

Servicer Evaluation: K-Star Asset Management LLC

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Servicing category	Overall ranking	Subrankings		
		Management and organization	Loan administration	Ranking outlook
Commercial mortgage loan special	AVERAGE	AVERAGE	AVERAGE	Stable
Financial position				
SUFFICIENT				

Rationale

S&P Global Ratings' ranking on K-Star Asset Management LLC (K-Star) as a commercial mortgage loan special servicer is AVERAGE. On May 21, 2025, we affirmed the ranking (please see "K-Star Asset Management LLC AVERAGE Commercial Mortgage Loan Special Servicer Ranking Affirmed; Ranking Outlook Stable," published May 21, 2025). The ranking outlook is stable.

Our ranking reflects K-Star's:

- 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. Inc. (KKR);
- Well-designed organizational structure and experienced senior management team;
- Strong technology capabilities, as well as its utilization of a widely used third-party asset management and special servicing system;
- Solid internal control environment, which includes policies and procedures, compliance and quality control, and internal and external audit; and
- Limited operating history and special servicing resolution track record within the current platform.

Since our prior review (see "Servicer Evaluation: K-Star Asset Management LLC," published April 16, 2024), the following changes and/or developments have occurred:

- The special servicing team hired a consents manager with 40 years of industry experience to lead a team of two analysts who review and process performing loan borrower consents.
- K-Star hired a senior equity/real estate-owned (REO) asset analyst with over 35 years of industry experience who has a dotted reporting line to the head of special servicing.
- K-Star created summer internship and campus analyst recruitment programs and selected its 2025 group of candidates that will start working with K-Star in the summer of 2025.
- The special servicing portfolio grew by 45.7% by unpaid principal balance (UPB) and 31.4% by loan and REO count year over year as of Dec. 31, 2024, due to the continued migration of special servicing appointments from a prior special servicer and more recent special servicing transfers from K-Star's named CMBS special servicing portfolio.

- During 2024, the special servicing team completed 13 loan resolutions and one REO sale--K-Star's first.
- K-Star created additional special servicing desktop procedures.
- K-Star's technology team assumed responsibility for KKR's proprietary asset management system. The system is currently used for asset management by K-Star's direct lending team. K-Star plans to integrate the system with the RealINSIGHT special servicing system to improve its data and reporting capabilities.
- KKR internal audit conducted its first review of K-Star, with no material issues reported.

The ranking outlook is stable. K-Star has built the infrastructure to be an effective commercial mortgage loan special servicer and successfully transitioned a significant portfolio to its platform that it is actively servicing. The senior management team's extensive experience with managing large CMBS specially serviced portfolios should help them run a comprehensive and effective commercial mortgage loan servicing platform as the company continues to gain a more substantial track record of loan resolutions and REO sales.

In addition to conducting an onsite meeting with servicing management, our review includes current and historical Servicer Evaluation Analytical Methodology data through Dec. 31, 2024, 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 is a real estate credit investment services firm that provides special servicing, technology, value-added asset management, and underwriting and due diligence services. K-Star was incorporated in April 2022 and is an indirect subsidiary of KKR, a leading global investment firm that offers alternative asset management, as well as capital markets and insurance solutions with \$638 billion in assets under management as of year-end 2024. KKR has offices in 27 cities across four continents with more than 2,800 total employees.

Formed in 2015, KKR's U.S.-based real estate credit group has cumulatively originated more than \$44 billion in commercial real estate mortgage loans and has been one of the largest buyers of CMBS B-pieces since 2017. Assets subject to K-Star's special servicing activities come from KKR-controlled CMBS positions held in KKR closed-end real estate credit funds.

As of Dec. 31, 2024, K-Star was the appointed special servicer on 59 securitized transactions (conduit, single-asset single-borrower, and commercial real estate collateralized loan obligations) totaling \$44.7 billion (1,965 loans) in UPB.

K-Star also provides asset management, including on defaulted loans and REO, for KKR's direct lending business. The assets from the direct lending business are considered out of scope for this review, which focuses on the 22 special

servicing employees.

Table 1

Total servicing portfolio						
	UPB (mil. \$)	YOY change (%) ⁽ⁱ⁾	No. of assets	YOY change (%) ⁽ⁱ⁾	No. of staff	YOY change (%) ⁽ⁱ⁾
Special servicing						
Dec. 31, 2024	897.4	45.7	46	31.4	22	37.5
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

(i) Starting in 2024, the number of staff includes four employees from the securities underwriting team. UPB--Unpaid principal balance. YOY--Year over year. N/A--Not applicable.

Management And Organization

The management and organization subranking is AVERAGE.

Organizational structure, staff, and turnover

The head of special servicing reports to K-Star's president and CEO, an industry veteran with 25 years of experience. K-Star's chief operating officer (COO), who has over 30 years of experience, and the general counsel and data and technology manager, who both have over 25 years of experience, also report to K-Star's president and CEO.

The head of special servicing, who has over 30 years of industry experience, oversees a team of six asset managers who directly manage non-performing assets. She is also supported by the head of investor reporting and portfolio analytics (who oversees four surveillance and investor reporting analysts) and the consents manager (who oversees two analysts that process performing loan borrower consents). A senior analyst in K-Star's REO/equity team, who also supports the direct lending team, has a dotted reporting line to the head of special servicing. Finally, an underwriting and due diligence team, which helps with the b-piece evaluation process and re-underwriting loans for surveillance purposes in the named special servicing portfolio, reports through K-Star's special servicing team.

Additional resources that support the special servicing team 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.

With 28 and 16 years of average industry experience (see table 2), respectively, K-Star's senior and middle manager metrics are generally in line with other S&P Global Ratings-ranked CMBS special servicers. We note, however, that at the staff level, employees average only three years of industry experience, which is at the low end of similarly ranked peers. Finally, the six special servicing asset managers average 18 years of industry experience, which is in line with peers. Because K-Star is a relatively new operation, company tenure levels are not meaningful across the platform.

Since our last review, K-Star has established annual summer internship and campus analyst recruiting programs. For the inaugural campus analyst class, K-Star recruited from mostly Texas-based universities with well-established real estate programs and received a very high volume of applications. Starting in the summer of 2025, two analysts will support the direct lending business on commercial mortgage loans, two will support asset-backed finance operations,

and five analysts will support different groups within special servicing on a rotational basis. K-Star management believes that the internship and analyst programs will provide a steady pipeline of talent that management can develop internally.

The special servicing team's headcount grew from the time of our last review through the hiring of the consents manager and senior REO/equity manager. Other parts of K-Star including Asset Backed Finance Operations, which recently moved under K-Star's oversight, grew more substantially. As such, K-Star is under contract to lease additional space in its Dallas office. Employee turnover within the special servicing team has been minimal since K-Star commenced operations in 2022 through year-end 2024.

Table 2

Years of industry experience/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 servicing	28	2	16	2	18	2	3	2

(i)As of Dec. 31, 2024.

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 program 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.
- The special servicing team leverages KKR's training on compliance matters including cybersecurity, social media, harassment prevention, and anti-money laundering and anti-bribery courses.
- 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 special servicing team members receive on-the-job training by shadowing experienced employees.
- 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, which is monitored through an electronic tracking system. During 2024, average training hours completed totaled 58.
- Team leaders and senior staff can view reports that track their respective teams' progress 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, and a National Institute of Standards and Technology (NIST)-guided and risk-based cybersecurity program.

Servicing system applications

K-Star uses the following servicing systems:

- RealINSIGHT is a third-party cloud-hosted special servicing and asset management system. RealINSIGHT offers full-function loan and real estate underwriting, asset management, and special servicing. It also acts as a data and document repository and surveillance and reporting system that supports the full life cycle of a loan or asset. K-Star uses RealINSIGHT's workflow capabilities to generate and manage special servicing business plans and consent memorandums.
- RealHouse, a proprietary asset management system supported by K-Star's technology team, is currently used for the direct lending side of the business. K-Star plans to integrate RealHouse with RealINSIGHT for use by the special servicing team for more robust data and reporting capabilities. The IT team currently utilizes a third-party AI program to extract and organize financial data within RealHouse.

Business continuity and disaster recovery

K-Star leverages KKR's infrastructure, systems, and support teams to run its daily businesses, utilizing their technology and data recovery procedures. KKR's technology, engineering and data, and global risk strategies teams have built extensive crisis management, business continuity (BC), and disaster recovery (DR) plans that provide policies and procedures (P&Ps) to manage the variety of contingencies that could disrupt the firm's business.

- Management indicated that business impact analysis is performed annually to evaluate business recovery needs in the event of a disruption.
- K-Star has established custom BC policies and plans for its Dallas office, which include a remote-work strategy if its crisis management team, comprised of different K-Star senior managers, decides that employees should not report to the office.
- On an annual basis, KKR IT uses system and network backups to restore the application or server to a new environment as part of its DR tests.
- K-Star indicated that the last DR test occurred on Dec. 27, 2024, with no issues noted. The DR test was an application tabletop exercise conducted by KKR IT.
- KKR maintains geographically diverse primary/production and backup Tier III data centers (in New York and Menlo Park, Calif.) that rely on a number of technologies including data replication to support the recovery of its critical applications and systems.
- On an annual basis, K-Star's compliance team asks for and reviews the results of RealINSIGHT's latest DR and other associated tests.
- Systems recovery time objectives and recovery point objectives are satisfactory for KKR's designated critical systems.

Cybersecurity

KKR leverages an NIST-guided and risk-based cybersecurity 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 cybersecurity team:

- According to management, the KKR network-security architecture leverages "next generation" deep-packet-inspection firewalls at perimeter and internal boundaries.
- 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.
- The security topology includes intrusion-detection and prevention systems.
- K-Star maintains a cybersecurity incident management team and incident response plan, which provides organizational structure, operational structure, processes, and procedures to KKR personnel.
- Rotating third-parties perform penetration testing on an annual basis. The most recent test took place in May 2024, 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.
- KKR compliance oversees annual mandatory cybersecurity and data privacy training, and simulated phishing email training is performed on a monthly and randomized basis throughout the year.
- KKR maintains standalone cybersecurity insurance and has in-house legal counsel expertise in this area.

Despite servicers' significant expenditure on cybersecurity staff and systems to support their programs, these preventative measures are only effective if the program is successfully implemented and maintained. Notwithstanding, even the best preventative measures will be continuously challenged by the ever-increasing sophistication of attacks.

Internal controls

K-Star, with the assistance of KKR, maintains a comprehensive internal control environment that includes an internal and external audit program to manage operational and financial risk. The framework also includes P&Ps, compliance, and quality assurance testing.

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. However, 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; the overarching special servicing P&P document was last reviewed in June 2024. The desktop procedures provide prescribed steps to complete certain tasks, including but not limited to the generation of asset status reports and consent memorandums and the delegation of authority (DOA) for important special servicing approvals. Since our last review, K-Star created additional desktop procedures

including special servicing-related procedures for 17g-5 inquiries and appraisal reduction amount calculations.

At present, K-Star's only controlling class representative (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. The K-Star team and KKR clients are also in different office spaces, which helps prevent the sharing of non-public information.

Compliance and quality control

KKR and K-Star's compliance departments oversee employee compliance with KKR and K-Star's P&Ps, like the firm's personal security trading policy. K-Star's COO reports compliance-related matters on a quarterly basis to K-Star's compliance and operational risk management committee comprised of K-Star and KKR executives including the COO.

K-Star has an independent and dedicated staff within its compliance department to execute the special servicing regulatory compliance and quality control (QC) work, which is overseen by the COO. The compliance department performs quarterly QC reviews and its own internal audit reviews, which test compliance with P&Ps and regulatory requirements (KKR Internal Audit performs their own separate internal audits). Additionally, RealINSIGHT has built-in controls including alerts and workflow calendaring to help ensure compliance with pooling and servicing agreements (PSAs).

We reviewed QC reports for 2024, which monitored compliance with PSA requirements for appraisals, inspections, asset status reports, and environmental reports, and tracked consent performance and borrower financial statement delivery, and found them to be well designed.

We also reviewed the internal audits performed by the K-Star compliance department for the last three quarters of 2024, which tested a sample of specially serviced assets compliance with the governing PSAs, real estate mortgage investment conduit (REMIC) guidelines, and K-Star P&Ps. Administrative issues were identified, and corrective actions were taken where appropriate 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 its current high-risk designation, KKR internal audit will perform reviews of K-Star every two years.

KKR conducted its first internal audit of K-Star in 2024, which covered several business lines in addition to special servicing. Several medium- and low-risk issues were identified, many of which involved the proper documentation of different procedures, and some were not related to special servicing. K-Star has remedied all the issues.

K-Star has engaged external auditors to conduct annual Reg AB audits. The 2024 Reg AB report 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.

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 -- Special Servicing

The loan administration subranking is AVERAGE.

As of year-end 2024, 46 assets (42 loans and four REO properties) aggregating \$897.4 million in UPB were being actively serviced by K-Star (see table 3). The active portfolio is dominated by office properties, which represent 58.7% of the UPB and 32.6% of the asset count. All major property types are represented, however, including retail (9.4% of UPB; 19.6% of asset count), lodging (9.6%; 13.0%), industrial (0.96%; 4.3%), multifamily (7.5%; 10.9%), and mixed-use properties (13.5%; 17.4%). The portfolio includes a relatively even mix of loans that were previously serviced by another special servicer before being transferred to K-Star after it established operations and more recent special servicing transfers where the initial transfer occurred while K-Star was the named special servicer.

K-Star reported six resolutions aggregating \$170.8 million in UPB (see table 4). The average resolution period, 13.7 months, is generally in line with the average of peers, though we note a small sample size.

Table 3

Special servicing portfolio									
	Dec. 31, 2024			Dec. 31, 2023			Dec. 31, 2022		
	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)
Active inventory									
Loans	861.8	42	12.5	579.7	31	6.6	0.0	0	N/A
Real estate owned	35.6	4	20.2	36.1	4	8.1	0.0	0	N/A
Total	897.4	46	13.2	615.8	35	6.8	0.0	0	N/A

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 business days, using K-Star-drafted form documents, accompanied by a pre-negotiation 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 from the approved vendor list or obtain approval from the head of special servicing and general counsel to engage a firm not on the approved list.
- 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) if the property was not recently inspected by the master servicer. An additional inspection is performed or ordered prior to the presentation of a resolution recommendation.
- 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 and 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; collateral description, condition, and performance; status of updated valuation; status of escrow and reserve accounts; summary of borrower discussions and negotiations; recommendation of an initial expense budget; identification of any REMIC or representation and warranty issues discovered; and a recommendation for initiation of foreclosure and pursuit of the appointment of a receiver, in addition to any other recommended actions.
- 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.
- Many special servicing courses of action including the acceptance of a discounted payoff, extensions of the maturity date, and foreclosure require approval from the credit committee consisting of the following K-Star senior managers and the general counsel who is a non-voting member: CEO, head of special servicing, head of portfolio analytics and reporting, head of U.S. credit asset management who oversees the direct lending business, and the consents manager. All approvals including external approvals are tracked and monitored in RealINSIGHT.
- 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 through foreclosure or deed-in-lieu. 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									
	2024			2023			2022		
	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)
Resolutions									
Loans	171.1	12	13.3	29.5	3	5.2	0.0	0	N/A
Foreclosed loans	6.9	1	19.3	12.1	2	6.2	0.0	0	N/A
Total	178.0	13	13.8	41.6	5	5.6	0.0	0	N/A
Resolution breakdown									
Returned to master	27.9	2	10.4	29.5	3	5.2	0.0	0	N/A
Full payoffs	58.8	3	10.5	0.0	0	N/A	0.0	0	N/A
DPO or note sale	84.4	7	15.4	0.0	0	N/A	0.0	0	N/A
Foreclosed loans	6.9	1	19.3	12.1	2	6.2	0.0	0	N/A
Total/average	178.0	13	13.8	41.6	5	5.6	0.0	0	N/A

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. DPO--Discounted payoff. N/A--Not applicable.

REO management and dispositions

K-Star maintains P&Ps that call for proactive REO management and sales oversight. As of Dec. 31, 2024, it had a limited track record of REO sales (see table 5). Notable aspects considered in our assessment include:

- At least 30 days prior to foreclosure and deed-in-lieu transactions, the AM interviews and solicits proposals from prospective property management vendors for management and leasing.
- To ensure that all pre-foreclosure and deed-in-lieu 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 the REO property as soon as practicable, it may not immediately list and market the property if such a strategy will not maximize recovery.

Table 5

Total special servicing portfolio--real estate-owned sales									
	2024			2023			2022		
	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)
Estimated market value	8.0	1	10.4	0	0	--	0	0	--
Gross sales proceeds	8.8	--	--	0	--	--	0	--	--
Gross sales proceeds/market value (%)	110.4	--	--	--	--	--	--	--	--

REO--Real estate owned.

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 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 PMA requiring the PM to use a standard monthly financial reporting package.
- K-Star AMs review the bank reconciliations performed by the PM.
- Though K-Star has not completed any property management audits through year-end 2024, its audit plan indicates that it plans to engage a third-party to perform these types of audits, addressing PM compliance with material items of the PMA, and assessments of PM cash handling controls in the future.

Subcontracting management

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

Subcontracting management at K-Star follows the below guidelines:

- K-Star's legal department maintains the 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.
- At the conclusion of an assignment, the AM involved in the engagement will evaluate performance, timeliness, and overall work product in RealINSIGHT, which will be examined before engaging the vendor again in the future.

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.
- K-Star completes an annual re-underwriting of all the loans in the named special servicing portfolio.

Borrower requests

K-Star will process borrower requests as follows, depending on the terms of the applicable servicing agreement. Since our last review, K-Star hired a consents manager to lead a three-person team to handle borrower consents :

- 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 requires that the borrower request be handled directly by the special servicer, K-Star will request the appropriate information, 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.
- In 2024 K-Star reported that it processed 125 borrower consents; 47% of which were leasing consents, 25% were reserve draw requests, 5% were assumption requests, and 23% were in the other category.

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.

Related Research

- Select Servicer List, June 5, 2025
- K-Star Asset Management LLC AVERAGE Commercial Mortgage Loan Special Servicer Ranking Affirmed; Ranking Outlook Stable, May 21, 2025
- KKR & Co. Inc., April 17, 2025
- Servicer Evaluation Spotlight Report™: The Importance Of Cyber Security For U.S. And Canadian Servicers In A Challenging Environment, Aug. 12, 2024
- Servicer Evaluation: K-Star Asset Management LLC, April 16, 2024
- Servicer Category Descriptions Expanded and Revised, Feb. 28, 2022
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

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