

Operational Risk Assessments

K-Star Asset Management LLC

Morningstar DBRS

April 2025

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Operational Classification:	Commercial Mortgage Special Servicer
Ranking:	MOR CS3 (Confirmed)
Trend:	Positive

Rationale

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 respective subsidiaries, KKR).

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. K-Star also provides due diligence for securitized investments as well as value-add asset management support for KKR’s direct lending real estate portfolio. The Company received its first assets for special servicing in April 2023 as the successor special servicer on 57 CMBS and two CLO transactions. It completed its first loan resolution in May 2024.

The confirmed ranking considers K-Star’s still relatively short operating history and modest, yet growing, asset resolution record. Nevertheless, the Company has a highly experienced management team overseeing a well-designed organizational structure to address all essential functions. Across the platform, K-Star has seasoned professionals hired from other special servicers who collectively have strong backgrounds in asset workouts, investor reporting, and CMBS pooling and servicing agreement (PSA) 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 appears to be well positioned with the requisite personnel and scalability to address its current and projected work volume this year. An administrative services agreement with KKR provides corporate-level operational resources as well.

- The Company leverages KKR’s extensive, and mostly cloud-based, technology infrastructure. For its core data management and reporting tool for special servicing, K-Star uses ReallINSIGHT® (RI), which is a well-recognized application geared to CMBS requirements. Through KKR’s resources and platform, K-Star has sound practices for data backup, security, and associated testing.

- K-Star’s well-detailed CMBS-centric policies denote a controlled and proactive approach for all core functions, including loan transfers, asset analytics and resolution approvals, investor reporting, portfolio surveillance, borrower consent requests, 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.
- Using external accounting firms, K-Star plans to conduct quarterly property manager audits for active real estate owned (REO) properties (the first one to begin in Q2 2025) and cash compliance assessments of sold REO properties.
- The Company’s well-structured training function encompasses a summer internship program and a recently added two-year analyst training program for undergraduate and postgraduate students.

Trend

The trend for the ranking remains Positive. 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. Based on K-Star’s solid and expanded professional depth, diligent procedures and controls, and technology capabilities, the Company should increasingly serve as an adept special servicer for CMBS and other commercial real estate structured transactions.

Portfolio Volume

K-Star’s named special servicing portfolio consists of CMBS and 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 and two CLO transactions. All of the transactions were issued between 2017 and 2024. As of December 31, 2024, the active special servicing portfolio contained 42 loans (\$1.13 billion UPB) and four REO assets (\$35.6 million UPB).

	December 31, 2024		December 31, 2023		June 30, 2023	
	UPB (\$ Millions)	Assets	UPB (\$ Millions)	Assets	UPB (\$ Millions)	Assets
Loan Portfolio	1,130.6	42	650.8	31	457.9	27
REO Portfolio	35.6	4	35.2	4	23.3	2
Total Active Portfolio	1,166.1	46	686.0	35	481.2	29
Named Special Servicer (Volume)**	44,699.0	1,965	45,701.7	1,908	42,702.2	1,836

* Excludes KKR’s direct lending portfolio. K-Star received its first assets for special servicing in April 2023.

** As of December 31, 2024, 1,935 CMBS loans in 57 transactions and 30 CRE CLO loans in two transactions.

Company Profile and Business Overview

KKR established Dallas-based K-Star in April 2022. K-Star continues to expand its services for KKR that encompass underwriting/due diligence, value-add asset management, and special servicing in support of KKR's commercial real estate credit business, which involves a direct lending portfolio and investments in CMBS and CLO bond positions. Since its launch, K-Star has grown to more than 60 people across all its business lines, which include CMBS special servicing, direct lending value-add asset management, and asset-backed finance functions.

Formed in 2015, KKR's U.S.-based real estate credit group, through direct lending and CMBS investing, had approximately \$42 billion of assets under management (AUM) across various capital sources as of December 31, 2024. KKR 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.

The direct lending portfolio includes commercial mortgage real estate investment trusts and other investment funds, financing vehicles and accounts managed by KKR, as well as certain assets of The Global Atlantic Financial Group LLC (Global Atlantic), KKR's insurance subsidiary. The direct lending portfolio includes stabilized and/or transitional/construction assets that may involve not only first mortgage positions but also mezzanine and preferred equity financing structures.

K-Star currently serves as a CMBS special servicer only for those transactions in which KKR-managed funds, financing vehicles, and accounts have control rights and generally represent the directing certificateholder. The Company does not expect to pursue third-party special servicing in the short term, but it likely may assume such a role if a CMBS transaction incurs a control-position change. K-Star also oversees the various third-party primary servicers on KKR's direct lending portfolio, surveils the performance of those loans, and selectively provides certain associated asset management services.

KKR Overview and Financial Position

Founded in 1976, KKR is a publicly listed (NYSE: KKR) global investment firm that offers alternative asset management as well as capital markets and insurance solutions. KKR sponsors funds that invest in private equity, credit, and real assets and has strategic partners that manage hedge funds. Its insurance subsidiaries offer retirement, life, and reinsurance products through Global Atlantic.

KKR has offices in 27 cities across four continents with more than 2,800 total employees. KKR Real Estate has offices in 17 cities across 11 countries that include approximately 150 investment and asset management professionals, approximately 95 of whom focus on real estate credit.

As of December 31, 2024, KKR had approximately \$638 billion in total asset under management (AUM), including approximately \$79 billion of AUM in its global real estate business, which began in 2011.

K-Star generates revenue principally from value-add asset management and special servicing fees as an integral part of KKR's commercial real estate debt and equity investment business. Based on its current and projected book of business through KKR, K-Star expects its fee revenue to steadily increase. KKR

also has agreed to continue to provide K-Star with financial support as needed to maintain adequate liquidity.

Operational Infrastructure

Organizational Structure

K-Star's leadership team consists of the chief executive officer (CEO) and president as well as department heads each respectively overseeing the Company's main functional areas: CMBS/CLO special servicing, credit asset management, operations and compliance, finance and accounting, legal, and technology. Through an administrative services agreement, KKR provides K-Star with personnel and general support for value-add asset management, human resources, technology, finance and accounting, corporate compliance, and facilities.

Special Servicing: This department encompasses four teams: a CMBS/CRE CLO special servicing team; a portfolio analytics, surveillance, and investor/master servicer reporting team; a due-diligence team; and a consents team that was established during 2024. As the active portfolio had only a few REO properties at YE2024, an asset manager may handle both loans and REO assets.

Credit Asset Management: This department handles performing-loan surveillance, reporting, and value-add asset management for KKR's direct lending portfolio. It also liaises with KKR's direct lending external primary servicers. During 2024, this department added an REO team, which also serves as a resource for the special servicing asset managers.

Compliance and Administration: K-Star's chief operating officer oversees this department, which consists of two employees for compliance and three others for office administration. The department leads K-Star's CMBS PSA compliance efforts, state licensing and registration filings and reporting, conducts its own internal audits, manages policies and procedures, and coordinates other required externally led audits and examinations. Additionally, the department coordinates and tracks employee training activities.

Finance and Accounting: K-Star's chief operating officer oversees this department, which consists of a senior level manager and staff accountant who handle loan-level and transaction-level accounting and related cash management, including setting up REO bank accounts and processing vendor-related invoices in accordance with KKR's processes, technology applications, and control practices. This team expects to add a role for budgeting, forecasting, and modeling this year.

Technology: K-Star has a dedicated technology manager and four-person technology staff to oversee data management, software and hardware needs, and further advance the technology platform in coordination with KKR's corporate-level technology department and consultants. K-Star plans to add a business analyst to the team this year as well.

Legal: This department consists of a general counsel and a transactional associate. The general counsel oversees all legal issues across K-Star, including transactional oversight. The general counsel's duties

include overseeing the PSA abstraction process with external counsel, working with the compliance team to draft/revise policies and procedures, advising asset managers, monitoring the status of cases, and serving on K-Star's asset resolution credit committee as a nonvoting member. General counsel also works with the special servicing team to transition incoming special servicing assignments and manage law firms and other vendor contracts. The transactional associate, who has trained with the special servicing team to gain experience with borrower consents, facilitates the closure of these requests and provides other support to the general counsel and the special servicing team. K-Star expects to add another transactional associate this year to support the credit asset management team.

Employee Experience, Hiring, and Turnover

As noted, the management team has predominantly been selected from well-recognized CMBS special servicers and commercial real estate investment firms. Many of the employees have joined K-Star from companies based or with an operations hub in the Dallas area.

As of YE2024, the management team averaged 24 years of experience and included several CMBS industry veterans. The CEO and president had 25 years of experience, the chief operating officer had 33 years of experience, the general counsel had more than 21 years of experience, the head of special servicing had 34 years of experience, the head of technology had 28 years of experience, and the head of finance and accounting had 28 years of experience. The CMBS asset managers averaged 18 years of experience. The head of the portfolio analytics and investor reporting group had 16 years of experience.

Exhibit 2 Average Years of Experience (December 31, 2024)*

	Industry	Company Tenure
Senior Management	28 (6)	<2
Middle Management	16 (5)	<2
Professional Staff	3 (11)	<2
Subset: CMBS Asset Managers	18 (6)	<2
Other Asset Managers (Contingency)**	9 (9)	3.2

* Number of people shown in parentheses. ** Credit asset management personnel.

During 2024, K-Star's employee turnover consisted of only one staff-level special servicing departure, which occurred in the first half of the year.

Exhibit 3 K-Star – CMBS Special Servicing Employee Turnover Rates*

	H2 2024	H1 2024
Total Employees — Beginning of Period	21	18
Total Turnover Rate (%)	0.0	5.6
		1 Position
Management Only (%)	0.0	0.0
Staff Only (%)	0.0	5.6
New Hires (# of Positions)	1 (Staff)	4 (2 Managers)
Total Employees — End of Period	22	21

*Turnover rates equal departures divided by the number of people at the beginning of the period. Employees counts exclude credit asset management, direct lending, and other non-CMBS personnel.

Workload Ratios

As of YE2024, based on five CMBS asset managers and excluding the special servicing department head, the assets-to-asset manager ratio was about 9:1. However, by property count, the ratio was about 15:1. When including three asset analysts, the ratios were respectively 6:1 and 9:1. As noted, K-Star established a separate consents team in 2024 to enable the CMBS special servicing team to concentrate on resolving nonperforming assets.

Assessment: K-Star's bolstered and solid staffing depth, scalable and well-designed organizational structure, including the shared resources from KKR, should address the Company's projected workflow and reporting requirements over the next year. Asset managers' workload levels, although up slightly over the past year because of recent transfers, should remain reasonable, especially as K-Star expects to complete several pending asset resolutions and add additional staff. The addition of a dedicated borrower consents team is also an operating strength to promote workflow efficiency.

Training

The compliance department oversees a formal training function consisting of live, online, and recorded sessions scheduled throughout the year. The curriculum covers topics in real estate finance, CMBS and special servicing-centric issues, general skills training, and compliance requirements. Training events encompass presentations from externally invited and KKR/K-Star subject matter experts, industry-sponsored seminars, and professional accreditation courses. The Company leverages KKR's web-based training portal of elective and required courses as well. Team meetings and credit committee discussions further serve as a training forum for case studies and procedural issues. New hires also attend onboarding orientation that covers technology, compliance, and other corporate-level requirements.

K-Star expects all personnel to complete 40 hours of training annually, excluding participation at conferences. The compliance department monitors participation through a tracking log that enables managers to review their teams' progress. In 2024, the Company well exceeded its training hours target.

Additionally, K-Star started summer internships in 2024, and launched three two-year analyst training programs for undergraduate and postgraduate students to enter K-Star: rotational (three eight-month rotations in special servicing, credit asset management, and due diligence/underwriting), direct lending underwriting, and asset-backed finance. The first 10 analysts, which will include two interns from 2024, are scheduled to start in July 2025. Six of the nine analysts will be in the rotational program.

Assessment: K-Star has a well-developed training regimen that it continues to enhance. The new analyst training program further demonstrates the Company's commitment to fostering career development and building professional depth.

Audit, Compliance, and Procedural Completeness

Internal Audit and Compliance

Through its compliance department, K-Star has a multifaceted audit and compliance program to ensure adherence with legal, contractual, and regulatory requirements under the applicable PSAs and with KKR's and K-Star's policies and procedures. The audit regimen consists of

- Monthly quality control reviews and quarterly internal audits covering timeliness and accuracy within various functions and processes. The monthly reviews examine six areas of special servicing, and the quarterly audits involve more formally documented and detailed compliance testing.
- The compliance department's annual risk assessment of the entire platform, which it uses to determine, and modify as needed, the scope and priority of areas and processes subject to the quality control reviews and audits.
- An annual Regulation AB examination covering the publicly issued CMBS transactions in which K-Star serves as special servicer. K-Star's 2023 and 2024 attestation letters had no exceptions.
- An annual SOC 1 report. K-Star expects its first SOC 1 Type II examination to commence in May 2025.
- KKR internal audit department operational reviews of K-Star, which follow a 24-month cycle. The first such audit, completed in Q2 2024, contained only a few moderate-risk findings, mostly related to KKR's process documentation requirements, which have all been resolved.
- Using external accounting firms, property manager audits conducted quarterly for selected active REO properties as well as cash compliance assessments of sold REO properties. The first property manager audit for an active REO is scheduled for Q2 2025.

The features of the asset management system also enable K-Star to self-monitor timeliness and accuracy across a range of tasks. The Company's workflow checklists, tracking reports, and work product templates, as well as its defined delegations of authority and credit committee process, further support the compliance regimen.

Policies and Procedures

The compliance department controls the Company's formal policies and procedures, which are kept as read-only documents on a purchased file management/sharing application. K-Star's policies and procedures encompass a policy manual that covers the essential elements and mechanics of CMBS special servicing in accordance with PSA requirements; the delegations of approval authority, which centers on requiring credit committee approval for most types of asset resolutions; and a companion desktop manual of detailed instructional procedures with references to the corresponding use of RI or other applications.

In conjunction with in-house general counsel, the compliance team reviews policies and procedures annually with interim changes made as needed. Department heads also will review drafted revisions to policies and procedures, with the CEO providing final sign-off. K-Star employees also are subject to KKR's corporate compliance policies and procedures, which KKR manages through a compliance attestation application.

Assessment: K-Star has a thorough audit and compliance function to effectively monitor the operational risks for its growing special servicing activity. Morningstar DBRS also awaits the results of the SOC 1/Type II examination. The Company's policies and procedures, many of which it revised/enhanced in 2024, are well detailed. Their content, along with the PSA abstractions and the corresponding tracking features of the asset management system, denotes a proactive and controlled approach for CMBS special servicing.

Legal Liability and Corporate Insurance

K-Star has directors and officers, errors and omissions, and fidelity bond insurance policies with highly rated carriers. The insurance program also includes a cybersecurity policy. The Company reported it was not involved in any defensive litigation.

Assessment: K-Star's corporate insurance coverage limits should be satisfactory based on its projected portfolio activity as a named special servicer and relative to other special servicers. The Company's inclusion of cybersecurity coverage also is a standard and best practice. Based on K-Star's representations, Morningstar DBRS is not aware of any material lawsuits related to, or which could potentially impair, the Company's operations.

Technology

Applications

K-Star uses the web-based, cloud-hosted RI application for all special servicing work. Through RI, K-Star can produce the latest CMBS investor-reporting package (IRP) requirements established by the Commercial Real Estate Finance Council (CREFC). RI's functionality includes direct input and storage of asset business plans and status reports, consent and asset resolution workflow management, vendor tracking, loan covenant/trigger event/critical dates tracking, and loan-level activity tracking using file downloads/data feeds from master servicer reports and CMBS data providers. RI also provides for digital approvals, which K-Star has aligned with its authority delegations. The application has document storage capabilities, a menu of standard reports, and produces customizable tracking/quality control reports. RI includes geographic asset mapping and performance dashboards to support analytics.

K-Star's other supporting applications, provided by KKR, include an automated vendor invoice tracking and processing application, which is integrated with KKR's corporate accounting system; a purchased application for file storage and sharing; and Microsoft Office 365. Because RI has many customizable features, K-Star/KKR technology personnel continue to work with a consulting firm to implement enhancements. KKR has a proprietary database and reporting tool for its overall real estate credit business, including securities.

Staffing, Data Backup, and Disaster Recovery

Besides having its own technology manager, K-Star leverages KKR's IT department of more than 200 employees for network management, user support, programming, data backup, and data security. The KKR IT department includes a dedicated team for its real estate business. K-Star also contracts with a

vendor to support its office network infrastructure. K-Star stated its technology platform, which resides in KKR's existing infrastructure, is fully cloud-computing based.

KKR conducts annual disaster recovery/business continuity testing, and the most recent test had no material findings. KKR stated that it maintains geographically separate primary/production and backup data centers and uses various technologies to back up the data, replicate it, and store it off-site.

K-Star's business continuity plan identifies event types and covers response management and recovery strategies. Personnel can remotely obtain access to all network applications through a virtual private network and to third-party applications through multifactor authentication. The Company indicated it should have access to all business-critical systems and data and resume all functions within 24 hours of a declared disaster event or business interruption. However, the actual recovery time could be much less given KKR's failover design to a secondary data center and real-time network data replication through its cloud services providers.

Data Security

KKR's data security program follows the guidelines of the National Institute of Standards and Technology. A comprehensive information security program (CISP) committee meets quarterly to review potential data security threats and remedies. The Company noted the CISP committee was formed to follow the enterprise-risk management framework for designing, implementing, and evaluating internal controls as established by the Committee of Sponsoring Organizations of the Treadway Commission.

As part of an annual SOC examination and separately, KKR's technology platform also undergoes recurring security assessments. Through KKR, K-Star's data security protocols include

- Technology architecture and risk assessments and penetration tests conducted at least annually.
- A security operations center that monitors potential threats and anomalous activity.
- Monthly and randomized cybersecurity awareness and training campaigns.
- Incident response exercises.
- Strict role-based access controls, including multifactor authentication.
- Continual updating of firewalls, encryption, and malware detection technologies.
- Cybersecurity threat and response simulations.

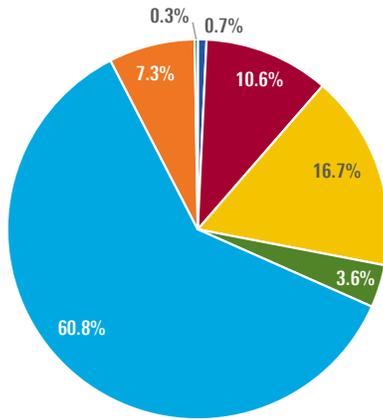
Assessment: Through the RI application and leveraging KKR's platform, K-Star has solid technology capabilities to manage workflows and effectively meet its data management and reporting requirements, especially for securitized transactions. Based on KKR's stated practices and representations of its technology environment, the Company's data backup, recovery, and security measures appear to be comprehensive.

Special Servicing Administration

As of December 31, 2024, the active portfolio of 42 loans and four REO assets involved 73 properties in 20 states plus Washington, D.C.

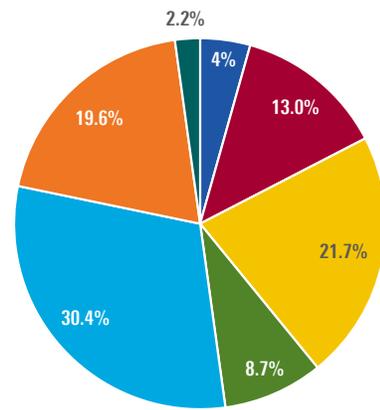
Exhibit 4 Active Special Servicing by Property Type (UPB)*

■ Industrial ■ Lodging ■ Mixed Use ■ Multifamily ■ Office ■ Retail ■ Other



Active Special Servicing by Property Type (Asset Count)*

■ Industrial ■ Lodging ■ Mixed Use ■ Multifamily ■ Office ■ Retail ■ Other



* Loans and REO as of December 31, 2024. Range of asset vintage years: 2017–21. Percentages may not equal 100% because of rounding.

Asset Analytics and Resolution Management

Loan Surveillance

Through monthly CREFC IRP file downloads and other information provider data feeds, K-Star maintains information on its RI application for all loans in which it is the named special servicer. K-Star noted its surveillance process, managed through RI tracking reports and the portfolio analytics team, includes reviewing IRP data, such as watchlists and servicers’ operating statement analyses; monitoring performance metrics; identifying actual/potential loan covenant breaches and trigger events; and discussing covenant breaches, cash management, and other trigger events as well as potential loan transfer situations with master servicers.

Special Servicing Asset Transfers

For loans transferring into K-Star, the Company’s legal department, in conjunction with the special servicing team and compliance department, oversees the intake process of custodial documents and servicing files. The assigned asset manager ensures that RI is properly updated with all critical loan and property data as well as key tickler date alerts. Using a loan transfer checklist, the asset manager conducts a file review, including PSA-related requirements, loan-level covenants, the loan’s history, and performance issues. As needed and required, K-Star will obtain an updated property inspection, appraisal, and other third-party valuation opinions.

Through this due diligence process, asset managers assess options and strategies to maximize the highest net present value recovery for the trust according to the servicing agreement and the servicing standard. Within 10 days of loan transfer, K-Star sends the borrower a notification letter along with a required prenegotiation and reservation of rights agreement as a prerequisite for workout discussions, as appropriate. The Company noted its legal department has standard form documents for these items.

Within 60 days of transfer, or in less time as specified by the PSA, asset managers will prepare and obtain approval of an initial asset status report (ASR), which also serves as the asset business plan. For pre-existing specially serviced loans, which comprise most of its active portfolio, K-Star also has prepared updated ASRs as the situations warranted. Asset managers also must submit updated ASRs for senior management credit committee approval for foreclosure bids, final resolution terms, and other major asset decisions.

K-Star has developed a template in RI so that asset managers can prepare ASRs directly in the application. The Company uses RI's electronic approval functionality, thereby enabling RI to serve as the central tracking tool for each approval request.

The Company stated it monitors outstanding advances against property values and expected recovery amounts. The Company stated that in most instances it will defer to the master servicer for declarations of nonrecoverability. However, K-Star noted it will adhere to the requirements of the governing PSA to provide notification to the master servicer on nonrecoverability determinations and is available to discuss each situation with the master servicer beforehand.

Assessment: Based on K-Star's stated policies and procedures and the management team's strong experience with CMBS transactional requirements, the Company has effective practices for receiving loan transfers, asset analysis, and resolution management. RI's tracking and workflow features also facilitate K-Star's asset analytics and data management controls as the Company steadily leverages more of the application's functionality.

REO Property Management

Loan asset managers continue to manage the asset as an REO property, which includes overseeing external property managers as well as leasing and marketing agents. However, as noted, the Company established an REO management team in late 2024, primarily to manage assets in the direct lending portfolio. However, that team serves as a resource to the special servicing asset managers for procuring sales/leasing brokers and devising and executing disposition plans.

Asset managers use a property-takeover checklist when transitioning an asset to REO status to ensure all issues are addressed, including property management, real estate mortgage investment conduit and PSA compliance, and insurance coverage. Recommended property managers and brokers must be approved by senior management and qualify for or already be on K-Star's approved-vendor list.

Within 120 days of an asset becoming REO, asset managers will prepare and obtain approval of an updated ASR delineating the REO business plan, which includes the property's operating budget. Specific sales offer terms or other major decisions require asset managers to submit subsequent ASRs/business cases.

Property managers must adhere to K-Star's monthly reporting requirements and procedures as defined in their agreements. The Company also uploads property managers' operating reports to the asset

management system to track budget-to-actual property performance and to prepare operating statement analysis reports.

For most REO properties, K-Star controls property-level cash management through dual operating accounts: one for rent collections and one to fund expenses based on approved budgets. For multifamily and certain other cases, K-Star may permit property managers to use a single operating account to collect rents and pay expenses. The finance and accounting department controls account setups, fundings, and cash sweeps.

Asset managers are responsible for monthly account reconciliations. However, they do not have access to execute banking transactions. Account disbursements require approval from K-Star's finance manager or its president and CEO.

As noted, the Company has engaged a consulting firm to conduct REO property manager audits of selected assets each year, with the first one to begin in Q2 2025. K-Star also plans to engage another firm to provide cash control assessments and property manager performance critiques for sold REO properties.

Assessment: K-Star, based on its policies and use of RI for activity tracking, demonstrates prudent practices for transitioning loans to REO status, overseeing property managers and brokers, and managing REO property resolutions. Although not the usual practice among special servicers, giving asset managers direct responsibility for REO bank account reconciliations instead of accounting staff is acceptable based on their experience, the Company's use of dual operating accounts for rent collection and expense fundings for most assets, and K-Star's engagement of accounting firms to conduct property manager audits. The Company's stated 120-day maximum time frame for developing and approving REO business plans is longer than the industry norm, which is usually 60 to 90 days. However, to date, the Company has been making its hold versus sell determinations as part of the earlier foreclosure strategy approval. It expects to continue in this manner, or within 60 to 90 days after completing the foreclosure.

Borrower Consent Requests

As noted, during 2024, K-Star established a dedicated team for managing borrower consent requests such as loan assumptions, lease reviews, collateral releases, and property manager changes. For most of K-Star's CMBS transactions thus far, the Company's role is to fully manage the underwriting and interact directly with the borrower. The assigned asset manager in the consents team obtains approvals through K-Star's delegations of authority, which require sign-off from the head of special servicing and submission to the credit committee for certain actions. As with ASRs and resolution cases, K-Star uses RI to manage consent request approvals.

K-Star also tracks request status, timelines, and document submission checklists through RI, which already houses customized templates for various request types. For leasing consents, one of the most common requests, K-Star has a lease abstract template to analyze effective rents and property cash flow stress scenarios.

During 2024, the Company reviewed and processed 63 leasing requests, four loan assumptions, and three property manager changes, in addition to some other consent types. During 2023, the Company reviewed and processed 43 leasing requests, 13 property manager changes, and 10 loan assumptions, in addition to some other consent types.

Assessment: K-Star has sound and proactive practices for credit-oriented borrower requests based on its documented policies and leveraging of RI for this function. The addition of a well-experienced consents team last year also should increasingly help with processing efficiency, especially as the Company's request volume is likely to grow.

Vendor and Legal Oversight

K-Star has developed and continues to refine/expand its list of preferred and approved vendors for services such as appraisals, environmental and engineering assessments, legal counsel, property management, and brokerage. For legal services, K-Star currently has 14 preferred firms. The Company also has some master agreements with designated firms for certain recurring services such as property inspections, tax appeals, environmental/property condition reports, and insurance reviews. The Company uses RI's vendor module to manage the approved lists, track pending job orders, and maintain vendor performance ratings. K-Star's general counsel, in consultation with the special servicing department, manages the vetting process and integrity of the approved vendor list.

Most engagements involve a request-for-proposal bid from the prospective vendor. Prospective vendors also must complete a registration form, which includes disclosures of insurance and bond coverage and documentation requests of data security controls. K-Star uses standardized engagement letters and services agreements as much as possible. As noted, K-Star uses an automated vendor invoice tracking and processing application. The head of special servicing and the asset manager approve legal services invoices that fall outside of approved budgets, which are revised as needed throughout the workout process.

Assessment: K-Star demonstrates diligent vendor qualification and oversight practices based on its policies, approval controls, and corresponding system tracking. For added control, the Company may consider having asset managers also review legal services invoices even if within budget.

Asset Resolutions

After resolving its first loan in H1 2024, K-Star completed another 10 loan resolutions and its first REO property sale in H2 2024. The average resolution time for the 10 loans in H2 2024 was 13 months. K-Star's time to sell the REO was 10 months. The Company noted that it currently has several asset resolutions pending and expects to resolve an increasing number of assets during 2025. At YE2024, the average age of all unresolved assets while held at K-Star was 13 months.

Exhibit 5 K-Star: Special Servicing Loan Portfolio Activity (All in CMBS Transactions)

	H2 2024		H1 2024		H2 2023		H1 2023	
	Volume (\$ Millions)	Loans	Volume (\$ Millions)	Loans	Volume (\$ Millions)	Loans	Volume (\$ Millions)	Loans
Loan Portfolio at Beginning of Period	988.7	42	650.8	31	457.9	27	0.0	0
Loans Transferred Into Portfolio:								
Pre-Existing from Another Special Servicer	0.0	0	0.0	0	0.0	0	399.9	24
New Nonmonetary/Imminent Default Transfers	113.0	4	304.5	10	28.2	1	21.0	1
New Monetary Default Transfers	216.3	7	60.4	2	209.0	8	37.0	2
Total Transfers	329.4	11	364.9	12	237.2	9	457.9	27
Loans Fully Resolved:								
Modified/Restructured	(46.1)	(2)	0.0	0	0.0	0	0.0	0
Discounted Payoffs	(17.8)	(1)	0.0	0	0.0	0	0.0	0
Full Payoffs	(51.6)	(2)	0.0	0	0.0	0	0.0	0
Loans Paid Off Via Receivership Sale of Property	(54.8)	(5)	(11.9)	(1)	0.0	0	0.0	0
Total Loan Resolutions and Recoveries	(170.3)	(10)	(11.9)	(1)	0.0	0	0.0	0
Completed Foreclosures	(6.9)	(1)	0.0	0	(12.1)	(2)	0.0	0
Net Adjustments and/or Other Loans Transferred Out	(10.3)	0	(15.1)	0	(32.2)	(3)	0.0	0
Loan Portfolio at End of Period	1,130.6	42	988.7	42	650.8	31	457.9	27
Property Count at End of Period		69		63		39		34

Exhibit 6 K-Star: REO Portfolio Activity (All in CMBS Transactions)

	H2 2024		H1 2024		H2 2023		H1 2023	
	Volume (\$ Millions)	Properties						
REO Portfolio at Beginning of Period	35.2	4	35.2	4	23.3	2	0.0	0
Asset Already REO When Acquired	0.0	0	0.0	0	0.0	0	23.3	2
Completed Foreclosures	6.9	1	0.0	0	12.1	2	0.0	0
REO Sold in Period	(6.2)	(1)	0.0	0	0.0	0	0.0	0
Other REO Transferred Out or Adjustments	(0.3)	0	0.0	0	(0.2)	0	0.0	0
REO Portfolio at End of Period	35.6	4	35.2	4	35.2	4	23.3	2

Exhibit 7 K-Star Asset Recoveries: Net Proceeds Versus Collateral Values and UPB*

	H2 2024	H1 2024
Net Recovery Proceeds-to-Value (%)		
Discounted Payoffs	114.6 (1)	0.0
Receivership Property Sales	95.0 (5)	107.2 (1)
Full Payoffs	73.5 (2)	0.0
REO Dispositions	107.2 (1)	0.0
Net Recovery Proceeds-to-UPB (%)		
Discounted Payoffs	57.0	0.0
Receivership Property Sales	71.4	34.2
Full Payoffs	140.4	0.0

*Numbers in parentheses are asset counts.

Investor and Master Servicer Reporting

The portfolio analytics team, with input from the special servicing team, manages the production and distribution of the applicable components of the CREFC IRP and other required investor reports as well as accompanying officers' certifications. The Company stated that report production is mostly automated through the RI application.

Policies delineate the Company's essential reporting content requirements such as calculating property protection advances, appraisal subordination entitlement reductions, final payoffs, realized losses/final recovery determinations, and fees. The Company controls reporting content and investor submissions through a dual-level review process and manager approval through its delegations of authority. K-Star's PSA abstracts and programmed system ticklers support the function as well.

Assessment: With nearly two years of performance history, K-Star has solid investor reporting capabilities for CMBS and CRE CLO transactions based on its experienced personnel, described policies and controls, technology, and performance to date.

Ranking Scale

- MOR CS1: **Superior Servicing Quality**—Exceeds prudent loan servicing standards. Unlikely to be significantly vulnerable to future operational risk challenges.
- MOR CS2: **Good Servicing Quality**—Demonstrates proficiency in loan servicing standards. May be vulnerable to future operational risk challenges, but qualifying negative factors are considered manageable.
- MOR CS3: **Adequate Servicing Quality**—Demonstrates satisfactory loan servicing standards. May be vulnerable to future operational risk challenges.
- MOR CS4: **Weak Servicing Quality**—Demonstrates lack of compliance with one or more key areas of risk. Vulnerable to future operational risk challenges.

A servicer assigned a ranking of at least MOR CS3 is deemed to comply with what Morningstar DBRS views as the minimum prudent loan servicing standards and requirements for the servicer's operational category and role.

Disclaimer

Morningstar DBRS commercial mortgage servicer rankings are not credit ratings. Instead, they are designed to evaluate the quality of the parties that service or conduct master servicing on 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.

While Morningstar DBRS obtains information for its servicer ranking from sources it believes are reliable, Morningstar DBRS relies on the factual accuracy of the servicer's information and the servicer's own representations about its operations, practices, and business. Accordingly, the servicer ranking itself is not an audit as it does not entail examining individual asset files, testing procedures, and technology applications, or conducting any other testing that may be construed as an audit. Certain assumptions, including, but not limited to, an assumption that the information received from third parties is complete and accurate, in connection with its ranking, may have been made by Morningstar DBRS in preparing the servicer ranking. For more information about Morningstar DBRS' servicer ranking methodology, please visit <https://dbrs.morningstar.com>.

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Note:

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

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