

Situs Asset Management LLC and Situs Holdings, LLC

Servicer Report

Ratings

Situs Asset Management LLC
Commercial Primary Servicer CPS2-

Situs Holdings, LLC^a
Commercial Special Servicer CSS2-

^aDowngraded Jan. 25.

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 (CRE) loan and advisory company with various business lines, including consulting services, staffing and outsourcing solutions, realty advisory services, and CRE servicing in the U.S. and Europe. Situs does not originate commercial mortgage loans or invest in CMBS controlling-class positions.

SAM primarily provides commercial loan primary servicing functions for institutional and investor clients. The company continues to focus on increasing the balance of its serviced loans, servicing for large, complex loans for clients including private equity firms, bank clients and, to a lesser extent, life insurance companies. The company's primary servicing portfolio consists of 1,350 loans totaling \$33.7 billion at Sept. 30, 2016.

Situs Holdings provides asset management and special servicing exclusively for third-party clients. Assignments include a mix of legacy and recent-vintage CMBS transactions, non-performing loan (NPL) portfolios and 10 single-family rental (SFR) transactions. While the company's named special servicing portfolio has increased largely due to SFR transactions, the active special servicing portfolio has declined to 64 loans totaling \$164.8 million from 96 loans totaling \$420.2 million at year-end 2015.

Related Research

[Fitch Takes Various Rating Actions on Situs' Commercial Mortgage Servicer Ratings \(January 2017\)](#)

[Situs Global Servicing GmbH & Situs Asset Management Limited \(November 2015\)](#)

Key Rating Drivers

Company/Management: Situs' diversified business lines include servicing, advisory and consulting services for a broad range of clients. The company, acquired by Stone Point Capital, LLC (SPC) in 2015, has grown through acquisitions of complementary businesses and expanded servicing operations in Europe. The senior management team has over 25 years of industry experience and a strong management track record of servicing CRE loans.

Staffing and Training: Collectively, SAM and Situs Holdings experienced 43% turnover, with the largest reduction occurring in Situs Holdings corresponding to the significant decline in active special servicing. Collectively, the companies have experienced several consecutive years of elevated turnover, resulting in reduced management depth and key man risk in Situs Holdings due to the reliance on one senior manager who is a shared resource of SAM.

Financial Condition: Fitch Ratings' internal credit assessment of Situs noted the company's success in diversifying from a shrinking special servicing segment and in stabilizing cash flows to support continued growth in its complementary business segments.

Technology Platform: SAM utilizes Midland's Enterprise! commercial loan servicing software as its primary servicing system of record while Situs Holdings utilizes a proprietary, web-based asset management system. Both companies' systems are integrated with ancillary systems and include dedicated reporting tools and a borrower portal.

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SAM was acquired by Helios AMC, LLC in 2011 to form the combined Situs companies, which were acquired by Stone Point Capital, LLC in March 2015.

Company Experience Since:	
CRE Servicing	1990
CMBS Servicing	2011
CRE Loan Workout	1985
CMBS Workout	2008

Additional Rating Drivers

Procedures and Controls: Both companies maintain formal servicing policies that are reviewed annually and supplemented by desktop procedures and exhibits. 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.

Defaulted/NPL Management: Situs Holdings maintains an experienced and tenured staff of 11 employees, including three asset managers, responsible for special servicing. A declining active special servicing portfolio has resulted in excess capacity and consolidation of special servicing asset management and REO functions.

Company Overview

Situs provides CRE loan and advisory services 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. The company does not originate commercial mortgage loans or invest in or trade CMBS bonds. Primary and special servicing assignments are largely obtained through relationships with originators and investors.

Primary servicing functions are performed by SAM at offices in Houston, TX, Robbins, NC, and Atlanta, GA while asset management/special servicing functions are performed by Situs Holdings in San Francisco. The company remains headquartered in Houston, TX, with offices across the U.S. and Europe.

In March 2015, SPC acquired majority ownership in Situs by purchasing the ownership interests held by the Ranieri Group and several minority owners. SPC, a private equity firm focused on global financial services, has raised and managed six private equity funds — the Trident Funds — with aggregate committed capital of approximately \$18.2 billion. SPC's real estate experience includes an investment in Home Point Capital, a residential mortgage originator and servicer. Situs Holdings is no longer affiliated with an active CMBS B-piece buyer which may affect future named special servicing assignments as the company is now solely reliant on third-party assignments in a highly competitive market.

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

[Criteria for Rating North American Commercial Mortgage Servicers \(February 2017\)](#)

[Criteria for Rating Loan Servicers \(February 2017\)](#)

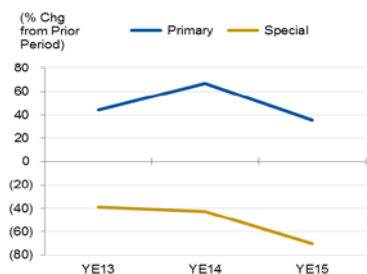
As of Sept. 30, 2016, Situs' total U.S. servicing portfolio included \$33.7 billion of primary servicing and \$16.9 billion of special servicing. Situs is also responsible for \$34.3 billion of primary servicing, as well as \$331 million of special servicing in Europe. Situs acts as operating advisor for approximately \$ 33 billion in CMBS transactions issues since June 2010.

Servicing Portfolio Overview

	9/30/16	% Change	12/31/15	% Change	12/31/14
Total Servicing					
UPB (\$ Mil.)	50,706.0	8	47,049.6	5	44,944.3
No. of Loans	2,121	(3)	2,184	(14)	2,529
Primary Servicing					
UPB (\$ Mil.)	33,709.9	14	29,474.6	35	21,756.2
No. of Loans	1,350	6	1,271	32	963
Special Servicing – Named					
UPB (\$ Mil.)	16,996.2	(3)	17,575.0	(24)	23,188.1
No. of Loans	771	(16)	913	(42)	1,566
Special Servicing – Active^a					
UPB (\$ Mil.)	164.8	(61)	420.2	(70)	1,404.7
No. of Loans	64	(33)	96	(50)	191

^aIncluding REO.

Servicing Portfolio



Source: Situs
Note: Special servicing includes loans actively in special servicing (including REO).

The special servicing portfolio includes a mix of legacy and recent-vintage CMBS transactions, NPL securitizations, and 10 SFR securitizations. Situs Holdings was named special servicer for the majority of SFR transactions from three 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, 2016, the company was named operating advisor for 31 CMBS transactions representing approximately \$30.7 billion.

Similar to other special servicers with legacy portfolios, Situs Holdings' active CMBS portfolio continues to decline as loans are resolved, as evidenced by the 66% decline in the number of active special servicing assets since year-end 2014.

Financial Condition

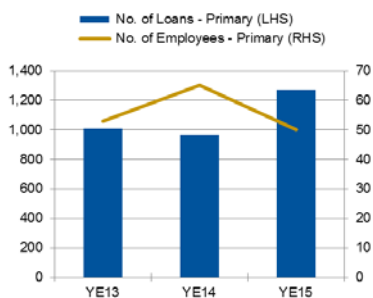
Fitch does not maintain credit ratings on Situs; however, it performed a financial assessment of the company and determined the company's short-term financial viability adequate to support the CMBS servicing platform. Fitch's assessment noted the company's success expanding business lines relative to its shrinking special servicing segment of its business and stabilizing cash flows in its alternate business segments.

While Situs has historically operated with little to no debt, Fitch previously noted as a concern the issuance of term debt relative to the company's size and the cyclical nature of the CRE servicing industry. The company has made strong progress on repayment of the debt the last 12 months and plans on escalating repayments over time until paid down.

Employees

Collectively, SAM and Situs Holdings experienced 43% turnover, with the largest reduction occurring in Situs Holdings corresponding to significant declines in active special servicing. Collectively, the companies have experienced several consecutive years of elevated turnover following the acquisition of the company by SPC.

Loan and Employee Counts



Source: Situs

Employee Statistics

	2016				2015			
	No. of Employees	Avg. Years Industry Experience	Avg. Years Tenure	% Turnover	No. of Employees	Avg. Years Industry Experience	Avg. Years Tenure	% Turnover
Primary Servicing								
Senior Management	5	25	6	18	6	26	5	18
Middle Management	11	21	3	45	20	20	2	12
Servicing Staff	34	12	3	30	39	7	2	30
Total	50	—	—	35	65	—	—	24
Special Servicing								
Senior Management	1	22	8	66	3	26	7	80
Middle Management	4	26	8	40	6	23	7	29
Servicing Staff	6	20	6	80	14	13	4	79
Total	11	—	—	71	23	—	—	69

Primary Servicing

SAM maintains a primary servicing staff of 50 employees, down 35% from the prior year, with approximately one-third located in Houston, Robbins, and Atlanta. The primary servicing group experienced 19 employee separations in 2016, consisting of nine voluntary and five involuntary departures in addition to five internal transfers to other business lines. Employee departures impacted all primary servicing offices proportionally and there was been geographical concentration or office consolidation.

Senior managers within primary servicing average 25 years of experience and six years of tenure with SAM, while middle managers average 21 years and three years, respectively. Turnover among senior management was 18% due to the involuntary departure of one senior manager in conjunction with a reduction in force. The reduction, which also included three middle managers, was the result of a loss of a third-party portfolio of complex loans.

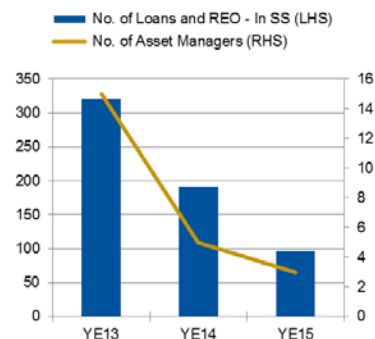
Turnover among the middle management team was high at 45%, reflecting two voluntary departures and two internal transfers, in addition to the three reduction in force separations. Primary servicing middle managers average 21 years of experience and three years of tenure. Fitch noted as a concern, primary servicing management team declined from 26 to 16 managers reducing bench strength and management depth for the 34 primary servicing employees who only average three years of tenure.

The primary servicing staff members average 12 years of industry experience and three years of tenure, and, although improving, low staff tenure remains a Fitch concern. Turnover among staff-level employees was 30%, similar to 31% in 2015, and consisted of seven voluntary and one involuntary departure, as well as three internal transfers.

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.

While special servicing turnover is a concern, Fitch notes Situs Holding has a history of adjusting staff relative to active special servicing and retains experienced asset management professionals within affiliate businesses should defaults increase.

SS Loan and Employee Counts



Source: Situs
Note: SS – Special Servicing, REO - Real estate owned.

Situs Holdings has three asset managers who average seven years of tenure and 22 years of industry experience. As of Sept. 30, 2016, the ratio of CMBS assets to asset managers was 4:1, well below the average of 15:1 of Fitch-rated special servicers. The ratio of CMBS and Non-CMBS assets to asset managers is 21:1.

In 2015, Situs implemented a corporate-wide training and development committee responsible for ongoing staff development and training, and reintroduced enhanced and updated compliance courses through Situs University.

Primary servicing employees completed an average of 27 hours of training per employee, while special servicing employees completed 16 hours, which Fitch believes to be appropriate for each group.

Special Servicing

Situs Holdings maintains a special servicing staff of 11 employees, all but one of whom is in San Francisco. Ten special servicing employees are fully dedicated to special servicing and do not support other business lines. The executive managing director of special servicing is also responsible for the primary servicing group and splits his time between the two groups.

Aggregate special servicing turnover remained significantly high for the second consecutive year at 71% in 2016 and 69% the prior year. The declining number of employees reflects the 66% decrease in the number of active specially serviced assets since year-end 2014. Additionally, six employees of another business line provided asset management support for Situs Holdings and are no longer available. Fitch noted that over the past two years, Situs has consolidated all special servicing activity in San Francisco and no longer maintains the decentralizing asset management structure which provided more market specific experience.

The senior management turnover of 66% is the result of one voluntary departure and discontinued support provided by another business line. Middle management turnover of 40% reflect one voluntary departure and one internal transfer; the four remaining special servicing middle managers average 26 years of experience, and eight years of tenure.

Turnover among staff-level employees was 80%, similar to 79% in 2015, as a result of eight departures, including five staff from another business line, two voluntary departures, and one internal transfer. Within the special servicing group, three employees are considered asset managers, down from five the prior year.

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 loan complexity.

Training

Situs maintains a corporate-level training program for analysts to executive-level employees, which is overseen by an executive managing director of training and quality control and human resources. The program, Situs University, is a training and development program that offers a range of required and elective courses, including regulatory compliance training. Employee course completion and training hours are tracked online, allowing management to track participation, which is assessed during annual performance reviews.

The senior management teams of SAM and Situs Holdings determine relevant training topics and arrange for an industry-related professional to conduct onsite training for their respective groups. In addition, a corporate training and development committee, made up of senior representatives from each business line, is responsible for evaluating and streamlining course offerings and training resources. The committee also makes enhancements to improve content and ensures that training materials reflect established policies and procedures. New training offered in 2016 included lender liability, title insurance, management development, borrower structure training, as well as multiple software courses.

The training and development committee launched a corporatewide mentoring program in 2015 targeted at middle management employees. The program, which is six months long, matches middle management employees with company executives to promote the development of future business leaders. The first and second installments of the program included approximately 20 mentees.

Primary servicing employees completed an average of 27 hours per employee for the 12 months ending September 2016, in line with the company's goal of 30 hours per employee.

Special servicing employees completed an average of 16 hours per employee, excluding weekly credit committee meetings which are attended by employees. Special servicing hours are commensurate with the experience of the highly tenured workout staff.

Operational Infrastructure

Outsourcing

SAM does not outsource core servicing functions and uses vendors for the payment of taxes and property inspections. Situs Holdings also does not outsource core special servicing functions; however, unlike other special servicers, the company engages an affiliate to review appraisals at market rates.

During peak volumes, SAM outsources financial statement and rent roll analysis to Silver Skills in Delhi, India, a relationship that began in 2010. Silver Skills performs financial statement data entry, spreading, and preliminary analysis. The work product of the vendor is reviewed by SAM, which also maintains the ability to perform both functions internally if needed. Fitch does not view the use of outsourcing as material because Silver Skills performs approximately less than 5% of financial statement entry and analysis. In addition, CT Lien Solutions performs UCC monitoring and continuation filing on behalf of SAM and approximately 90% of property inspections are performed by a contracted third party, similar to other Fitch-rated servicers as well as a CoreLogic to monitor real estate tax payments and due dates.

Situs Holdings retains all core special servicing functions associated with working out defaulted mortgage loans. Similar to other special servicers, the company engages vendors to provide legal services, property inspections, title and tax searches, property managers, and brokers. In addition, the company engages Real Estate Research Corporation (RERC), an affiliate, to review commercial appraisals.

Vendor Management

Fitch noted that while SAM and Situs Holdings engage a limited number of vendors, the companies lack a centralized vendor engagement and management function that would centralize feedback and allow greater economies of scale for property inspection vendors.

Neither SAM nor Situs Holdings maintains a centralized vendor engagement and oversight function. Within SAM, vendor relationships are assigned to specific asset managers who monitor performance, timeliness, quality, pricing, and other performance metrics specific to each vendor.

It is Situs Holdings' policy to obtain multiple bids for services through a standard vendor engagement process. Vendor performance is monitored based on asset manager feedback; this feedback is tracked within the company's asset management system, which includes a vendor rating function.

Information Technology

SAM uses 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 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 SQL for reporting, a digital imaging system and Citrix for remote access.

For special servicing and asset management, Situs Holdings uses the proprietary, web-based Management Information Data Analysis System (MIDAS). MIDAS provides asset management functions such as property/loan-level data capture, borrower request tracking and reporting and approval workflows. The system also affords effective controls around asset management and investor reporting through multiple compliance tracking functions, particularly related to pooling and servicing agreements (PSA), monthly trustee reporting, and CREFC reporting. Recent

enhancements include reporting and infrastructure improvements, upgrades to support CREFC IRP 8.0, and changes to support SFR portfolios and operating advisor assignments.

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 covering 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

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 are backed up several times a day, as well as continually replicated in real time, resulting in minimal potential loss of data. 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 on an intermittent basis within business units. The most recent test was completed in March 2016 with no issues reported.

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

Internal Control Environment

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

Policies and Procedures

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 executive managing director of servicing. All of SAM's policies and procedures for primary servicing were reviewed and updated in 2015.

Policies and procedures of Situs Holdings are also available to all employees electronically through read-only copies stored on a dedicated network drive as well as the company's SharePoint web portal; these are updated as necessary and formally on an annual. Updates are

Situs maintains a geographically diverse technology infrastructure, including three data centers synchronized through real-time replication. The company is able to resume operations from any Situs office globally within 24 hours.

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

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

Situs expanded compliance oversight in 2015 with the formation of a global risk and compliance group that includes all business lines and corporate departments, and meets weekly and reports directly to the president of Situs and the board of directors.

Both SAM and Situs Holding maintain dedicated compliance managers who have dual reporting lines to the business lines and the global risk and compliance group.

SAM and Situs Holdings engage a third party to perform annual internal audits. While the audits did not contain any significant findings, they are an effective internal control that often results in process improvements, which further strengthen controls.

overseen by the compliance manager and approved by the executive managing director of servicing.

SAM and Situs Holdings have undertaken a multiyear initiative to rework all policies and procedures into a standard form across both companies. Additionally, the companies will transition all policies and procedures to a third-party online policy management system to provide greater consistency across the platform, greater version control and automated approval and update tracking, as well as email notifications and knowledge assessments to confirm employee compliance. The consolidation and standardization project began in 2016 and is expected to be completed sometime in 2017.

Compliance and Controls

Compliance across both primary and special servicing is monitored by Situs' corporate legal department and the global risk and compliance group (RCG). Established in 2015, the RCG is responsible for monitoring Situs' primary servicing, special servicing, asset management, surveillance and operating advisory operations to ensure compliance with company policies and procedures, servicing agreements and industry standards, as well as legal and regulatory requirements. The group comprises 10 members from each of Situs' business lines and corporate departments, such as information technology, legal and accounting. The group, which reports directly to the president of Situs, meets monthly and is responsible for providing the executive management team with updates on compliance matters.

Additionally, compliance matters are reviewed weekly by the servicing management committee. The committee is comprised primary and special servicing representatives and responsible for monitoring all servicing operations and open communication between the two teams. The committee also focuses on continuous process improvement to increase efficiencies while maintaining quality control metrics.

Responsibility for primary servicing compliance lies with the SAM compliance manager who reports to the director of primary servicing and special servicing operations as well as the RCG. The compliance manager is responsible for the consistent application of controls across all global servicing products to ensure 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.

Fitch reviewed a sample of the risk matrix that identified 32 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 critical data elements sufficiently, but did not contain a record of any management reviews being performed.

Situs Holdings has its own compliance manager that also reports to the director of primary servicing and special servicing operations as well as the RCG. The compliance manager is responsible for overseeing asset management functions and the PSA compliance using 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

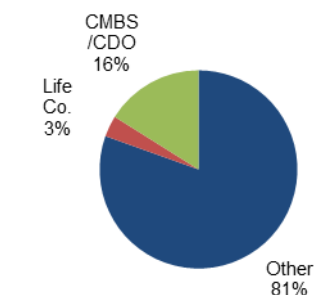
Annual internal audits for both primary and special servicing are outsourced to David Landau & Associates. The purpose of the audits is to validate the controls associated with Regulation AB and USAP requirements, as well as Situs' corporate risk management process.

Fitch reviewed the April 2016 internal audit report for SAM that included a review of cash receipts and disbursements, escrow administrations, investor reporting, portfolio management and surveillance. The audit did not result in any significant findings.

Fitch also reviewed the October 2016 internal audit report for Situs Holdings that included a review compliance with servicing agreements with targeted testing of fair value notice calculations, operating statement analysis, fee calculations, cash receipts and wire transfers processes, bank account reconciliations, special servicing functions for modifications, forbearance, restructures, and foreclosures. The internal audit resulted in one finding associated with the timely reconciliation of bank accounts for certain REO assets post sale. Fitch believes the finding was minor and that management's response to strengthen monthly reconciliation efforts was appropriate.

Primary Servicing Product Type

(As of Sept. 30, 2016)



Source: Situs.

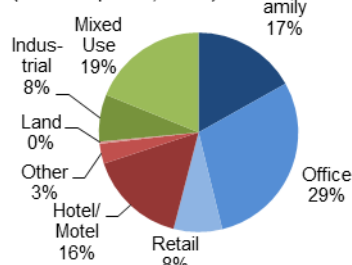
External Audit

Fitch reviewed Grant Thornton's SEC Regulation AB letter dated Feb. 18, 2016 for special servicing and SEC Regulation AB and USAP letters dated Jan. 29, 2016 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 2015. In addition, Fitch reviewed the Service Organization Control Report (SOC1), also completed by Grant Thornton, for SAM for 2015, which did not result in any findings.

Primary Servicing

CMBS Primary Servicing by Property Type

(As of Sept. 30, 2016)



Source: Situs Asset Management, LLC.

Primary Servicing Portfolio

As of Sept. 30, 2016, SAM's total servicing portfolio consisted of 1,350 commercial mortgage loans totaling \$33.7 billion, the majority of which are non-CMBS, on behalf of private equity firms, bank clients and, to a lesser extent, life insurance companies. CMBS primary servicing consists of approximately 188 loans totaling \$4.0 billion in 10 collateralized debt obligation (CDO) and single- and multi-borrower CMBS transactions.

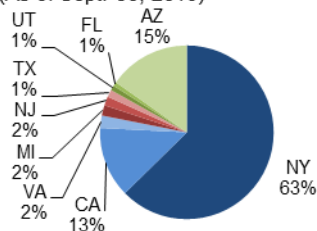
Primary Servicing Portfolio Overview

	9/30/16	% Change	12/31/15	% Change	12/31/14
CMBS					
No. of Transactions — Primary Servicer	10	(9)	11	22	9
UPB — Primary Servicing (\$ Mil.)	4,051.6	(39)	6,681.6	11	6,021.6
No. of Loans — Primary Servicing	188	(25)	252	12	226
Non-CMBS					
UPB (\$ Mil.)	29,658.3	30	22,790.0	45	15,734.6
No. of Loans	1,162	14	1,019	38	737

SAM performs primary servicing for 35 distinct clients with the largest client, a large investment bank, representing 39% of the primary servicing portfolio by balance.

CMBS Primary Servicing by Geographic Distribution

(As of Sept. 30, 2016)

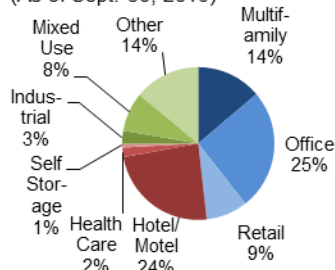


Source: Situs Asset Management, LLC.

SAM receives approximately 69% of loan payments via wire transfers, 20% through lockbox deposits and 12% from auto debits; the remainder consists of cash-managed loans. Additionally, SAM services 75 loans with active cash management agreements.

Non-CMBS Primary Servicing by Property Type

(As of Sept. 30, 2016)



Source: Situs Asset Management, LLC.

SAM continues to grow its primary servicing portfolio; since year-end 2013, it has more than doubled this portfolio by balance while the number of loans has increased 34% as the company continues to focus on high touch loans for its clients. The average balance of loans serviced as of year-end 2013 was \$13 million, compared with \$25 million as of Sept. 30 2016.

SAM' CMBS portfolio is heavily concentrated in geographically with New York and California properties making up approximately 75% of the portfolio by balance. Non-CMBS loans are more diversified geographically and secured by traditional office, hotel, and multifamily assets.

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 an asset 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 that begins with the prior servicers 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.

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 to reconcile clearing and sweep bank accounts daily and bank escrow accounts 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 timely applied. 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

SAM maintains tax and or insurance escrows for approximately 32% of its portfolio by balance. 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 tax 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 asset manager and/or their respective analyst. Accounts with significant shortages or payment changes are further reviewed by the asset manager.

Investor Reporting

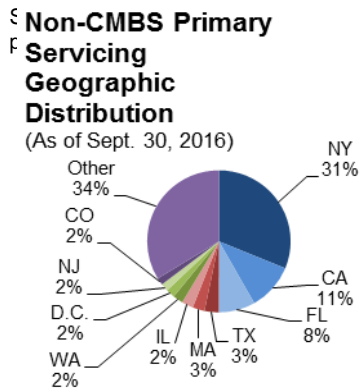
The investor reporting analyst, in conjunction with the asset manager, is responsible for generating investor remittance reporting packages (RRPs) and investor reporting packages (IRPs) from Enterprise!. Compliance with reporting deadlines is administered through reporting calendars that list key dates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

Asset Administration

Asset managers are responsible for monitoring the timely receipt of loan payments for their assigned portfolio using reports generated from Enterprise!. Delinquency reports are generated monthly and distributed to asset managers and senior management, who monitor collections 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.

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 are 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. Tickler reports are used to monitor collection efforts and borrower compliance. Asset managers or their respective analysts are responsible for spreading and analyzing financial statements, in conjunction with a third-party vendor, and monitoring loans with property performance triggers. Asset managers review financial statement analyses prior to reporting.



Source: Situs Asset Management, LLC.

Tenant rollover is reviewed as required by asset managers or their respective analyst as part of SAM's financial statement analysis process and then approved by asset managers. 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 updating watchlist comments monthly and working with the borrower on any corrective measures.

UCC monitoring is tracked both within the servicing system and by a third-party vendor. The vendor is responsible for filing UCC continuations automatically, unless otherwise notified by SAM, 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 and 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 inquiries and direct borrowers to the correct functional area within the portfolio management group responsible for most borrower inquiries and consent requests. Borrower satisfaction is not formally tracked; however, SAM believes that repeat investor servicing assignments are key to maintaining customer satisfaction.

Special Servicing

Special Servicing Portfolio

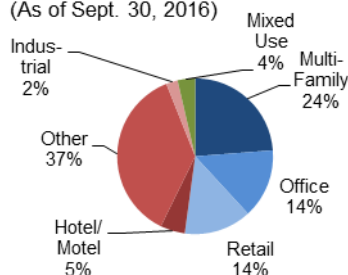
As of Sept. 30, 2016, Situs Holdings was the designated special servicer for 26 CMBS transactions representing \$16.9 billion, of which the company is actively working out 11 loans totaling \$71.3 million and managing two real estate-owned (REO) assets. Similar to other special servicers with large legacy portfolios, Situs Holdings' active CMBS portfolio has declined 25% by balance since year-end 2014.

Situs Holdings performs third-party special servicing for 15 distinct clients with the largest client, a single family rental issuer, comprising 24% of the named special servicing portfolio by balance.

As the named special servicer for 10 SFR transactions as of Sept. 30, 2016, Situs Holdings has the largest market share in SFRs of any Fitch-rated special servicer. However, to date, Situs Holdings has not performed any loan workouts. SFR transactions consist exclusively of single-borrower transactions.

CMBS Special Servicing by Property Type

(As of Sept. 30, 2016)



Source: Situs Holding, LLC.

Special Servicing Portfolio Overview

	9/30/16	% Change	12/31/15	% Change	12/31/14
CMBS					
No. of Transactions — Special Servicer	26	8	24	9	22
UPB — Named Special Servicer (\$ Mil.)	16,906.1	(3)	17,466.4	(22)	22,422.8
No. of Loans — Named Special Servicer	720	(15)	847	(41)	1,429
UPB — Actively Special Servicer (Non-REO) (\$ Mil.)	71.3	(74)	275.4	(41)	472.1
No. of Loans — Actively Special Servicer (Non-REO)	11	(58)	26	(35)	40
UPB — REO Assets (\$ Mil.)	3.4	(91)	36.1	(78)	167.3
No. of REO Assets	2	(50)	4	(71)	14
Non-CMBS					
UPB — Named Special Servicer (\$ Mil.)	90.1	(17)	108.7	(86)	765.3
No. of Loans — Named Special Servicer	51	(23)	66	(52)	137
UPB — Actively Special Servicing (Non-REO) (\$ Mil.)	27.8	(27)	38.2	(94)	681.9
No. of Loans — Actively Special Servicing (Non-REO)	37	(30)	53	(54)	116
UPB — REO Assets (\$ Mil.)	62.3	(12)	70.5	(16)	83.5
No. of REO Assets	14	8	13	(38)	21

The company's named CMBS special servicing portfolio includes six multiborrower transactions, two CLO/CDO and one single borrower transaction, as well as three private client securitized portfolios, 10 SFR transactions, and four Freddie Mac securitizations. Named CMBS special servicing continues to increase as largely due to SFR transactions which represent more than one-third of Situs Holdings named portfolio, third-party special servicing for Freddie Mac securitizations, which the company was named special for two transactions during the last 12 months and expects additional assignments as the program expands.

Loan Administration

Senior managers of Situs Holdings review monthly watchlist reports and discuss potential loan transfers with the controlling class representative and master servicers. The 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 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/Non-Performing Loan Management

The compliance manager serves as the point person for loan transfers and is responsible for activating the specially serviced loan in MIDAS 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 and 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, in addition to determining loan or PSA restrictions.

The asset manager immediately begins to communicate with the borrower, subject to a pre-negotiation agreement, to analyze the cause of the transfer and the history of the loan and determine possible remedies or recovery and disposition options. The asset manager also 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 is required to prepare and submit a report to the investment committee within 90 days of transfer.

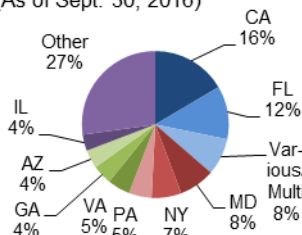
The company relies on its MIDAS system to provide background research on loans that have already been in special servicing, contacts in major market areas for market color, and its proprietary Situs Insight system for market research data. Borrower research is performed through borrower contact and third-party 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 affect the collateral and borrower. It is Situs Holdings' policy to perform a thorough analysis of the collateral, borrower, and market to determine potential resolution

Following the acquisition of the company by SPC, Situs Holdings became an exclusively third-party servicer; previously approximately one-third of special servicing assignments were awarded by an affiliate.

CMBS Special Servicing Geographic Distribution

(As of Sept. 30, 2016)

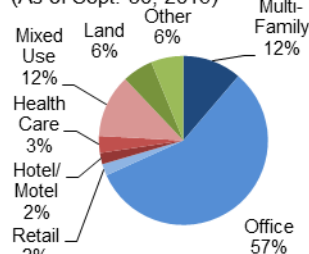


Source: Situs Holding, LLC.

Situs maintains a credit committee to oversee workouts, which is composed of two senior managing directors and the portfolio management director with extensive special servicing experience.

CMBS Non-CMBS Special Servicing by Property Type

(As of Sept. 30, 2016)



Source: Situs Holding, LLC.

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 are 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, which is reviewed by the special servicing investor reporting manager before it is sent to the master servicer.

REO Management

REO assets remain with the asset manager following foreclosure. The compliance manager distributes a foreclosure pipeline report every two weeks to all staff to monitor upcoming foreclosure dates.

Prior to taking title to an asset, the asset manager must complete a summary memo outlining known property concerns, identify potential property managers and submit a preliminary 90-day REO budget to the credit committee in order to obtain approval prior to accepting title to an asset. In addition, an environmental site assessment is performed no more than six-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, compliance manager and managing director of asset management to confirm property notifications have been provided and the appropriate due diligence performed. A dedicated legal and title/escrow team is utilized to efficiently handle REO sales.

Asset 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 asset managers visit properties to gain an understanding of their physical condition and the market's competitiveness is critical to the expense-management process. Follow-up site visits are performed annually or as needed.

An 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.

REO assets are reviewed on a regular basis by asset managers and no less than monthly by the credit committee to determine potential issues effecting the timely liquidation. Additionally, the compliance manager is responsible for monitoring key due dates and approvals for business plans.

Governance and Conflicts of Interest

Managing Conflicts of Interest

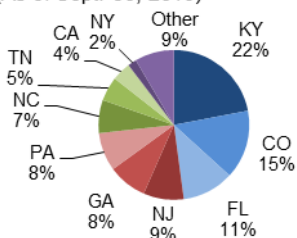
Potential conflicts of interest in special servicing arise in various forms, particularly as investors retaining controlling positions in securitizations or specific loans have influence on workout strategies and the ability to select the special servicer.

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 transaction. Fitch reviewed a sample of eight business plans that included an examination of alternate resolution strategies, appropriately substantiated the ultimate recommended strategy, and

Situs Holdings consolidated its REO and asset management special servicing teams in 2015 and no longer maintains dedicated REO management resources due to declines in active special servicing.

Non-CMBS Special Servicing Geographic Distribution

(As of Sept. 30, 2016)



Source: Situs Holding, LLC.

Situs Holding performs special servicing exclusively on a third-party basis and has not, and does not plan to, purchase controlling-class bonds of new issue CMBS or such bonds in the secondary market.

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

contained an NPV analysis of the various strategies when applicable. Fitch also found all initial business plans to be thorough, clear, concise, and completed in a timely manner.

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

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' 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 eligible controlling classholder has exercised any fair market value purchase options for specially serviced loans in CMBS transactions.

Affiliated Companies

Situs' affiliate companies provide due diligence and CRE advisory services. Situs Holdings engages RERC, an affiliate company, to perform appraisal reviews for specially serviced assets for which it receives a below-market fee. For the 12 months ended September 2016, RERC was engaged approximately 23 times to perform appraisal reviews.

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

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

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