department to assist with the interpretation of the loan documents. Each loan summary includes a description of special covenants and trigger events that are set up during the loan-boarding process.

Within three months of loan closing or a new loan boarded to Enterprise!, the asset manager is notified of any document exceptions and is responsible for reconciling and retrieving any missing documents with the prior servicer or client.

Accounting and Cash Management

It is SAM’s policy that all clearing and sweep bank accounts are reconciled daily while bank escrow accounts are reconciled monthly.

Cash and servicing accounts are managed daily beginning with a reconciliation of lockbox payments received in bank accounts. The cash manager is responsible for reviewing all clearing accounts daily to confirm funds received are identified and applied timely. Once account and payment information is verified, a data file is uploaded to Enterprise! to update the system of record, and reports are generated to verify loan waterfall applications and funds credited to bank accounts.

The cash manager is also responsible for reviewing wire transfers for accuracy and the appropriate delegation prior to approval. A treasury management specialist performs a second review of all wire transfers prior to disbursement.

Lockbox accounts are monitored by both the assigned asset manager and the cash manager. The asset manager is responsible for notifying transaction participants when a lockbox has been triggered and providing direction to the cash manager for the application of funds. The cash manager maintains a list of all cash-managed accounts, with springing lockbox triggers that monitor the borrowers’ lockbox accounts to confirm the accounts remain open and active.

Escrow Administration

Loan servicing analysts are responsible for monitoring tax due dates and ensuring timely payments are made. SAM utilizes a third-party tax service provider that is responsible for tracking the tax status for all escrowed and non-escrowed loans as well as providing tax billing statements or tax amounts due for all escrowed loans. Information is loaded into Enterprise!, which then generates weekly upcoming expenses within 30 days of the due date. For non-escrowed loans evidence of payment is requested from the borrower 30 days prior to the due date.

Similarly, for insurance tracking, Enterprise! generates borrower and insurance agent correspondence and tickler reports to monitor certificate of insurance coverage expirations 30-days prior to expiration. SAM's insurance specialist also contacts borrowers and insurance agents at the expiration of an insurance policy if updated evidence of insurance is not received. Additionally, an insurance compliance review is performed annually to ensure appropriate coverage levels.

Escrow analysis is performed annually for loans with escrowed insurance and tax reserves that are paid annually or semiannually, and twice a year for loans where collateral taxes are paid quarterly, to ensure the reserves are adequately funded to meet future payments. The analysis date is tracked through Enterprise!, which generates a tickler prior to the next analysis date. Escrow analyses are reviewed by the loan servicing analyst, and accounts with significant shortages or payment changes are further reviewed by the portfolio manager.

Investor Reporting

The investor reporting analyst, in conjunction with the asset manager, is responsible for generating investor remittance reporting packages (RRPs) and investor reporting packages (IRPs) from Enterprise. Compliance with reporting deadlines is administered through reporting calendars that list key dates for each investor/portfolio serviced and maintained by the investor reporting and portfolio managers. Remittance reports are reviewed for accuracy by both the investor reporting manager and/or asset managers prior to distribution.

Asset Administration

Asset managers currently utilize a compliance database to track borrower deliverables and generate reminder notices. This functionality is in the process of being migrated to Enterprise!.

Asset managers are responsible for monitoring the timely receipt of loan payments for their assigned portfolio using reports generated from Enterprise. Delinquency reported are generated monthly and distributed to asset managers and senior management, who routinely monitor collection efforts on behalf of servicing clients. SAM's policy is for asset managers to contact borrowers regarding delinquent payments within 15 days via email and telephone calls.

Physical property inspections for loans serviced by SAM are performed annually or as required by the servicing agreement. Approximately 90% of property inspections are performed by third-party vendors. The portfolio manager reviews all inspections prior to submission, and deferred maintenance data is tracked in Enterprise!, which creates follow-up ticklers. Borrowers are notified in writing to address deferred maintenance items within 30 days.

Financial statement collection, tracking and compliance are performed by the asset administration group. Enterprise! is used to generate letters to borrowers and property managers at the necessary intervals to request annual or quarterly financial statements and rent rolls. Tickler reports are used to monitor collection efforts and borrower compliance. Portfolio analysts and asset managers are responsible for spreading and analyzing financial statements and monitoring loans with property performance triggers. Asset managers review financial statement analyses prior to reporting.

Tenant rollover reviews are also done as required by portfolio analysts as part of SAM's financial statement analysis process and approved by asset managers. Portfolio analysts review all tenants listed on the rent roll to track future rollover and tenant concentrations.

SAM monitors loan and collateral performance through administration of the Commercial Real Estate Finance Council (CREFC) Investor Reporting Package (IRP) and associated watchlist criteria unless otherwise stipulated by a servicing client. Asset managers are responsible for monitoring and updated watchlist comments monthly as well as working with the borrower on any corrective measures.

UCC monitoring is tracked both within the servicing system as well as by a third-party vendor. The vendor is responsible for filing UCC continuations automatically unless otherwise notified by SAM and generally five months prior to the expiration date. Monthly reports are generated from Enterprise to monitor missing, renewed, and lapsed UCC statements.

Loan maturity dates are recorded and monitored in Enterprise through maturing loan reports that are run weekly and distributed to asset managers. Asset managers are responsible for notifying borrowers of pending maturities at six-month, 90-, 60-, and 30-day intervals prior to maturity. All borrower correspondence is tracked in Enterprise.

Customer Service

Customer service is provided to borrowers and clients through a single point of contact to streamline inquires and direct borrowers to the correct functional area within the portfolio management group responsible for most borrower inquires and consent requests. Borrower satisfaction is not formally tracked; however, SAM believes that repeat investor servicing assignments are key to maintaining customer satisfaction.

Outsourcing

SAM outsources financial statement and rent roll analysis to SilverSkills in Delhi, India during peak volumes. Silver Skills performs financial statement data entry spreading and preliminary analysis. In addition, CT Lien Solutions performs UCC monitoring and continuation filing on behalf of SAM. The work product of both vendors is reviewed by SAM who also maintains the ability to perform both functions internally if needed. Fitch does not view the use of outsourcing to be material given its limited scope.

Vendor Management

The engagement and monitoring of third-party vendors is centralized through a subcontracting coordinator. The subcontracting coordinator is responsible for vendor oversight and consistent processes and provides the ability to capture and track the level vendor performance satisfactions to maintain service standard.

Special Servicing

Special Servicing Portfolio

As of Sept. 30, 2014, Situs Holdings was the designated special servicer for 22 CMBS transactions representing $22.4 billion in outstanding balance, of which the company is actively working out 46 loans totaling $509.8 million and managing 14 real estate-owned (REO) assets. Similarly to other large conduit special servicers, Situs Holdings' active CMBS portfolio continues to decline as loans are resolved. The company's named CMBS special servicing portfolio includes a legacy and new issue conduit transactions as well as seven single-family rental transactions added in 2013 and 2014. Situs Holdings is the named special servicer for a majority of single-family rental transactions issued since 2013. In addition the company performs special servicing for 166 nonperforming loans totaling approximately $1 billion on behalf of third-party private equity clients.

Special Servicing Portfolio Overview

	Sept. 30, 2014	Dec. 31, 2013	Dec. 31, 2012
CMBS			
Number of Transactions — Special Servicer	22	18	12
Unpaid Balance — Named Special Servicer ($ Mil.)	22,446.5	21,959.2	22,993.1
Number of Loans — Named Special Servicer	1,429	1,678	1,743
Unpaid Balance — Actively Special Servicing (Non-REO) ($ Mil.)	509.8	1,032.6	1,853.6
Number of Loans — Actively Special Servicing (Non-REO)	46	75	117
Unpaid Balance — REO Assets ($ Mil.)	149.6	207.7	384.6
Number of REO Assets	14	19	30
Non-CMBS			
Unpaid Balance — Named Special Servicer ($ Mil.)	1,042.5	1,238.9	2,431.5
Number of Loans — Named Special Servicer	166	229	485
Unpaid Balance — Actively Special Servicing (Non-REO) ($ Mil.)	886.5	1,029.8	1,460.7
Number of Loans — Actively Special Servicing (Non-REO)	136	169	379
Unpaid Balance — REO Assets ($ Mil.)	156.0	170.7	293.0
Number of REO Assets	30	54	50

N.A. – Not applicable/available.

Loan Administration

Senior managers of Situs Holdings review monthly watchlist reports and discuss potential loan transfers with the controlling class representative and master servicers. Watchlist review focuses on properties with declining debt service coverage ratios, declining net operating income or occupancy, tenant lease expirations, upcoming maturity dates and delinquent loans. Monthly watchlist comments are also reviewed to identify potential credit concerns that may not be represented in current property performance. As part of its review process, Situs Holdings consolidates all watchlist files and comments, allowing it to focus on the largest loans across the whole portfolio. The monthly watchlist review process is supplemented with a review of loans for which borrower consents are sent to Situs Holdings for review.

Defaulted/Nonperforming Loan Management

The compliance manager serves as the point person for loan transfers and is responsible for designating the loan as special serviced and ordering the mortgage file from the trustee/custodian. Senior management assigns the loan to an asset manager and asset analyst team based on geography, property type and complexity of the loan and proximity of the asset to the company's regional offices. An analyst reviews the servicing file, the PSA abstract for key due dates and loads loan data into MIDAS. The asset manager then reviews the file and begins due diligence of the property, borrower and market and determines loan or PSA restrictions.

Situs Holdings maintains separate asset management and REO teams, as is common among most large Fitch-rated special servicers.

The asset manager immediately begins communication with the borrower, subject to a prenegotiation agreement, to analyze the cause of the transfer and the history of the loan, to determine possible remedies or recovery and disposition options, and recommends an action plan. The asset status report documents the asset manager's assessment of the overall problem and proposes a resolution strategy, including a timeline, to dispose of the loan in a manner intended to provide the greatest recovery for the trust. If the PSA does not specify a requirement for submission of an asset status report, the asset manager will prepare and submit a report within 90 days of transfer.

The company relies on its MIDAS system to provide background research on loans that have already been in special servicing, contacts in major market areas for market color, and its proprietary Situs Insight system for market research data. Borrower research is performed through borrower contact and third-party resources. Site inspections are performed by the asset manager for specially serviced loans within 90 days of the transfer date and typically include a meeting with the borrower, unless otherwise directed by the PSA. Follow-up site inspections are performed annually for all specially serviced loans and REO assets.

Potential resolution strategies are determined by the status of the collateral, the borrower's ability and willingness to cooperate and effectively operate the property, and the market dynamics that may impact the collateral and borrower. It is the policy of Situs Holdings to perform a thorough analysis of the collateral, borrower and market to determine potential resolution strategies. Strategies are then evaluated on an NPV basis to ensure the highest possible recovery for the trust. In most instances, the final resolution proposal and supporting analysis is presented to the controlling classholder for approval.

The asset manager updates monthly asset status comments and projected resolution dates in MIDAS that flow through to the CREFC special servicer loan file. Investor reporting then generates a report for each securitization that is reviewed by the special servicing investor reporting manager before it is sent to the master servicer.

REO Management

REO assets are assigned to REO asset managers following foreclosure; however, the REO and asset management teams proactively discuss potential REO transfers and maintain a foreclosure pipeline to monitor potential REO assets. In addition, the compliance manager distributes a foreclosure pipeline report every two weeks to all staff to monitory upcoming foreclosure dates.

Pre-foreclosure discussions with asset managers also allow REO asset managers to complete a preliminary business strategy for each asset prior to taking title. Prior to taking title to an asset, the loan or asset manager complete a summary memo outlining known property concerns, identify potential property managers and a preliminary 90-day REO budget. An environmental site assessment is performed no more than 12-months prior to the foreclosure date to confirm no material environmental hazards exist. Finally, a pre-foreclosure checklist is completed 10 days prior to the foreclosure date, which must be reviewed by the asset manager, REO asset manager, compliance manager, managing director of operations, and managing director of asset management to confirm property notifications have been provided and the appropriate due diligence performed. The REO team also utilizes a dedicated legal and title/escrow team to efficiently handle REO sales.

Once an asset is transferred to the REO team, REO managers are required to perform site visits of each asset and meet with property managers to produce and review operating budgets for each asset. Situs Holdings believes that having its REO asset managers visit properties to gain an understanding of their physical condition as well as the market's competitiveness is critical to the expense-management process. Follow-up site visits are performed annually or as needed.

A REO business plan is presented to credit committee within 120 days of foreclosure and updated whenever a material event occurs such as leasing activity, property management changes, or a potential sale. Broker proposals are obtained for all REO assets and reviewed based on broker experience, sale strategies and costs.

The director of asset management is responsible for reviewing all REO assets on a regular basis and reviews sales strategies with REO asset managers. Aged REO assets receive greater scrutiny to determine potential issues impacting the timely liquidation. Additionally the compliance manager is responsible for monitoring key due dates and approvals for business plans.

Situs Holdings has not itself, or through affiliates, exercised any fair value purchase options for legacy CMBS transactions since inception.

Governance and Conflict of Interest

Managing Conflicts of Interest

Potential conflicts of interest in special servicing arise in 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 Situs does not purchase controlling class bond positions to appoint itself special servicer, the chairman of the board of Situs Holdings is also the chairman of the board of the company's largest third-party client.

While Situs Holdings is appointed special servicer for CMBS transactions by the controlling classholder, in some cases, Situs Holdings and the controlling classholder share common ownership. The chairman of the board of Situs is also the chairman of the board and founder of the controlling class holder for a significant number of Situs Holdings' legacy special servicer appointments.

To mitigate potential conflicts, it is Situs Holdings' policy to evaluate all workout alternatives using an NPV-based analysis and select the resolution method that results in the highest NPV for the CMBS transactions it services. Fitch reviewed a sample of 10 business plans that included an examination of alternate resolution strategies, appropriately substantiated the ultimate recommended strategy, and contained an NPV analysis of the various strategies when applicable. Fitch also found all initial business plans thorough, clear, concise and completed timely.

Fitch reviewed a random sample of ten asset summary reports for specially serviced loans and found they contained a detailed NPV analysis where appropriate.

Situs has a formal code of business conduct and ethics, a copy of which was provided to Fitch for review. The purpose of the code is to reinforce and enhance the company's commitment to an ethical way of doing business. Fitch found the code specifically addressed potential conflicts of interest that may arise through various means in detail, as well as entertainment, gifts and gratuities.

Investor Disclosure

Fitch views positively servicers that proactively disclose information to investors, including workout commentary, details on modified loans, disclosure of fee information, and the collection and reporting of financial statements for defaulted loans. With respect to fee collection and disclosure, Situs Holdings' practice is to offset trust fees (resolution, disposition and loan correction/workout fees) with fees collected from a borrower in a workout.

Fitch reviewed four instances of workouts for the 12 months ending Sept. 2014 in which Situs charged the borrower a modification fee. Fees ranged from 0.08%–1.00 % of the unpaid principal balance, with an average of 67 bps.

Situs Holdings' stated policy does not allow double dipping for modification or other fees payable pursuant to the PSA. Accordingly, if a borrower pays a loan modification or similar fee that, pursuant to the PSA, would be earned by the special servicer, Situs Holdings will offset that amount against the loan correction fee or resolution fee paid by the trust. Situs Holdings has stated that it does not have any reservations regarding the disclosure of borrower-paid fees and will accept borrower-paid fees to offset fees due from the CMBS trusts. Neither Situs Holdings as special servicer, nor any controlling classholder that has rights to, have exercised any fair market value purchase options for specially serviced loans in CMBS transactions.

Affiliated Companies

Neither Situs Holdings nor SAM provides real estate management or broker services. Situs Holdings engages an affiliate company to perform appraisal reviews for specially serviced assets for which it receives a below-market fee. Situs Holdings or affiliate companies provide due diligence and commercial real estate advisory services.

Servicer At A Glance — Situs Asset Management LLC and Situs Holdings, LLC

Experience (Years)				
Servicing	28			
CMBS Servicing	7			
Loan Workout	7			
CMBS Workout	7			
Credit Rating	Fitch does not publicly rate the credit and financial strength of The Situs Group, LLC			

Employees	**Number of Employees**	**Experience in Industry (Years)**	**Tenure with Company (Years)**	**Turnover (%)**
Primary Servicing:				
Senior Management:	5	25	4	22
Middle Management:	13	20	2	30
Servicing Staff	35	7	2	54
Total	**53**	—	—	**46**
Special Servicing:				
Senior Management:	7	28	6	0
Middle Management:	8	21	5	0
Servicing Staff	29	12	3	30
Total	**44**	—	—	**21**

Average Training Hours Per Employee Per Year	53 Primary Servicing/24 Special Servicing
2013 USAP Audit/Regulation AB Audits	Grant Thornton, LLC
Servicing System	Enterprise! (primary servicing); MIDAS (special servicing)

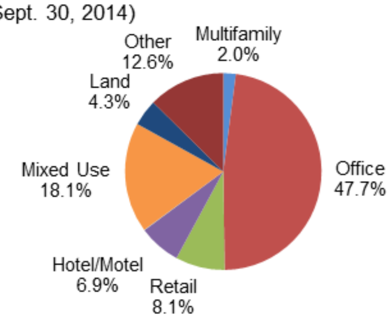
Total Servicing Portfolio	
(As of Sept 30, 2014)	
Unpaid Principal Balance (UPB) ($ Mil.)	18,182.2
Number of Loans	868
Primary Servicing Portfolio	
CMBS Primary Servicing	
Number of Transactions Primary Servicer	10
UPB ($ Mil.)	2,534.1
Number of Loans	161
Non-CMBS Primary Servicing	
UPB ($ Mil.)	15,648.2
Number of Loans	707

Special Servicing Portfolio	
(As of Sept 30, 2014)	
CMBS Portfolio	
Named Special Servicing	
Number of Transactions	22
UPB ($ Mil.)	22,446.5
Number of Loans	1,429
Active Special Servicing, Not Including REO	
UPB ($ Mil.)	509.8
Number of Loans	46
REO	
UPB ($ Mil.)	149.6
Number of Loans	14
Non-CMBS Portfolio	
Named Special Servicing	
UPB ($ Mil.)	1,042.5
Number of Loans	166
Active Special Servicing, Not Including REO	
UPB ($ Mil.)	886.5
Number of Loans	136
REO	
UPB ($ Mil.)	156.0
Number of Loans	30

Special Servicer Results	**$ Mil.**	**No. of Loans**
CMBS Loans Resolved Since Inception	6,879.5	463
CMBS Loans Resolved Past 12 Months	939.4	78
Non-CMBS Loans Resolved Since Inception	2,697.0	583
Non-CMBS Loans Resolved Past 12 Months	675.1	161

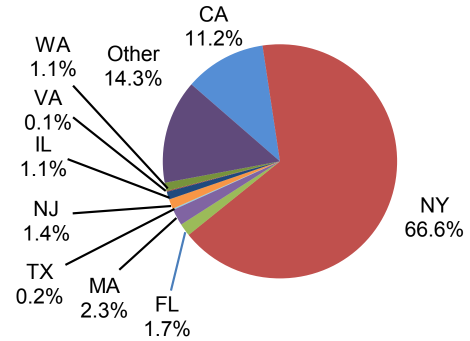
Appendix: Primary Servicing Distributions

CMBS Primary Servicing by Property Type
(As of Sept. 30, 2014)



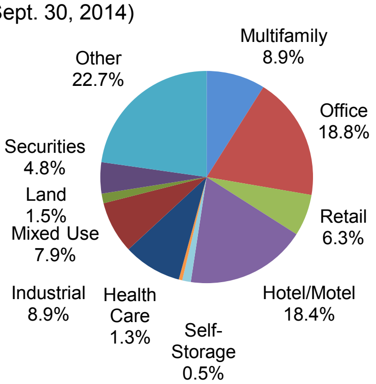
Source: Situs Holidngs, LLC.

CMBS Primary Servicing by Geographic Distribution (As of Sept. 30, 2014)



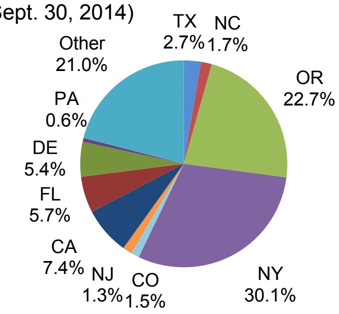
Source: Situs Holdings, LLC.

Non-CMBS Primary Servicing by Property Type
(As of Sept. 30, 2014)



Source: Situs Holdings, LLC.

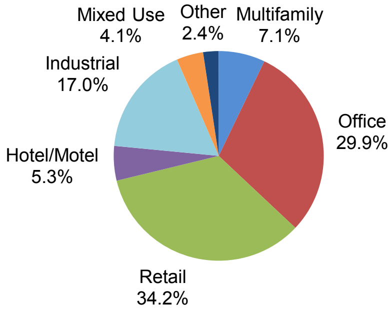
Non-CMBS Primary Servicing by Geographic Distribution
(As of Sept. 30, 2014)



Source: Situs Holidngs, LLC.

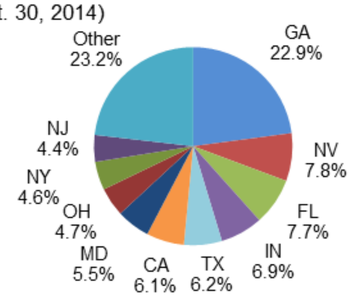
Appendix: Special Servicing Distributions

CMBS Special Servicing by Property Type
(As of Sept 30, 2014)



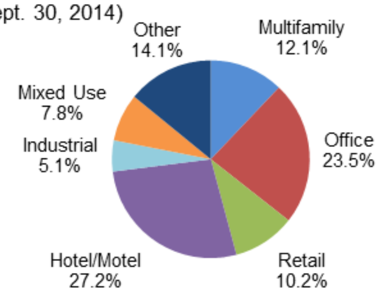
Source: Situs Holdings, LLC.

CMBS Special Servicing by Geographic Distribution
(Sept. 30, 2014)



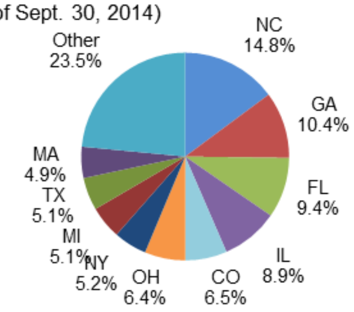
Source: Situs Holdings, LLC.

Non-CMBS Special Servicing by Property Type
(As of Sept. 30, 2014)



Source: Situs Holdings, LLC.

Non-CMBS Special Servicing by Geogrpahic Distribution
(As of Sept. 30, 2014)



Source: Situs Holdings, LLC.