

## Morningstar DBRS Confirms K-Star's Special Servicer Ranking With Positive Trend

### CMBS

DBRS, Inc. (Morningstar DBRS) confirmed its MOR CS3 commercial mortgage special servicer ranking for K-Star Asset Management LLC (K-Star or the Company), an indirect subsidiary of KKR & Co. Inc. (together with its affiliates, KKR). The trend for the ranking remains Positive.

K-Star launched in April 2022 to serve as the special servicer for commercial mortgage-backed securities (CMBS) and commercial real estate collateralized loan obligation (CRE CLO) transactions in which KKR and KKR managed accounts hold controlling positions. The Company received its first assets in April 2023 as the successor special servicer on 57 CMBS and two CRE CLO transactions. K-Star also provides due diligence resources for KKR's securitized investments and increasingly provides value-add asset management support for KKR's direct lending real estate portfolio.

The confirmed ranking largely reflects K-Star's still relatively short operating history and modest, yet growing, asset resolution record. However, the Company has a highly experienced management team, solid professional depth, and a well-designed organizational structure. The employee roster includes a number of people hired from other special servicers who collectively have strong backgrounds in asset workouts and CMBS servicing agreement requirements. The Company continued to expand its staffing in 2024, which now includes underwriting specialists respectively for borrower consents and investment due diligence. K-Star should be suitably positioned with the requisite personnel and scalability to address its current and projected work volume this year.

K-Star's other operational strengths include its technology capabilities, asset management practices, audit and compliance regimen, and commitment to employee training and career development.

-- For its core data management and reporting, K-Star, as a special servicer, uses a well-recognized application geared to CMBS requirements. Through KKR, K-Star has robust data backup, security, and associated testing practices.

-- K-Star's well-detailed CMBS-centric policies denote a controlled and proactive approach for all core functions, including loan transfers, asset analytics, resolution approvals, investor reporting, portfolio surveillance, borrower consents, and vendor management.

-- K-Star's compliance team oversees a multifaceted audit and compliance regimen that consists of monthly process reviews, self-administered quarterly audits, annual Regulation AB examinations, System and Organizational Controls (SOC) examinations, and biennial KKR-led audits. In early 2024, K-Star completed a SOC 1 Type I (readiness assessment). Morningstar DBRS awaits the results of the SOC 1 Type II examination, which the Company expects to commence in May 2025. KKR's internal audit department's first review of K-Star in 2024 contained only a few moderate-rated findings, mostly related to KKR's process documentation requirements, which have all been resolved.

-- The Company has a well-structured training function, which encompasses a summer internship program and a recently added

two-year analyst training program for undergraduate and postgraduate students.

Morningstar DBRS believes that K-Star's operating position remains on a favorable trajectory as the Company continues to gain momentum and build its performance record. K-Star possesses all of the requisite qualifications to serve as an adept special servicer for CMBS and other commercial real estate structured transactions.

K-Star's named special servicing portfolio consists of CMBS and CRE CLO transactions in which KKR-managed funds, financing vehicles, and accounts maintain control rights and/or own first-loss bond positions. As of December 31, 2024, K-Star was the named special servicer for 1,965 loans with an aggregate unpaid principal balance (UPB) of \$44.7 billion involving 57 CMBS transactions (1,935 loans) and two CRE CLO transactions (30 loans). As of YE2024, the active special servicing portfolio contained 42 loans with an aggregate \$1.13 billion UPB, and four REO assets with an aggregate \$35.6 million UPB.

All rankings are subject to surveillance, which could result in rankings being raised, lowered, placed under review, confirmed, or discontinued by Morningstar DBRS.

Morningstar DBRS North American commercial mortgage servicer rankings are not credit ratings. Instead, they are designed to evaluate the quality of the parties that service commercial mortgage loans. Although the servicer's financial condition contributes to the applicable ranking, its relative importance is such that a servicer's ranking should never be considered as a proxy of its creditworthiness.

Notes:

All figures are in U.S. dollars unless otherwise noted.

The principal methodology is North American Commercial Mortgage Servicer Rankings (August 23, 2024), <https://dbrs.morningstar.com/research/438283>.

For more information on this industry, visit <https://dbrs.morningstar.com> or contact us at [info-DBRS@morningstar.com](mailto:info-DBRS@morningstar.com).

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