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Servicer Evaluation: K-Star Asset Management LLC

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Commercial mortgage loan special	AVERAGE	AVERAGE	AVERAGE	Stable
Financial position				
SUFFICIENT				

Rationale

S&P Global Ratings' ranking on K-Star Asset Management LLC as a commercial mortgage loan special servicer is AVERAGE. On April 2, 2024, we affirmed the ranking (please see "K-Star Asset Management LLC AVERAGE Commercial Mortgage Loan Special Servicer Ranking Affirmed; Ranking Outlook Stable" published April 2, 2024). The ranking outlook is stable.

Our ranking reflects K-Star's:

- Well-designed organizational structure, and experienced senior management, which includes executives who previously held leadership positions at other S&P Global Ratings-ranked special servicers;
- Institutional commitment to the servicing platform and the commercial mortgage-backed security (CMBS) business, as well as the financial backing and shared resources provided by KKR & Co.;
- Strong technology capabilities, as well as its utilization of a widely used third-party asset management and special servicing system;
- Internal control environment built on a solid framework, though it has not been fully tested; and
- Limited operating history and lack of a special servicing resolution track record with the current platform.

Since our prior review (see "Servicer Evaluation: K-Star Asset Management LLC," published Jan. 25, 2023) the following changes and/or developments have occurred:

- During 2023, K-Star migrated over \$45 billion of special servicing appointments from a prior special servicer.
- The special servicing team continued to build its department by adding eight staff members, including two experienced asset managers and six analysts.
- As the company onboarded a substantial number of new employees in 2023, it averaged 66 total training hours completed.
- K-Star launched its website during the second quarter of 2023.
- The company executed due diligence agreements with its KKR affiliates and worked on three such assignments throughout the year.
- K-Star created three additional special servicing desktop procedures and established seven desktop procedures for

its portfolio analytics team related to monthly investor reporting, exposure reporting, loan maturities, and control shift procedures, among others.

- The company established custom policies and business continuity plans (BCPs) for its Dallas office during 2023, including a remote work strategy if it invokes the BCP.

The ranking outlook is stable. With the support of parent KKR & Co., K-Star has built the infrastructure to be a capable commercial mortgage loan special servicer and successfully transitioned a significant portfolio to its platform during 2023. While the company has yet to establish a material track record, senior management's extensive experience managing substantial CMBS loan portfolios through multiple economic cycles while employed by other special servicers has positioned it to be effective in the current platform.

In addition to conducting an onsite meeting with servicing management, our review includes current and historical Servicer Evaluation Analytical Methodology data through Dec. 31, 2023, as well as other supporting documentation provided by the company.

Profile

Servicer profile	
Servicer name	K-Star Asset Management LLC
Primary servicing location	Dallas
Parent holding company	KKR & Co. Inc.
Servicer affiliates	KKR Real Estate Managed Funds
Loan servicing system	RealINSIGHT

K-Star was incorporated in April 2022 and is an indirect subsidiary of KKR & Co. Inc. (KKR & Co., and together with their respective subsidiaries, KKR; NYSE: KKR), a leading global investment firm that offers alternative asset management, as well as capital markets and insurance solutions. KKR has offices in 25 cities across four continents with more than 2,600 total employees. KKR Real Estate has offices in 16 cities across 11 countries that include approximately 150 investment and asset management professionals, including approximately 95 who focus on real estate credit. As of Dec. 31, 2023, KKR had approximately \$553 billion in total assets under management (AUM), including approximately \$69 billion of AUM in its global real estate business, which began in 2011.

Assets subject to K-Star's special servicing activities come from KKR-controlled CMBS positions held in KKR closed-end real estate credit funds. Formed in 2015, KKR's U.S.-based real estate credit group, through direct lending and CMBS investing, had approximately \$36 billion of AUM across various capital sources as of Dec. 31, 2023. KKR has cumulatively originated more than \$38 billion in commercial real estate mortgage loans and has been one of the largest buyers of CMBS B-pieces since 2017. As of Dec. 31, 2023, K-Star was appointed special servicer on 59 securitized transactions (conduit, single-asset single-borrower, and commercial real estate collateralized loan obligation) totaling \$45.7 billion (1,908 loans) in unpaid principal balance (UPB). These pools were transferred to the company during 2023.

Table 1

Total servicing portfolio						
Special servicing						
	UPB (mil. \$)	YOY change (%)	No. of assets	YOY change (%)	No. of staff	YOY change (%)
Dec. 31, 2023	615.8	N/A	35	N/A	16	100.0
Dec. 31, 2022	0.0	N/A	0	N/A	8	N/A

UPB--Unpaid principal balance. YOY--Year-over-year.

As of year-end 2023, K-Star was actively servicing 35 assets (31 loans and four real estate-owned [REO] properties) aggregating \$615.8 million in UPB (see table 1). Based upon current business plans, K-Star does not plan to service any third-party portfolios and expects additional growth will come from future transactions where KKR managed funds and vehicles acquire the B-piece of a CMBS transaction.

Management And Organization

The management and organization subranking is AVERAGE.

Organizational structure, staff, and turnover

K-Star's chief executive officer (CEO) is an industry veteran with over 23 years of experience, including leadership positions at both a current and former S&P Global Ratings-ranked special servicer.

The CEO reports to KKR's head of real estate credit, who also serves as the CEO of the publicly traded KKR Real Estate Finance Trust. Her direct reports include the head of special servicing (33 years of industry experience), the head of credit asset management (35 years of industry experience), the chief operations and compliance officer (COO; 32 years of industry experience), the general counsel (21 years of industry experience), and the technology and data manager (25 years of industry experience). Of this staff, only the CEO, the head of special servicing, and the general counsel are included in the reported special servicing head count of 16.

The head of special servicing oversees a team of five asset managers, including three with at least 10 years of industry experience and who are supported by three operations analysts. She is also supported by the head of investor reporting and portfolio analytics (14 years of industry experience), who oversees four surveillance and investor reporting analysts, each of which was hired since our January 2023 review. During 2023, K-Star has also begun to play a significant support role in the underwriting of KKR's B-piece investments, which is the foundation of its special servicing business, and hired two analysts to support that effort since our initial review.

With 22 and 16 years of average industry experience, respectively, K-Star's senior and middle manager metrics are generally in line with other S&P Global Ratings-ranked CMBS special servicers (see table 2). We note, however, that at the staff level, staff members average only two years of industry experience, which is at the low end of similarly ranked peers. Additionally, its five asset managers average 11 years of industry experience, which is among the lowest of those special servicers that we rank. We believe this is mitigated by the control of decision-making through a special servicing committee comprising four experienced voting members (the CEO, the head of special servicing, the head of investor reporting and portfolio analytics, and the head of U.S. credit asset management). Additionally, the general

counsel serves as a non-voting committee member. Because K-Star is a relatively new operation, company tenure levels and turnover metrics are not meaningful across the platform.

Table 2

Years of industry experience and company tenure(i)								
	Senior managers		Middle managers		Asset managers		Staff	
	Industry experience	Company tenure	Industry experience	Company tenure	Industry experience	Company tenure	Industry experience	Company tenure
Special	22	2	16	1	11	1	2	1

(i)As of Dec. 31, 2023.

Additional resources to support the K-Star platform are provided under an administrative services agreement with KKR wherein KKR provides certain non-servicing support functions and non-personnel services to K-Star, including finance and accounting, human resources, IT and security, compliance and audit, and facilities management.

Training

K-Star's employee training program is comprehensive and leverages its parent company's resources, to some extent. Noteworthy aspects of K-Star's training that we considered in our assessment include:

- Ongoing formal internal and external training seminars and programs are held to emphasize employee development, communication, data analytics, and pertinent industry-related matters specific to functional requirements.
- K-Star leverages KKR's web-based training platforms to provide IT, cyber security, risk management, and K-Star-specific business matters.
- K-Star compliance provides training to employees to ensure adherence K-Star's policies and procedures, KKR's compliance manual, and other reporting requirements.
- Interactive training and lunch-and-learn sessions are facilitated by internal (K-Star and KKR) and external subject-matter experts. In addition, K-Star's team members receive on-the-job training by shadowing experienced team members.
- K-Star's new hires attend an onboarding orientation program addressing human capital, technology, compliance, and other company-related matters. In addition, associates and analysts attend an annual global associate and analyst orientation program, and senior managers and executives attend an annual global experienced-hire orientation program.
- Each employee is required to perform 40 hours of formal training with compliance, which is monitored through an electronic tracking system. During 2023, as K-Star boarded a substantial number of new employees, average training hours completed totaled 66.
- Team leaders and senior staff can view reports so their respective teams' progress can be monitored in real time. Further, training is reported to management quarterly, with deficiencies noted to both the business line manager and employee.

Systems and technology

K-Star's technology environment is supported by an industry-recognized servicing system, robust crisis management and business continuity programs, along with a National Institute of Standards and Technology (NIST) guided and risk-based cyber security program.

Servicing system applications

K-Star's systems application strategy is discussed below:

- RealINSIGHT is a third-party cloud-hosted special servicing and asset management system accessed through a web-browser interface. RealINSIGHT offers full-function loan and real estate underwriting, asset management, a data and document repository, and a surveillance and reporting system that supports the start-to-finish life cycle management of performing and distressed asset portfolios, special servicing, and risk management.
- KKR is an experienced user of RealINSIGHT in its capacity as an investor and controlling class representative (CCR) in CMBS securities. K-Star has leveraged technology consultants and internal resources to tailor RealINSIGHT to its use.
- K-Star leverages existing KKR technology architecture supporting the real estate credit business across direct-lending and securities investment activities.
- K-Star is developing an Amazon Web Services environment to facilitate reporting, which it expects to leverage during 2024.

Business continuity and disaster recovery

The company has a formal, comprehensive BCP designed to quickly recover and resume operations. Other aspects of business continuity and disaster recovery considered in our assessment include:

- K-Star leverages KKR's infrastructure, systems, and support teams to run its daily business, utilizing their technology and data recovery procedures. The KKR technology, engineering and data, and global risk strategies teams have built extensive crisis management and BCPs that provide policies and procedures to manage the variety of contingencies that could disrupt the firm's business.
- Technology and data recovery plans address the restoration of business system software, hardware, and data during or after a significant business disruption. In support of the technology recovery process, KKR focuses on restoring its critical business-supporting systems and applications and has prioritized these into application tiers to aid recovery efforts.
- KKR maintains geographically diverse primary/production and backup data centers (in New York, N.Y., and Menlo Park, Calif.) to support the recovery of its critical applications and systems. Supplementing these data centers is the regular backup of data through available technologies such as data replication, and offsite storage of backed-up data.
- System and application "failover" testing from a primary facility to its secondary or backup location is performed annually to validate this capability and update the associated procedures and requirements as necessary.
- Business and technology tests are conducted periodically to validate the effectiveness of the business continuity and technical recovery procedures. Varying types of exercises may be performed, ranging from tabletop simulations of a

plan to full failover modules.

- KKR's most recent business continuity and disaster recovery testing process on key systems and applications took place in July 2023 with no material findings.
- While K-Star relies on all the above, it also established custom policies and plans for its Dallas office during 2023, which include a remote-work strategy during an event that invokes its BCP.
- Further, in the event of a disruption that affects the routing network equipment for Dallas, an agreement for onsite replacement within two hours is set with its third-party network service provider.
- K-Star also maintains a primary and secondary internet connection from separate vendors that provide immediate failover. In the event internet service to the Dallas office is broken, each employee is provisioned with a laptop that can utilize an alternate internet connection, allowing them to work remotely with no business impact.

Cyber security

KKR leverages a NIST-guided and risk-based cyber security program, which they assert is designed in line with industry best practices and governed by its IT security committee and chief information security officer. The following is a compilation of processes and configurations used by the cyber security team:

- K-Star maintains a cyber security incident response plan, which provides organizational structure, operational structure, processes, and procedures to KKR personnel so they can respond to cyber security incidents that may affect the function and security of IT assets, information resources, and business operations.
- Third-party assessments of information security posture and effectiveness are conducted at least annually, and internal vulnerability scanning is performed regularly. The most recent third-party penetration test took place in May 2023 with no material problems cited.
- KKR leverages a least-privileged operating model based upon need to know, with role-based access controls used throughout the environment, including multifactor authentication for external access. User-access audit reviews with the business owner occur on a quarterly basis.
- Cyber security awareness and training campaigns (including simulated phishing e-mails) are conducted on a monthly and randomized basis throughout the enterprise, with point-in-time reinforcement of safe computing practices as well as on-demand training.
- KKR's physical and virtual datacenters are protected by a modern, layered security architecture that is designed to detect and mitigate both internal and external threats.
- The security topology includes intrusion-detection and prevention systems.
- According to management, the KKR network-security architecture leverages "next generation" deep-packet-inspection firewalls at perimeter and internal boundaries, with inspection occurring across multiple security zones designed to separate system categories and control tiers.
- Servers are hardened with end-point protection technologies, which include next-generation and machine-learning-based malware detection, with centralized management and real-time monitoring utilities.
- KKR maintains standalone cyber security insurance and has in-house legal counsel expertise in this area.

Internal controls

K-Star has implemented a comprehensive control environment along with an internal and external audit program to manage operational and financial risk. The framework, which is still somewhat nascent and has not been robustly tested, includes policies and procedures (P&Ps), compliance and quality assurance testing, and internal and external audits. These areas are described in the below subsections.

Policies and procedures

K-Star's overarching special servicing P&P document is relatively broad-based and, while capturing the essence of its special servicing responsibilities, is less extensive than those of higher-ranked special servicers. At the same time, it is supported by numerous desktop procedures that re-emphasize the policy requirements and set forth the specific tasks necessary to complete required special servicing duties.

Management reviews and updates its P&Ps no less than annually, including most recently in May 2023. The P&Ps describe the delegation of authority (DOA) necessary to approve special servicer actions, and approval authority is inscribed in the special servicing credit committee. The desktop procedures provide prescribed steps to complete certain tasks, including but not limited to the generation of asset status reports and consent memorandums, monthly Commercial Real Estate Finance Council (CREFC) reporting comments, insurance monitoring and procurement, tax tracking and payment, and realized loss calculations. In addition to creating three additional special servicing desktop procedures since our last review, K-Star also established seven desktop procedures for its portfolio analytics team related to monthly investor reporting, exposure reporting, loan maturities, and control shift procedures, among others.

At present, K-Star's only CCR clients are KKR managed funds and vehicles. P&Ps are in place and monitored to ensure that information flows from K-Star to its KKR clients on an as-needed basis to manage conflicts of interest and the possession of material non-public information.

Compliance and quality control

K-Star has an independent and dedicated staff within its compliance department to execute the audit and quality control (QC) work. Since our initial review, the department has added two compliance associates, each of which reports to the COO.

The compliance program, which commenced during 2023, primarily consists of quarterly QC reviews and quarterly internal and annual external audits performed across K-Star's platform. Additionally, RealINSIGHT has built-in controls including alerts and workflow calendaring.

We reviewed the QC reports for second- and third-quarter 2023, which monitored compliance with pooling and servicing agreement (PSA) requirements for appraisals, inspections, asset status reports, and environmental reports and tracked consent performance, borrower financial statement delivery, and loan resolution activity, and found them to be well designed.

We also reviewed the internal audits performed by the K-Star compliance department for each of second- and third-quarter 2023, which tested compliance with the governing PSAs, real estate mortgage investment conduit

(REMIC) guidelines, and K-Star P&Ps. Minor ministerial issues were identified, and corrective actions were taken by the special servicing team.

Internal and external audits

KKR's corporate audit function is an independent function within KKR corporate, with reporting lines to the KKR audit committee, and administratively reporting to the KKR chief legal officer. The function includes the K-Star platform, and as such, K-Star is subject to an annual risk assessment; based upon that assessment, K-Star is subject to internal audits performed on a cyclical basis.

K-Star is subject to annual Reg AB audits on its portfolio beginning in 2023, which it engaged external auditors to conduct. Its initial 2023 Reg AB audit cited no exceptions. Management also completed a system and organizational controls (SOC) readiness assessment in February 2024 and expects to complete an SOC 1 Type II exam in May 2025, with an exam reporting period of May 1, 2024, to April 30, 2025. Management indicated that KKR's internal audit department will complete their review of K-Star in June 2024.

Insurance and legal proceedings

K-Star has represented that its directors and officers, as well as its errors and omissions insurance coverage, are in line with the requirements of its portfolio size.

As of the date of this report, K-Star reported that it is not currently facing any servicing-related litigation matters, and it is not subject to any defensive claims that, individually or in the aggregate, are expected to have a material impact on the company's financial status.

Loan Administration

The loan administration subranking is AVERAGE for special servicing.

K-Star currently undertakes special servicing responsibilities on the loans in the CMBS transactions where it is appointed as special servicer by KKR managed funds and vehicles. As of year-end 2023, 35 assets (31 loans and four REO properties) aggregating \$615.8 million in UPB were being actively serviced by K-Star (see table 3). The active portfolio is dominated by office properties, which represent 51.5% of the UPB and 40.0% of the asset count. Retail (11.7% of UPB; 20.0% of asset count), lodging (12.5%; 14.3%), industrial (9.3%; 5.7%), multifamily (6.0%; 8.6%), and mixed-use properties (4.4%; 8.6%) are also represented in the portfolio.

K-Star reported its first loan resolution activity during the second half of 2023 (see table 4). The five resolutions aggregated \$41.6 million of UPB and included \$29.5 million (three loans) of loans returned to the master servicer and \$12.1 million (two loans) that the servicer completed foreclosure on and converted to REO. The average resolution period, a relatively short 5.6 months, is a bit misleading, as three of the loans, including the completion of both foreclosures, were transferred to K-Star after spending nearly three years in special servicing with the prior special servicer.

Table 3

	Dec. 31, 2023			Dec. 31, 2022		
	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)
Active inventory						
Loans	579.7	31	6.6	0.0	0	N/A
Real estate owned	36.1	4	8.1	0.0	0	N/A
Total	615.8	35	6.8	0.0	0	N/A

Note: Totals may not add due to rounding. (i)Average age reflects the time in months from the date the loan first became specially serviced to the reporting date. UPB--Unpaid principal balance. N/A--Not applicable.

Loan recovery and foreclosure management

K-Star's P&Ps describe controlled loan workout and foreclosure management processes. Highlights considered in our assessment include:

- The asset manager (AM) reviews the asset file received on newly transferred assets from the master servicer along with prior underwriting and watch list information within RealINSIGHT to determine the status of the loan and the collateral as soon as possible.
- For all newly transferred specially serviced loans, the AM updates RealINSIGHT with critical loan and property information, the transfer date, and transfer event, and ensures that ticklers for the initial asset status report (ASR), appraisal order, inspection order, and any other critical dates have been entered so that system reminders can be automatically sent to the AM.
- The AM notifies the borrower of the loan transfer within 10 calendar days, using K-Star-drafted form documents, accompanied by a prenegotiation agreement for execution by the borrower and guarantors where appropriate.
- If a prompt reinstatement or full payoff is unlikely, the AM will retain outside legal counsel in conjunction with consulting the head of special servicing and the legal department.
- If the borrower has not presented a realistic resolution proposal of the defaulted loan within the first 30 days after transfer, the AM will generally pursue the standard industry practice of a dual-track approach to resolution (i.e., pursuit of legal remedies while simultaneously entertaining resolution discussions with the borrower).
- The AM obtains or performs a property inspection as required by the governing servicing agreement (generally within 30 days of transfer).
- The AM conducts market research to gather insight into the condition of the collateral, leasing prospects, and comparable sales in its analysis of potential resolution alternatives. If serious property condition issues or misappropriation of property cash flow is identified and the AM wishes to pursue legal remedies, approval must be obtained for the initiation of foreclosure or receivership as required under K-Star's DOA.
- Initial ASRs on newly transferred loans are expected to be completed within 30-45 days of loan transfer, or sooner, if required under the governing servicing agreement. The ASR shall include, to the extent known: a summary of the loan terms, including loan purpose and sponsor cash-out, if any; collateral description, condition, and performance; payment status; status of updated valuation; status of escrow and reserve accounts; transfer event and background; summary of borrower discussions and negotiations; recommendation of an initial expense budget; identification of any REMIC or representation and warranty issues discovered; a recommendation for initiation of foreclosure and

pursuit of the appointment of a receiver, in addition to any other recommended actions; and any relevant exhibits or supporting analysis.

- The AM prepares an updated ASR as needed to document loan developments or changes in the previously approved recommendation, including a net present value analysis of the proposed resolution against alternative resolution scenarios.
- Face-to-face meetings between the AM and borrowers are required to be attended by legal counsel when the borrower's counsel is present at such a meeting.
- The AM is required to obtain both a Phase I environmental site assessment and a property condition report prior to taking title to the collateral property. The engagements are required to be arranged through legal counsel who has expertise and knowledge of CMBS considerations and PSA provisions regarding such reports.

Table 4

Total special servicing portfolio--loan resolutions						
	2023			2022		
	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)
Resolutions						
Loans	29.5	3	5.2	0	0	N/A
Foreclosed loans	12.1	2	6.2	0	0	N/A
Total	41.6	5	5.6	0	0	N/A
Resolution breakdown						
Returned to master	29.5	3	5.2	0	0	N/A
Full payoffs	0	0	N/A	0	0	N/A
DPO or note sale	0	0	N/A	0	0	N/A
Foreclosed loans	12.1	2	6.2	0	0	N/A
Total/average	41.6	5	5.6	0	0	N/A

Note: Totals may not add due to rounding. (i)Average age reflects the time in months from the date the loan first became specially serviced by the ranked entity to the reporting date. UPB--Unpaid principal balance. N/A--Not applicable. DPO--Discounted payoff.

REO management and dispositions

K-Star maintains P&Ps that call for proactive REO management and sales oversight. Notable aspects considered in our assessment include:

- At least 30 days prior to foreclosure and deed-in-lieu (DIL) transactions, the AM interviews and solicits proposals from prospective property management vendors for management and leasing.
- To ensure that all pre-foreclosure and DIL issues have been addressed, the AM completes an extensive pre-foreclosure checklist.
- The AM performs a physical site visit (or has it inspected by an approved vendor) within 60 days of conversion to REO.
- The initial REO business plan is to be prepared within 120 days of conversion to REO or sooner if specified in the PSA.
- Within 60 days of assuming operational control, the property manager (PM) is expected to prepare a monthly

operating and capital budget for the remaining current year in a format satisfactory to the AM. The proposed budget must be approved in accordance with the DOA.

- The AM reviews the monthly performance and condition of each REO property with the PM.
- Following foreclosure, and subject to approval of a sell/hold analysis and list price under the DOA for the REO property, the AM shall engage a qualified and preapproved vendor-broker to market the asset for sale using a 180-day listing agreement.
- While K-Star will generally seek to sell REO as soon as practicable, it may not immediately list and market the REO if such a strategy will not maximize recovery.

REO accounting and reporting

K-Star's documented controls and procedures for property-level accounting and oversight are adequate. Highlights include:

- Prior to the conversion to REO, an REO bank account will be opened by the K-Star accounting and finance department. Once the REO account has been established, the AM shall arrange for an initial funding into the account.
- Once an operating budget has been approved, all disbursements from the REO account to the PM shall be made in accordance with the budget and the property management agreement (PMA). Disbursements above budgeted amounts or outside the scope of the PMA require the approval of K-Star management.
- For certain property types (e.g., multifamily), the PM shall collect and hold the current month's rents in an operating account that it has established, pay the current month's approved operating expenses, and transfer any excess cash flow to the REO account. For other property types (e.g., single-tenant retail), rental income may be swept from a lockbox and deposited into the REO account, with funds disbursed to the PM for approved operating expenses.
- K-Star uses a standard property management agreement requiring the PM to use a standard monthly financial reporting package.
- K-Star AMs review the bank reconciliations performed by the PM.
- As a component of K-Star's audit plan, it intends to engage a third party in the fourth quarter of 2024 to perform property management audits, addressing PM compliance with material items of the PMA, and assessments of PM cash handling controls.

Subcontracting management

K-Star engages vendors to support its special servicing activities, including attorneys, sales brokers, PMs, appraisers, construction consultants, survey and title companies, and environmental and engineering firms, as well as other professional consultants.

Subcontracting management at K-Star follows the below guidelines:

- K-Star's legal department maintains an approved vendor list from which vendors shall be selected.
- Prospective vendors are required to complete a vendor registration form, including confirmation of its insurance and bond coverage, its indemnification of K-Star, its status as an independent contractor, and documentation of its

security protocols for protection of the confidential and sensitive information to which it will have access.

- Engagements are typically discussed with multiple vendors, from which the AM selects the most appropriate based on qualifications, cost, and timing. The engagement is then documented and tracked in RealINSIGHT.
- At the conclusion of an assignment, the AM involved in the engagement will evaluate performance, timeliness, and overall work product in RealINSIGHT.

Performing loan surveillance

K-Star has established a process for monitoring non-specially serviced loans to obtain updated information that might explain changes in asset performance, and projecting the impact of the collateral, credit, market, or other macro events on the future performance of the loan.

- CREFC investor reporting packages are uploaded monthly into RealINSIGHT, providing information on tenancy, operating performance, property condition, financial condition of tenants, borrowers and/or guarantors, and borrower consent matters.
- K-Star reviews the available information against prior periods to identify trends signaling whether a loan needs to be placed on or removed from the watch list.
- K-Star uploads financial reporting requirements and cash flow sweep covenants into RealINSIGHT, alerts the master servicer to impending trigger events, and works with them to implement triggered cash flow sweeps.
- For complicated surveillance issues, K-Star management may participate in the communication with the master servicer and borrower to determine whether a transfer is appropriate.

Borrower requests

K-Star will process borrower requests as follows, depending on the terms of the applicable servicing agreement:

- If only special servicer consent is required by the PSA to the master servicer's recommended action, the AM shall review the recommendation package against the information received from the borrower, request any other information needed to complete the review, prepare a summary of the recommendation, including any additional conditions or terms upon which K-Star's consent would be conditioned, and seek approval pursuant to K-Star's DOA.
- If the PSA provides that the borrower request is to be handled directly by the special servicer, K-Star will request the appropriate information relative to the request, conduct negotiations and analysis, engage legal counsel as necessary, prepare an approval memorandum using the consents model generated through RealINSIGHT, and obtain approval pursuant to its DOA.
- After the consent is approved by K-Star as special servicer, it will be submitted to the CCR and any other approval parties required under the servicing agreement.
- Once final approvals are obtained on those loans where K-Star is required to close the transaction, the AM will proceed to complete the approved action. If the master servicer is to close the transaction, K-Star will notify the master servicer of the approval, declination, or conditional approval of the requested action so that the master servicer may close out the request.

Legal department

K-Star's general counsel provides in-house legal support to the special servicing group, including litigation management and PSA negotiation. Notable aspects of the legal function and its controls include:

- The general counsel controls the approved attorney list and oversees the engagement and management of outside counsel.
- The general counsel is a non-voting member of the special servicing credit committee and a member of the compliance and risk management committee.
- AMs are required to review and approve legal bills before payment.

Financial Position

The financial position is SUFFICIENT.

This report does not constitute a rating action.

Related Research

- K-Star Asset Management LLC AVERAGE Commercial Mortgage Loan Special Servicer Ranking Affirmed; Ranking Outlook Stable, April 2, 2024
- KKR & Co. Inc., March 21, 2024
- Select Servicer List, Jan. 22, 2024
- Servicer Evaluation: K-Star Asset Management LLC, Jan. 25, 2023
- Servicer Category Descriptions Expanded and Revised, Feb. 28, 2022
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

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