Torchlight Loan Services, LLC

Servicer Report

Ratings

Commercial Special Servicer	CSS2−

Related Research

Fitch Affirms Torchlight Loan Services' Commercial Mortgage Special Servicer Rating (December 2016)

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Servicer Summary

Torchlight Loan Services, LLC (TLS, or the company) is the special servicing subsidiary of Torchlight Investors, LLC (TI), a New York-based investment advisor whose core business is the management of commercial real estate (CRE)-related debt investments for institutional investors. TI has $3.6 billion in funds under management that focus on benchmarked, opportunistic and long- and short-term CRE debt strategies.

TLS is the named special servicer for 934 loans totaling $14.7 billion. TLS' largest client is TI, but in 2013, TLS began performing third-party special servicing for investment managers and private equity firms that hold non-securitized B notes as well as a hedge fund. Third-party special servicing, which was formally a growth area for the company, represents approximately 20% of TLS' portfolio by number of transactions on behalf of three clients.

The company's named special servicing portfolio is heavily weighted in legacy CMBS transactions (59% by transaction count), which are expected to run off over the next two years. TLS is named special servicer for 14 CMBS 2.0 transactions, the most recent of which are five 2016 vintage transactions.

In response to a significant decline in active special servicing, TLS completed the relocations of principle special servicing operations back from Miami to New York City. Special servicing operations of TLS are now located in the shared workspace of TI, and Fitch Ratings believes operations of the company have stabilized following elevated turnover as the company reduced staffing levels.

Key Rating Drivers

Company, Management: TLS primarily supports TI's CRE investments but continues to grow third-party special servicing. TI manages multiple funds that invest in CMBS controlling class bonds, providing TLS with ongoing special servicing assignments and potentially mitigating the runoff of legacy vintage CMBS.

Staffing and Training: TLS' staff comprises 15 professionals, six of whom are employees of TLS and responsible for loan and REO asset management, borrower consent reviews and operations and compliance functions. The remaining nine employees are shared resources of TI, including several members of TLS' credit committee. TLS has two asset managers who average 13 years of experience and four years of tenure. As of June 2017, the assets to asset manager ratio was 24:1, the highest of Fitch-rated special servicers.

While TLS experienced no turnover in 2016, aggregate turnover increased to 44% in 2017 partially attributed to five involuntary departures associated with the company's relocation to New York City.

Procedures and Controls: TLS maintains detailed special servicing policies supplemented by desktop procedural checklists and servicing guides that are reviewed annually. The company does not maintain compliance and independent internal audit functions. However, TLS underwent its second internal audit by a third-party independent auditing firm in 2017 with some findings. Ongoing compliance is monitored by senior managers, through delegations of authority and by formal credit committee reviews for all significant workout decisions for loans.

Company Experience Since:

CRE Loan Workout	1998
CMBS Workout	1998

Source: Torchlight Loan Services, LLC.

Additional Rating Drivers

Technology: TLS' primary asset management application is a custom-built version of Backshop, which was designed, and continues to be enhanced, to support asset management and tracking, investor reporting and scenario-modeling capabilities, in addition to the existing commercial loan underwriting features.

Governance and Conflicts of Interest: Special servicing decisions are made by a committee comprising seven members, four of whom are members of the TI investment committee.

Defaulted and Non-Performing Loan Management: A proactive surveillance team of two interacts monthly with master servicers to monitor watchlists and potential maturity defaults. Two asset managers and a supporting analyst are responsible for workouts.

Financial Condition: Fitch does not rate TI or TLS. However, Fitch performed a financial assessment of TI and determined the company's short-term financial viability adequate to support the servicing platform.

Servicer Ratings

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

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

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

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

Company Overview

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

TLS (and its predecessor ING Clarion Partners) has been a Fitch-rated servicer since 1999. TI's core business continues to be the management of CRE-related debt investments. The company has approximately $3.6 billion under management in benchmarked, opportunistic and long- and short-term CRE debt strategies.

TI maintains five active funds for CRE investments, including CMBS B pieces. The company is currently harvesting proceeds from Torchlight Debt Opportunity Fund III and investing funds from the $980.5 million Torchlight Debt Opportunity Fund IV, which closed in 2015. TI closed Torchlight Debt Opportunity Fund V in 2016 to invest primarily in CRE debt, with $1.4 billion in assets under management. The structure of Fund V has an eight-year term, which is inconsistent with risk retention requirements in new issue CMBS deals, which, along with concerns of credit quality of certain transactions, resulted in less CMBS B-piece acquisitions. In

Related Criteria

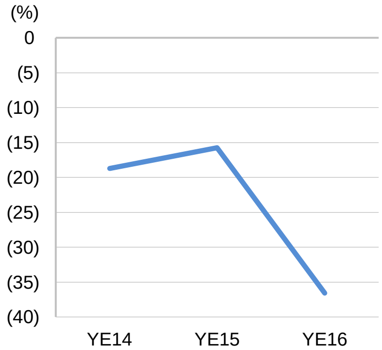
Criteria for Rating North American Commercial Mortgage Servicers (February 2017)

Criteria for Rating Loan Servicers (February 2017)

2017, TI began raising Torchlight Debt Opportunity Fund VI, which will have an allocation for risk retention CMBS B pieces. The fund, which is expected to have its first close in 4Q17, has a target of approximately $1.5 billion for future investment.

Torchlight Loan Services, LLC was formed in 1998 to work out distressed CRE debt loans and real estate-owned (REO) assets on behalf of TI. Presently, TLS manages approximately $1.0 billion of distressed CRE loans and REO property on behalf of TI. TLS also performs limited third-party servicing on behalf of three controlling classholders in CMBS transactions. While the majority of CMBS special servicing appointments are on behalf of TI affiliates (80% by count), seven of the company's 34 named CMBS transactions are for third parties.

Special Servicing Portfolio
(Change from Prior Period)



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

Servicing Portfolio Overview

($ Mil.)	6/30/17	% Change	12/31/16	% Change	12/31/15
Special Servicing — Named					
UPB	14,660.5	(12)	16,576.6	(9)	18,210.0
No. of Loans	934	(15)	1,101	(15)	1,300
Special Servicing — Active[a]					
UPB	1,061.4	0	1,029.1	(37)	1,622.4
No. of Loans	49	(55)	109	0	109

[a]Including REO. UPB – Unpaid principal balance.
Source: Torchlight Loan Services, LLC.

In May 2014, Torchlight relocated principal special servicing operations from New York to Miami. Loan and REO asset management operations were based in Miami, while investor reporting, operations and compliance remained in New York. In response to the 40% decline in active special servicing since year-end 2014, the company elected to cease operations in Miami and consolidate special servicing functions back to New York in December 2016. The move back to New York resulted in elevated turnover in 2017. Additionally, TLS discontinued the use of consultants, who were engaged to supplement asset management staff.

Financial

Fitch does not maintain credit ratings on TLS or TI, but Fitch performed a financial assessment of TI and noted the company continues to generate a solid, fairly stable income stream while maintaining a good liquidity position as well as a flexible expense profile. Fitch also noted that TI's reliance on asset management fees from a limited number of funds elevated vulnerability in the unlikely event the funds are liquidated and management fees are not replaced. Income associated with special servicing functions continues to face cyclical challenges associated with the decline in defaulted CRE loans.

Employees and Training

At 24:1, TLS' ratio of assets to asset managers is higher than the average of 14:1 for most Fitch-rated special servicers.

As of June 30, 2017, the special servicing team consisted of 15 professionals. Six are dedicated employees of TLS, including a loan asset manager and an REO asset manager, the manager of operations as well as three analysts responsible for consents, operations and asset management. The remaining nine are employed by TI but split their time between TI and TLS, and include the senior vice president responsible for TLS. The shared functions include areas such as compliance, financial controls, underwriting and asset management. The chief compliance officer of TI also spends approximately 20% of his time supporting TLS; however, he is retained and a consultant and, therefore, not included in the headcount or turnover in Fitch's analysis.

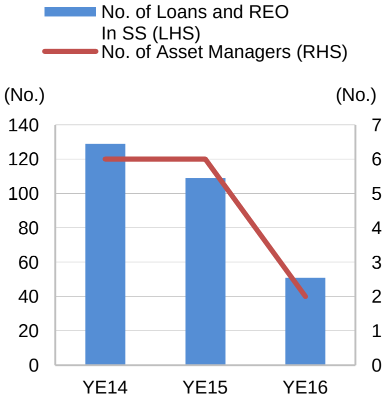
Torchlight ceased special servicing operations in Miami as of year-end 2016 and consolidated special servicing functions back to New York in response to the declining volume of specially serviced assets.

Employee Statistics

	2017				2016			
	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover
Special Servicing								
Senior Management	7	19	9	40	8	21	8	0
Middle Management	2	20	6	0	2	22	5	0
Servicing Staff	6	23	4	62	7	12	3	0
Total	**15**	**—**	**—**	**44**	**17**	**—**	**—**	**0**

Source: Torchlight Loan Services, LLC.

SS Loan and Employee Counts



SS – Special servicing.
REO – Real estate owned.
Source: Torchlight Loan Services Inc.

While TLS experienced no employee turnover in 2016, there were seven employee separations in 2017 resulting in 44% aggregate turnover. Five of the seven departures were involuntary as a result of the company's relocation from Miami to New York. The remaining two departures, the former head of acquisitions and a supporting staff member based in New York, were voluntary. Turnover was isolated to the senior management and staff-level employees as a result of three and four separations, respectively.

Included within staff turnover is the departure of two asset managers. Core special servicing functions are the responsibility of a loan asset manager and an REO asset manager, both of whom are supported by a loan analyst. At 24:1, the assets to asset manager ratio of TLS is among the highest of Fitch-rated servicers and a concern should defaults increase or resolutions slow. Asset managers possess an average of 13 years of experience and four years of tenure, while the supporting analyst has two years of experience and tenure.

Training

Management's goal is for employees to attend an average of 40 hours of training annually through a formal training program, including external instructor-led training and lunch-and-learn sessions. One vice president of special servicing is designated the training coordinator responsible for working with the manager of special servicing to identify potential topics and coordinate external trainers. Training needs are evaluated based on the level of staff experience and individual strengths and weaknesses.

Recent training topics include emerging trends in CMBS, yield maintenance, CMBS REMIC law, foreclosure litigation, mediation/deposition preparations, recent trends and litigation risks arising during the life of a defaulted loan, and practical tips in specially serviced loans. The company also provides expense reimbursement for continuing education expenses for CFA and CPA designations, as well as professional educational programs.

Employees averaged approximately 14 hours of training in the 12 months ended June 30, 2017, less than at other Fitch-rated servicers. TLS' primary training method for employees is on the job, pairing asset managers and analysts with team leaders. While this may be an effective method for TLS' open space work environment, it is not reflected in formal training hours.

Operational Infrastructure

Outsourcing

Fitch noted that only six of the 15 TLS employees are fully dedicated to special servicing. The remaining employees are TI employees who spend between 15% and 50% of their time supporting special servicing.

Torchlight does not outsource core special servicing functions. However, the company has historically supplemented its staffing needs through the use of consultants. A single staffing company provides personnel to TLS and TI, as needed. As of June 2017, the only consultant was the chief compliance officer of TLS and TI.

Vendor Management

TLS does not have a formalized vendor management program; it maintains an approved vendor list, which is reviewed annually. Vendor performance is continually monitored through team communications. Vendor assignments are tracked in the company's special servicing application, which produces customized reports to analyze trends in vendor performance and exposure. Asset and REO managers, as well as the manager of special servicing, must approve all vendor assignments and actively provide feedback on past performance.

Information Technology

TLS' primary asset management application is a custom-built version of Backshop, which was designed and is continually enhanced by TLS and the vendor to support asset management and tracking, investor reporting and scenario-modeling capabilities, in addition to the application's commercial loan underwriting features. Variations of the asset management application are also used by other Fitch-rated special servicers.

The Backshop application is populated with the CREFC IRP data fields from various trustees for all transactions for which TLS is the named special servicer. The reporting functions of Backshop provide TLS with internal controls around workout milestones, including recording formal approvals, as well as consolidated IRP and ad hoc reporting.

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

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

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

Disaster Recovery, Business Continuity Plan

TLS, through TI, maintains disaster recovery and business continuity processes that are tested on a regular basis and annually at a minimum. The disaster recovery process is also outsourced to ECI, which hosts TI's data and applications at both a primary data center in New Jersey and a disaster recovery site in Boston. The most recent disaster recovery test was conducted in June 2017 with successful results. TLS does not maintain employee back-up or hot site locations in the event its primary office is inaccessible and relies on a work-from-home strategy dependent on the availability of power and the internet.

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

Internal Control Environment

TLS uses multiple layers of internal controls to maintain compliance. While the company does not currently maintain dedicated compliance independent of the special servicing group, compliance with policies, procedures and delegations of authority is monitored by senior managers through monthly compliance monitoring and exception reporting. The company completed its second, formal, internal special servicing operational audit by a third-party consultant in 2017, following the consolidation of operations back to New York. Additionally, a formal special servicing credit committee and delegated senior managers are responsible for all significant workout decisions as well as dual signatures and approvals for all major decisions.

Policies and Procedures

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

The special servicing manual is reviewed semiannually, with changes or updates made as necessary. The manager of operations is responsible for changes and updates, which are reviewed and approved by senior management prior to implementation. In addition, TLS maintains loan and REO asset management guides as a supplement to its policies and procedures. These guides provide a summary overview of key servicing functions, contact lists for vendors and a directory of files and external reports.

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

The policies and procedures manual is distributed to employees via the company's intranet. Training is provided to all new employees, who are required to review the manual, and important updates are distributed by email as necessary. Fitch reviewed the 2017 version of TLS' policy and procedures manual, which provides a detailed overview of special servicing, including the analysis of loan, property and sponsor attributes, as well as strategies and rationales for evaluating potential resolution methods.

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

Compliance and Controls

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

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

Additionally, the manager of operations and special servicing manager of TLS, supported by one analyst, is responsible for operational compliance through monthly exception reporting utilizing the company's surveillance database and Backshop. Monthly compliance reports are generated and reviewed to confirm that servicing requirements are met, including key servicing agreement deadlines and timely appraisal and site inspections. Fitch reviewed a sample compliance report, which appeared effective, used to monitor overdue site inspections and appraisals for specially serviced loans.

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

Internal Audit

TLS does not have an independent internal audit function that performs regular risk-based audits of special servicing functions. Rather, the company outsources internal audit to BDO USA, LLP, which performed its first independent internal audit of special servicing in 2015 as well as a second audit in 2016. Going forward, TLS expects to engage an internal audit every 24 months.

The scope of the 2016 internal audit included cash collection and administration, asset transfer, special servicing administration, Backshop workflow, investor and master servicer reporting, as well as follow up testing of the findings identified in 2015.

The audit, which was reviewed by Fitch, did not identify any significant control weaknesses within the scope but did result in three moderate and two low-priority findings. Moderate findings included recommendations on the establishment of more defined policies and procedures around the use of Backshop, the establishment of a more formalized vendor review process, and the establishment of a formal tickler report to monitor triggers. Low-priority findings included recommendations to strengthen controls around documentation for policy and procedure reviews and loan transfers.

External Audit

Fitch reviewed Uniform Single Attestation Program (USAP) and Reg AB letters dated March 15, 2017 and March 7, 2017, respectively, which noted that TLS complied with the minimum servicing standards set forth in the Mortgage Bankers Association of America's USAP and that it complied with the servicing criteria set forth in Reg AB for the year ended Dec. 31, 2016, according to its management. Both reports were completed by Cohn Reznick LLP, which has been auditing TLS for several years.

Audits

Audit	Date	Auditor	Findings
USAP	3/15/17	CohnReznick LLP	None
Regulation AB	3/7/17	CohnReznick LLP	None

Source: Torchlight Loan Services, LLC.

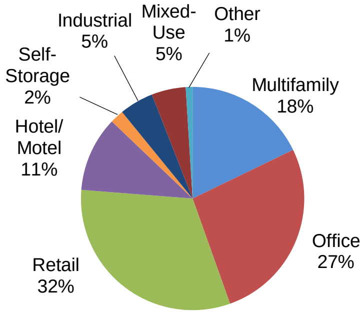
Special Servicing

Special Servicing Portfolio

As of June 30, 2017, TLS was named special servicer for 34 CMBS transactions, representing 925 loans totaling $14.5 billion. Of its CMBS special servicing portfolio, the company was actively working out 19 CMBS loans representing $536.3 million in outstanding balance and managing 29 REO properties with $460.8 million in unpaid principal balance. As of the same date, TLS was servicing one non-CMBS REO asset representing $34.3 million from a CRE CDO on behalf of a third party.

TLS' CMBS special servicing portfolio includes 20 legacy transactions (59% by count) from 2000 through 2007 vintages and 14 recent vintage transactions issued between 2011 and 2016. Of the 34 transactions within TLS' portfolio, the company acts as a third-party special servicer for seven transactions on behalf of three clients. While the portfolio continues to be heavily weighted in legacy transactions, TI is actively raising funds to purchase controlling class positions in new issue CMBS for which TLS will be the named servicer.

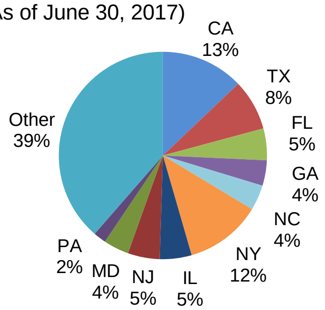
CMBS Special Servicing Property Type
(As of June 30, 2017)



Note: Numbers may not add to 100% due to rounding.
Source: Torchlight Loan Services, LLC.

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

CMBS Special Servicing Geographic Distribution
(As of June 30, 2017)



Note: Numbers may not add to 100% due to rounding.
Source: Torchlight Loan Services, LLC.

While TLS added on four transactions in 2016, TI also purchased controlling class positions in two Freddie Mac K-series transactions in 2016 for which a non-affiliated third party is the named special servicer with TLS performing surveillance.

Special Servicing Portfolio Overview

($ Mil.)	6/30/17	% Change	12/31/16	% Change	12/31/15
CMBS					
No. of Transactions — Special Servicer	34	(3)	35	6	33
UPB — Named Special Servicer	14,519.2	(12)	16,435.3	(8)	17,912.4
No. of Loans — Named Special Servicer	925	(15)	1,092	(15)	1,283
UPB — Actively Special Servicing (Non-REO)	536.3	—	535.1	(45)	965.4
No. of Loans — Actively Special Servicing (Non-REO)	19	(10)	21	(64)	58
UPB — REO Assets	460.8	—	459.7	(22)	589.0
No. of REO Assets	29	—	29	(38)	47
Non-CMBS					
UPB — Named Special Servicer	141.3	—	141.3	(53)	297.5
No. of Loans — Named Special Servicer	9	—	9	(47)	17
UPB — Actively Special Servicing (Non-REO)	0	—	0	(100)	60.4
No. of Loans — Actively Special Servicing (Non-REO)	0	—	0	(100)	3
UPB — REO Assets	34.3	—	34.3	353	7.6
No. of REO Assets	1	—	1	0	1

UPB – Unpaid principal balance.
Source: Torchlight Loan Services, LLC.

Loan Administration

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

Defaulted, Non-Performing Loan Management

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

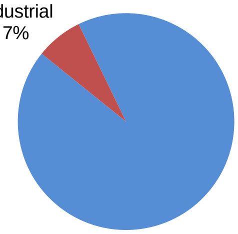
Fitch noted a concern over potential conflicts of interest between TLS and TI. While partially mitigated through policies and procedures, the two firms now share office space and employees, and TI employees represent almost one-half of members of TLS' special servicing credit committee.

Within 90 days of the loan's transfer to special servicing, TLS creates a business plan, obtains an updated appraisal and obtains at least a broker opinion of value. The company does the same within 60 days of the conversion of a loan to REO status. Each asset manager works with legal counsel and other third-party vendors to develop a resolution strategy, requiring the approval of the team leader, manager of special servicing and special servicing committee. Asset status reports are created and distributed per the guidelines in the PSA, and updates are provided in the monthly remittance reports.

Members of TLS' special servicing credit committee include an outside senior advisor, TI head of asset management, TI chief investment officer, senior VP of special servicing, TLS asset and REO managers, as well as TLS' manager of operations and compliance.

All special servicing functions, including the creation of asset status reports and business plans, consent tracking, cash flow modeling, contract management, and disposition strategy development and analysis take place in Backshop. Fitch found Backshop to be a robust system

Non-CMBS Special Servicing Property Type
(As of June 30, 2017)



Note: Numbers may not add to 100% due to rounding.
Source: Torchlight Loan Services, LLC.

for underwriting and noted TLS' significant efforts to adapt the system into a strong asset management and surveillance application. Fitch believes Backshop compares favorably with the robust systems used by highly rated servicers managing large volumes of defaulted loans.

For market research, the company uses third-party data providers, local market contacts and proprietary data to identify other defaulted loans in the same submarket or by the same borrower to determine a strategy. The asset manager is also responsible for obtaining or performing a physical property inspection within 30 days. In addition to using various data sources and publications in conducting its market research for newly transferred loans, the special servicing team identifies local brokers from which to obtain broker opinions of value.

TLS' special servicing committee is an additional internal control around the workout process, as each workout is subject to approval by the relevant members of the eight-member committee. The special servicing committee comprises senior management of TI and TLS team leaders whose approval is required for business plans, significant lease approvals, foreclosure filings, discounted payoffs, loan modifications and assumptions, foreclosure bid strategies, and REO business plans and liquidations.

REO Management

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

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

Torchlight implemented a property manager oversight program for REO assets in 2015 and, as of June 30, 2017, completed 12 audits with satisfactory results. The program consists of a third-party audit firm engaged by TLS, on behalf of the trust, to perform one property manager audit per month, with the ultimate goal of auditing 15%−20% of eligible firms annually. The scope of the audits include rental income reporting and collection verification, review of expense processing, cash account reconciliations, a common area accounting review, a review of third-party contractors and a compliance review of the property management agreement.

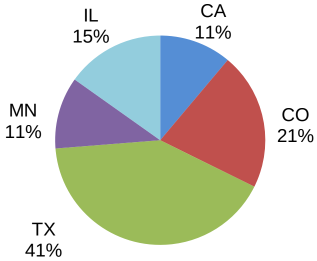
Governance and Conflicts of Interest

Managing Potential Conflicts

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

While the company performs third-party special servicing for investment managers and private equity firms that hold non-securitized B notes as well as hedge funds that hold controlling class bonds, the vast majority of TLS' named special servicing assignments are on behalf of its parent. Fitch notes as a potential conflict of interest changes to the special servicing credit committee to include additional employees of TI, who now represent more than one-half of the voting members. The committee, whose members average approximately 21 years of CRE

Non-CMBS Special Geographic Distribution
(As of June 30, 2017)



Note: Numbers may not add to 100% due to rounding.
Source: Torchlight Loan Services, LLC.

experience, comprises three senior employees of TI, three employees of TLS and one outside consultant.

Torchlight manages potential conflicts of interest on two levels: first, through its policies and procedures, which require all major special servicing decisions be made by the special servicing committee, although TI employees represent nearly one-half the committee; and second, through TLS' compliance and code of ethics policies with which employees are required annually to certify their compliance. Notwithstanding shared employees and office space between TLS and TI, the policies address the disclosure of confidential information and potential conflicts of interest that may arise through the normal course of business. Limited mitigants to potential conflicts of interest are considered in the rating.

Fitch reviewed a sample of business plans for approximately 10 specially serviced loans and found that the business plans were sufficient and generally reflected the consideration of alternate resolution strategies with a net present value analysis to support the ultimate workout strategy. While the business plans were complete, they contained less narrative discussion of alternative resolution strategies and fewer supporting assumptions used in NPV calculations, as well as a more limited history of the asset and workout progress relative to other highly rated servicers. While Fitch believes TLS adequately considers alternate resolution strategies and records workout milestones and progress within its asset management system, this is not consistently documented in business plans.

Investor Relations

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

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

Affiliated Companies

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

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.