Operational Risk Assessments
Torchlight Loan Services, LLC

Morningstar DBRS
April 2025

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Operational Classification:	Commercial Mortgage Special Servicer
Ranking:	MOR CS2 (Lowered)
Trend:	Stable (from Negative)

Rationale

DBRS, Inc. (Morningstar DBRS) lowered its commercial mortgage special servicer ranking to MOR CS2 from MOR SC1 for Torchlight Loan Services, LLC (Torchlight or the Company), a wholly owned subsidiary of Torchlight Investors, LLC (Torchlight Investors). Morningstar DBRS also changed the trend for the ranking to Stable from Negative.

Torchlight continues to serve as an effective special servicer for commercial mortgage-backed securities (CMBS) transactions. Over the years, the Company has managed and resolved many complex assets involving a range of property types across the United States. Torchlight Investors' portfolio managers have also worked out large-scale distressed non-CMBS assets held in Torchlight Investors' investment funds.

Although becoming a smaller-scale CMBS special servicer relative to some others, Torchlight has a suitably designed organizational structure that is commensurate with its current portfolio volume. The Company has solid professional depth when considering the personnel of Torchlight Investors, which includes some recent senior management additions who are also involved in Torchlight's business. Employee turnover in the past few years has been low, and no managers in the special servicing team have departed.

Torchlight has diligent asset analytics, well-delineated procedures, and strong technology, which centers on the vendor-hosted CMBS-centric Backshop application. The Company's audit function consists of comprehensive biennial operational audits and annual Regulation AB attestations. The most recent audit report, issued in 2023, had no findings. Regulation AB attestations continue to be clear of exceptions. For selected real estate owned (REO) properties, Torchlight also commissions independent property manager audits. The features of the asset management application, an integrated vendor invoice-processing application, and monthly compliance tracking reports also support the Company's efforts to maintain tight controls. Vendor oversight encompasses rigid vetting and performance monitoring processes that include recurring data security assessments.

The lowered ranking largely reflects the Company's modest volume of active assets and resolution activity during the past three years, which limits the ability to assess recovery performance in both absolute terms and relative to other special servicers that are managing and resolving more portfolio volume. Torchlight's active portfolio is concentrated with large-scale, and mostly office-secured, loans fraught with legal and property-level issues in challenging metropolitan real estate markets that have no doubt contributed to the assets' extended holding periods. Torchlight appears to be engaged with thoughtful and proactive action plans and Morningstar DBRS will continue to monitor the Company's resolution progress.

Torchlight's operating position, supported by 21 employees, four of whom are fully dedicated to Torchlight and includes two senior-level officers, sufficiently addresses its current portfolio volume and near-term loan-transfer projections. However, the Company may have more key-person risk compared with some larger special servicers. The Company's audit cycle is commensurate with its active portfolio volume. Nonetheless, the highest-ranked special servicers generally undergo more frequent audits, aside from annual Regulation AB attestations.

Trend

The trend for the ranking was changed to Stable from Negative.

Portfolio Volume

As of December 31, 2024, Torchlight was the named special servicer on 234 loans (including multiple note positions on the same collateral) with an aggregate remaining unpaid principal balance (UPB) of $9.98 billion involving 18 CMBS securitizations. It was affiliated with the controlling bondholder class in six of these transactions. By comparison, as of December 31, 2023, Torchlight was the named special servicer for 311 loans with an aggregate remaining UPB of $8.19 billion involving 19 CMBS securitizations.

As of December 31, 2024, the active CMBS special servicing portfolio contained 34 loans (25 properties) and eight REO assets with a combined UPB of approximately $2.76 billion. Based on note positions tied to the same collateral, the active portfolio contained seven loans and two REO assets. During 2022–24, Torchlight resolved three loans (one note sale and one modification in 2022 and one modification in 2024) and sold six REO properties (four in 2022 and two in 2023).

Company Profile and Business Overview

New York-based Torchlight is a wholly owned subsidiary of Torchlight Investors, which began in 1995 as Jones Lang Wootton Realty Advisors. In 2002, ING Group purchased a minority equity stake in Jones Lang Wootton Realty Advisors and changed the name to ING Clarion Capital. In 2010, the management team acquired ING Group's investment position, and Torchlight Investors assumed its current name. Torchlight Investors remains privately owned by a controlling principal and other key employees.

Torchlight Investors launched its distressed debt workout business in 1998. Cumulatively, Torchlight Investors, including its predecessor entities and especially through its CMBS special servicing operation, has resolved more than 740 loans with a par value of $11.8 billion and has managed more than 250 properties with a total value of $2.9 billion. Torchlight Investors' other core businesses are investment advisory, commercial real estate debt investment, and related asset management. To support its acquisitions and investment management businesses, the Company may provide senior or subordinated financing or preferred equity. Since 1995, Torchlight Investors has acquired investment positions in assets valued at approximately $30 billion.

Torchlight Investors is a registered investment advisor and manages a series of closed-end investment funds. The latest funds are Debt Fund VIII, which launched in late 2022, to hold a mix of asset types including B pieces in CMBS and Freddie Mac-sponsored transactions; and a tactical debt fund launched in 2024 to invest in nonperforming loans.

As of December 31, 2024, Torchlight Investors had approximately $6.2 billion in assets under management, including investments in CMBS, down from $6.5 billion at YE2023. Principally through its closed-end debt funds, it manages assets on behalf of approximately 81 investor relationships, mostly comprising pension funds and other large institutional clients.

Torchlight Investors was one of the most active CMBS B-piece investors in the years immediately preceding the 2008 financial crisis. The company's CMBS investment portfolio has moderated over the past few years; however, it continues to selectively acquire subordinate bond positions in CMBS and Freddie Mac K-Series securitizations. For its non-Freddie Mac CMBS purchases, Torchlight Investors appoints Torchlight as the special servicer. As a third-party special servicer, Torchlight works with several external directing certificateholders/controlling classholders as well.

Torchlight is an approved Freddie Mac special servicer and currently serves in that capacity for one Freddie mac transaction. Additionally, Torchlight is a consultant for its affiliate's positions as the directing certificateholder in several Freddie Mac transactions.

As of December 2024, Torchlight Investors had 57 total employees across its business lines of real estate investment and asset management, special servicing (through Torchlight), and securitization structuring.

Financial Position: Torchlight Investors' revenues are mostly derived from asset management fees related to the management of funds for third-party investors. It also earns special servicing-related fees. Torchlight's earnings have been acceptable and underpinned by stable, recurring revenues, including growing fees from the special servicing business. As of YE2024, it had no outstanding debt and continues to self-fund its operations.

Exhibit 1 Torchlight Special Servicing Portfolio Summary

	December 31, 2024		December 31, 2023		December 31, 2022		December 31, 2021	
	UPB ($ Millions)	**Assets**	**UPB ($ Millions)**	**Assets**	**UPB ($ Millions)**	**Assets**	**UPB ($ Millions)**	**Assets**
Loan Portfolio	2,503.8	34	2,315.7	32	290.7	6	408.4	10
REO Portfolio	253.1	8	239.9	10	170.8	5	237.6	7
Total Active Portfolio (All CMBS)*	2,756.9*	42*	2,555.6	42	461.5	11	646.0	17
Named Special Servicer (Volume)	9,980.2	234	8,187.4	311	6,677.0	302	9,110.5	398
Named Special Servicer (Transactions)	–	23**	–	19	–	17	–	24

*Nine asset relationships if consolidated by shared collateral or related note positions: seven loans (including a multi-state seven-property office portfolio with 21 note positions) and two REO assets consisting of one office property in Chicago and a downtown Atlanta asset consisting of six contiguous office buildings and one retail center. **Torchlight is the special servicer only for certain loans in a few transactions, including some companion loans, non-trust notes, and mezzanine loans.

Operational Infrastructure

Organizational Structure

Torchlight Investors' senior management team consists of several partner-level executives, including three co-chief investment officers, two co-chief portfolio managers, the head of non-CMBS asset management, the head of CMBS special servicing, the chief operating officer, and the chief financial officer. Collectively, they oversee the principal business of real estate debt investment and asset management, which involves sponsored debt funds, the funds' related CMBS bond positions, and the operations of Torchlight, the special servicer subsidiary.

Torchlight, as the special servicer for publicly rated CMBS, is part of Torchlight Investors' asset management and analytics division, which handles the underwriting and management of assets in private-placement debt funds. Including resources from the parent, Torchlight's platform encompasses the following:

- The CMBS special servicing team, which consists of the head of special servicing, two officer-level asset managers, and an associate. This team handles all loan workouts, REO management, and performing loan borrower consent requests. The head of special servicing and the senior-most asset manager directly manage most of the workout deliberations. The other officer-level asset manager principally focuses on CMBS investor reporting, coordinating loan transfers and consent requests with servicers, and serving as the point of contact for rating agency reviews.
- The non-CMBS asset management team, which handles Torchlight Investors' fund portfolio management.
- Torchlight Investors' two-person compliance unit, managed by a recently hired chief compliance officer/general counsel to replace the Company's long-serving chief compliance officer, who held that position on a contract basis. The unit, while focusing on Torchlight Investors' fiduciary and regulatory responsibilities for its investment funds, supports special servicing on servicing agreement issues and provides related compliance monitoring.
- Shared resources from the parent including an in-house attorney, an eight-person client services team, and a five-person portfolio surveillance team covering Torchlight Investors' managed funds. The surveillance team monitors the CMBS portfolio in collaboration with the special servicing team.
- Torchlight Investors' financial control department, which has teams for corporate-level, fund-level, and special servicer accounting and finance. Among its duties for special servicing, the financial control staff

manages REO property bank accounts and reconciliations, special-purpose entity management in conjunction with internal counsel, vendor invoice processing, master servicer reporting, and third-party auditors' activities.

Management and Staff Experience

As of December 2024, the three officer-level members of the special servicing team averaged 18 years of experience, including the head of special servicing, who had 21 years of experience. Additionally, the co-heads of portfolio management average 24 years of experience and the head of non-CMBS asset management has 27 years of experience. The eight members of Torchlight's special servicing credit committee averaged 24 years of experience.

Exhibit 2 Management and Staff: Average Years of Experience*

	December 31, 2024		December 31, 2023		December 31, 2022	
	Industry	**Company Tenure**	**Industry**	**Company Tenure**	**Industry**	**Company Tenure**
Senior Management	25 (8)	12	25	13	24	12
Middle Management	15 (5)	7	15	13	14	12
CMBS Asset Managers	15 (4)**	9	14	7	13	6
Other Asset Managers‡	16	9	16	10	14	8

*Numbers in parentheses are head count. **Includes a Torchlight Investors partner/head of CMBS special servicing, a senior vice president, a vice president, and one associate. ‡Torchlight Investors' debt fund team.

Management and Staff: Additions and Turnover

During the past three years, Torchlight had three employee departures in its CMBS special servicing business: two staff and one manager. This consisted of an asset management assistant vice president and an accounting associate in 2022, and a business development manager in 2024. Torchlight had no turnover in 2023.

Although not in the CMBS asset management team, Torchlight Investors had two significant senior-level external hires in 2024: a new senior manager in portfolio management and a new head of legal/compliance.

Exhibit 3 CMBS Special Servicing: Management and Staff Turnover Rates*

	2024	**2023**	**2022**
Total Employees—Beginning of Period	18	17	18
Total Turnover Rate (%)	5.6	0.0	11.1
	1 Position	0 Positions	2 Positions
Management Only (%)	5.6	0.0	0.0
Staff Only (%)	0.0	0.0	11.1
Intracompany Transfers (# of Positions)	0.0	0.0	1**
New Hires (# of Positions)	4 (All Managers—2 were internal transfers)	1 (Business Development)	2 (Staff Level)
Total Employees—End of Period	21	18	17

*Turnover rates equal departures divided by the number of people at the beginning of the period. **Asset manager redeployed from special servicing back to investment management for Torchlight Investors' funds.

Workload Ratios

Loan workout and REO management work is largely concentrated among three members of the four-person CMBS special servicing team. As of December 31, 2024, Torchlight had an approximate 12:1 ratio of assets per asset manager, based on 34 loan positions and two REO properties. When consolidating notes tied to the same collateral, the ratio was about 3:1. By property count, the ratio was 8:1.

Assessment: The Company, inclusive of Torchlight Investors' fund management business, has solid professional depth, especially with its recent senior-level hires for portfolio management and corporate compliance. The organizational structure is suitably designed to address the Company's current level of special servicing activity. Torchlight demonstrates operating stability based on its relatively low employee turnover in the past few years. The Company's still moderate exposure as a named special servicer and its relatively low active portfolio volume also facilitate resource management. Torchlight has a small yet solidly experienced special servicing team with a demonstrated ability to add staff from its non-CMBS asset management team as active volume increases. However, as noted, it may have a bit more key-person risk compared with some larger-scale special servicers. To the extent that Torchlight's as-named and active portfolios continue to grow, it also may recognize increased operating efficiency by dedicating personnel for borrower consents.

Training

Torchlight's training activities principally involve internally held sessions led by invited guest speakers and Torchlight managers covering CMBS and pooling and servicing agreement (PSA) issues, compliance, and other special servicing-related topics. Two members of the asset management team manage training session planning, logistics, and the tracking of employees' participation hours. The head of special servicing also oversees system training and serves as liaison to the vendor supporting the system. Torchlight's weekly asset review meetings further serve as a training forum for case studies and procedural issues.

Torchlight expects all personnel to complete approximately 40 hours of training annually, excluding participation at conferences. In 2023, Torchlight sponsored 21 training sessions equating to approximately 42 training hours, with every employee partaking in the majority of the sessions.

Assessment: Based on the content and calendar of scheduled sessions, Torchlight has a sound employee training function. Its required minimum and achieved annual training hours are solid and higher than some other Morningstar DBRS-ranked special servicers. Torchlight may benefit from developing an intranet portal and/or implementing specialized training software to house training materials and recorded sessions, manage employee session registrations, and track hours.

Audit, Compliance, and Procedural Completeness

Internal Audit and Compliance

The financial control department serves as liaison with firms engaged to perform internal audits. The department also monitors compliance with servicing agreements in conjunction with a corporate-level chief compliance and legal officer.

Torchlight uses a nationally recognized accounting firm to conduct operational audits on a 24-month cycle that examine cash management and accounting, special servicing and workflow processes, investor/master servicer reporting, and technology/security controls. Torchlight expects the next audit to be completed in mid-2025.

The most recent audit reports, issued in 2021 and 2023, each examined 52 control items tested over the respective preceding calendar year. The 2023-issued audit did not cite any exceptions although it did contain a control-improvement opportunity that Torchlight implemented. The prior audit cited three low-risk exceptions that Torchlight addressed but did not identify any high-risk or material control weaknesses. Annual Regulation AB attestations have not contained any exceptions for the past 13 calendar years through 2024.

The reporting, task-tickler, and workflow features of the asset management system further support Torchlight's quality control and compliance efforts. In particular, the system has compliance checklists for asset transfers to and from master servicers and other special servicers, and for loan-to-REO transitions. The Company conducts self-monitoring in the form of monthly compliance management reports that track adherence to timeliness and accuracy across a range of tasks. A special servicing team member manages these reports, which require senior management review and sign-off.

A special servicing committee, which recently expanded from six to eight members and includes six Torchlight Investors partners, incorporates the Company's defined delegations of authority to review and approve asset resolution recommendations.

Policies and Procedures

The financial control department, in conjunction with other senior management, oversees the Company's policies and procedures. Torchlight conducts a formal review and update of its documented policies and procedures almost every calendar year. Policies and procedures include guidance with the asset management system and stress proactive, controlled practices for CMBS assets. The policies and procedures encompass vendor oversight protocols and authority delegations, including required committee approvals, for asset-level expenditures and most asset management/resolutions. Torchlight creates abstracts of PSAs, which it uses to develop system-supported workflows and as reference tools to support asset management compliance. Additionally, employees must adhere to separately documented policies and procedures covering corporate compliance and governance.

Assessment: Torchlight has a solid internal audit function to monitor operational risk and servicing agreement compliance. The scope of the internal audit also appears to have elements similar to that of a

System and Organization Controls (SOC 1) examination. The 24-month cycle for the audits (aside from the Company's annual Regulation AB compliance reviews) is commensurate with the size of the active portfolio and Torchlight's level of investor reporting. The depth of Torchlight's policies and procedures, along with the workflow processes embedded in the asset management system, denote proactive and controlled practices for CMBS transactions. The Company may benefit by further programming its abstracted deal-specific PSA requirements into Backshop's workflows and user dashboards.

Legal Liability and Corporate Insurance

Torchlight reported that it was not involved in any defensive litigation at the corporate level or related to its special servicing operations. It reported having directors and officers, errors and omissions, and fidelity bond insurance policies with highly rated carriers. Torchlight's corporate insurance program includes a separate policy for data security risk. The Company reported that, as a special servicer, it has not received any notices of PSA default or citations related to performance.

Assessment: Torchlight's corporate insurance coverage limits are satisfactory based on asset volume and relative to other special servicers. Torchlight Investors' procurement of cybersecurity insurance is also a best practice that is now common among servicers. Based on Torchlight's representations, Morningstar DBRS is not aware of any material lawsuits related to, or which could potentially impair, the special servicer's operations.

Technology

Applications

Torchlight uses CMBS.com, Inc.'s Backshop special servicing/asset management system. Torchlight, as a licensee since 2015, uses the system in a hosted environment on Backshop's servers through a cloud-based computing structure. Additionally, Backshop provides Torchlight with its programming source codes, associated technology requirements for the entire application, and monthly updates that a third-party custodian holds in escrow. The custodian firm conducts usability testing to verify the integrity of the intellectual property and deposit agreement. As an added control test, Torchlight periodically uses the source coding to recreate the Backshop technology environment for itself. The next simulation is planned for later in 2025.

Torchlight uses Backshop to produce the latest CMBS investor reporting package requirements established by the Commercial Real Estate Finance Council (CREFC). The system has modules to prepare and store asset business plans, perform property cash flow modeling/valuation analysis and net present value recovery comparisons, compare current performance with original underwriting, track property-level line item budgeted-to-actual income and expenses, produce asset-status reports, and shadow loan-level activity using file downloads from master servicers and another CMBS data service provider. Torchlight noted that it worked with Backshop last year to enhance the application's surveillance reporting functionality.

The system can provide business volume forecasting/revenue tracking tied to expected losses and controlling classholder changes. The application provides cloud-based document storage, a menu of standard reports, and ad hoc reports based on database queries. To facilitate surveillance and asset transfers, the application's database includes every loan for which Torchlight is the named special servicer.

Through Backshop, Torchlight can track vendors' deliverables and performance, manage loan-level ticklers, calculate realized losses and fees, populate form documents and notification letters, and track internal workflows and approvals. The system also has links to each asset's corresponding PSA and PSA abstraction, although, as noted, there is not a direct feed of the PSA requirements for each asset management task to the system's workflow features of action alerts and procedural checklists.

Torchlight Investors and Torchlight have automated vendor invoice processing through the purchased SAP Concur Technologies application, which is integrated with Torchlight Investors' corporate accounting system.

IT Staffing Support, Data Backup, and Disaster Recovery Preparedness
Torchlight operates in a mostly cloud-based IT environment. It uses Eze Castle Integration, Inc. (ECI) to provide IT support for all business lines. The vendor has offices in several U.S. cities, London, and Asia; a 24/7 help desk; and an on-site engineer at Torchlight's New York headquarters. The vendor provides a dedicated network through East Coast private cloud-based servers, handles network access, and performs real-time data backups to a West Coast data recovery center. A Torchlight Investors IT and office manager helps coordinate technology needs as well.

ECI also provides Torchlight with disaster recovery services and conducts recovery testing twice per year. The most recent tests occurred in April and October 2024 with successful results. ECI's data centers (through other vendors) also are represented to be SOC 1 and 2 compliant. Torchlight's business continuity plan is based on staff working remotely with access to all network applications through virtual desktop technology software. The business continuity plan includes a formalized agreement with a third-party servicing operation to provide contingency office space, although Torchlight noted that most, if not all, functions can be performed remotely as the Company demonstrated during the pandemic. Through its technology vendors, Torchlight indicated that it should have access to all business-critical systems and data and resume all functions within one hour of a declared disaster event or business interruption.

Cybersecurity
Torchlight's data security protocols, managed through its financial control department in conjunction with the IT vendors, include required annual employee training modules, periodic phishing exercises, scheduled system penetration tests, and protocols for password resets and network folder access.
The Company leverages ECI's Security Information and Event Management platform to detect, analyze, and respond to cybersecurity incidents. Torchlight uses another technology vendor for ongoing IT security monitoring, which includes real-time alerts, annual network penetration tests, and, as a recently added component, daily vulnerability scans. ECI also engages a vendor to perform recurring external vulnerability assessments of ECI's own systems.

Assessment: Torchlight's technology platform provides effective workflow and data management and a high degree of process automation to support CMBS transactions and real estate fund investors. The Company's IT outsourcing, cloud-based computing, and data backup routines are sound based on stated procedures and vendors' represented capabilities and certifications. Morningstar DBRS also recognizes Torchlight's expanded practices over the past few years for managing cybersecurity risk.

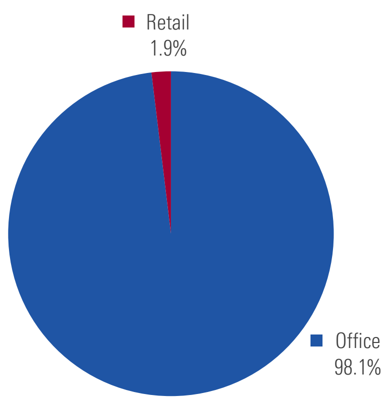
Special Servicing Administration

As an active CMBS special servicer for many years, Torchlight has managed many complex assets involving a range of property types throughout the United States. Its asset management and resolutions have especially included highly distressed larger-scale retail, office, and lodging properties fraught with legal impediments and collateral deficiencies.

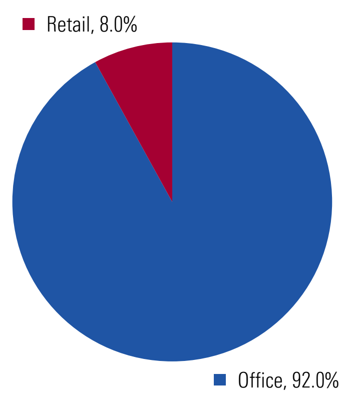
As of YE2023, Torchlight Investors held a first-loss bond position and was the controlling classholder in approximately 30% of the CMBS transactions in which Torchlight was the named special servicer. Torchlight does not use affiliates for its special servicing work. Torchlight Investors' chief compliance officer also monitors investment fund activities and data access for potential conflicts between business lines.

As of YE2024, the active portfolio contained assets in seven states: California, Georgia, Illinois, Massachusetts, New Jersey, New York, and Rhode Island. By UPB, a substantial portion of the portfolio was in New York, San Francisco, and Chicago.

Exhibit 4 Active Special Servicing — Property Types (by UPB)*



Active Special Servicing — Property Types (by Property Count)*



*Loans and REO as of December 31, 2024. Consists of nine asset relationships (seven loans and two REO) and 25 total properties. Range of asset vintage years: 2007–22.

Asset Review Process

For newly transferred loans, the asset manager reviews the file records, examines PSA-related requirements and loan-level covenants, and orders a property inspection. If needed, the asset manager may also visit the property. As noted, the asset management system maintains information for all CMBS loans for which Torchlight is the special servicer. Through this due-diligence process, the asset manager formulates recovery options and strategies. Before engaging in workout discussions, Torchlight requires borrowers to sign prenegotiation agreements and pursues updated financial statements.

Asset managers generally prepare and obtain approval of an initial business plan within 60 days of an asset transferring to Torchlight for special servicing. For CMBS loans, asset managers also prepare an initial asset status report for investor reports as required by PSAs. Asset managers must update their remittance report comments monthly. They must submit action approval cases to initiate foreclosure, when they have negotiated specific resolution terms, or before committing to other major asset decisions. Business plans and updated cases include a net present value analysis of each alternative resolution scenario. Asset managers prepare their business plans and approval cases directly in the asset management system. As noted, Backshop serves as the central tracking, compliance, and asset analysis tool for the entire lifecycle of each specially serviced asset. Delegations require senior management sign-off and a committee-type approval structure for asset business plans and most resolution cases.

The asset management system tracks pending and approved asset plans and cases, issues alerts based on critical dates and trigger events, and provides for electronic signatures. Through the system, asset managers also can initiate email requests for updated appraisals and inspections based on tickler dates. Torchlight also holds weekly asset review meetings to discuss activity tracked through corresponding progress/open items reports. Torchlight stated that it formally monitors outstanding advances against property values and expected recovery amounts through the asset management system and consults with master servicers, especially on advancing decisions. Through the asset management system, Torchlight uses checklists to manage loan transfers from master/primary servicers and portfolio transfers to and from other special servicers.

Assessment: Based on its stated policies and procedures, Torchlight has proactive and controlled loan transfer, asset analysis, and resolution management practices especially geared for CMBS special servicing. The asset management system’s tracking and workflow features solidly support the Company’s asset analytics and data management controls.

REO Property Management

Torchlight uses a property-takeover checklist when transitioning an asset to REO status. The asset manager addresses any immediate property issues and engages a property management company and listing broker. The selected companies must qualify for or already be on Torchlight’s approved-vendor lists. Once a loan becomes an REO asset, the asset manager generally prepares and obtains approval of a business plan within 60 days, with subsequent business cases submitted to obtain approval of specific sales offer terms or other major decisions. In preparation for taking title, the manager must ensure that the property is added to Torchlight’s blanket insurance program.

Torchlight’s property management agreement contains specific monthly reporting requirements and procedures. The Company retains the property management reports on its shared drive and uploads the information to Backshop to track budget-to-actual property performance and to prepare operating statement analysis reports. Torchlight controls property-level cash management through dual operating accounts: one for rent collections and one to fund expenses for the property manager to pay based on approved budgets. The Company uses Positive Pay's check fraud detection tool and a debit file review process to prevent unauthorized automated clearing house transactions.

Torchlight requires multiple levels of approval authorizations involving accounting and management personnel to establish REO property bank accounts, fund expenses, and move excess cash to investor-level custodial accounts. Although REO asset managers review monthly property manager reporting packages and the property manager's bank account reconciliations, they do not have access rights to view bank account activity. Torchlight's accounting staff independently reconciles property manager bank account activity.

Using an external auditing firm, Torchlight conducts property manager audits on certain properties. The number of audits generally is a function of portfolio volume and property profiles. It currently has one audit in process after conducting one audit in 2023, two in 2022, and three in 2021.

Assessment: Torchlight has diligent practices for transitioning loans to REO status, overseeing property managers and brokers, and formulating and executing property resolution plans. The Company demonstrates well-designed controls for monitoring property performance and reconciling monthly property-level cash flow activity. The Company's property manager audit program is also a best practice.

Vendor and Legal Oversight

Torchlight maintains a centralized list of approved vendors for appraisals, environmental and engineering assessments, legal counsel, property management, and brokerage services. It also conducts a request-for-proposal bidding process to engage most vendors. Torchlight uses a designated external law firm to review environmental assessments. For most engagements, Torchlight requires vendors to use its own standardized agreements.

The asset management system tracks all pending and completed vendor work orders so that Torchlight can revise its approved lists based on delivery performance and work quality. As previously noted, Torchlight uses an invoice management application, which automates tracking, approvals, and payment processing; mitigates the risk of duplicate payments; and provides vendor performance metrics.

Torchlight's vetting, onboarding requirements, and monitoring practices for all third-party service providers include confirmations of vendors' legal, tax, and state business records; confirmations of electronic remittance instructions through a call-back procedure; and multilevel approvals from the financial control and special servicing departments for new engagements. Torchlight assigns risk ratings to new vendors and reviews their available SOC reports. The Company reviews the risk ratings and SOC reports annually as well. As noted, Torchlight Investors, through a technology consulting firm, also requires vendors to complete a data security questionnaire with the responses risk-rated.

Although principally supporting the Company's investment management business, in-house counsel may advise on CMBS asset management matters. Torchlight uses external counsel to assist with CMBS servicing agreement issues and to obtain legal opinions as needed on transactions. Asset managers approve law firm selections in consultation with the special servicing department head. Asset managers and the special servicing department head, along with accounting staff, review and approve legal and all other vendor invoices.

Assessment: Torchlight demonstrates solid oversight practices for legal counsel and other vendors based on the tracking features of the asset management system, the integrated invoice processing application, and its stringent compliance requirements.

Borrower Consent Requests

The special servicing team also underwrites consent requests and obtains approvals through delegations of management authority, which usually require sign-off from the head of special servicing and, for larger transactions, committee approval. In some cases, Torchlight may have responsibility to coordinate the entire process directly with the borrower and underwrite the request as though it were the primary servicer. Supported through the asset management system, Torchlight uses underwriting and transaction closing checklists and approval case templates.

Assessment: The Company has appropriate controls and proactive procedures for consent management. With a moderate volume of consent requests, most of which have involved lease reviews, Torchlight's average processing times, given the variables involved and aside from an occasional outlier situation, have been reasonable.

Asset Resolution and Recovery Performance

For the three years ended December 31, 2024, Torchlight resolved nine CMBS assets consisting of one loan modification in 2024; two REO sales in 2023; and one note sale, one loan modification, and four REO sales, including a complex asset in New York's Times Square area, in 2022. By comparison, in 2021, Torchlight resolved 26 loans and sold five REO properties. Torchlight Investors' portfolio management team also has completed a number of non-CMBS loan modifications in the past few years.

Excluding loans transfers in each period, the average age of all unresolved assets was 40 months as of YE2024, compared with 45 months at YE2023 and 37 months at YE2022. The average at YE2024 is skewed longer by about 10 months because of one loan that has been in special servicing for nearly 10 years because of protracted litigation.

At YE2024, the average age of assets held as REO at Torchlight was 16 months, based on one held as REO for 28 months and one held as REO for five months. In late 2024, Torchlight transferred an REO property that had been an REO at Torchlight for 39 months to another special servicer. Torchlight's relatively small portfolio volume combined with a concentration of large loans with protracted legal, tenancy, and other collateral issues are no doubt factors extending the average age of the Company's unresolved assets.

Exhibit 5 Torchlight: Average Asset Resolution Times (Months)*

	2024	2023	2022	2021
Modified/Corrected Loans	5 (1)	n/a	16 (1)	14 (20)
Individual Note Sales	n/a	n/a	23 (1)	16 (1)
Discounted Payoffs	n/a	n/a	n/a	15 (2)
Full Payoffs	n/a	n/a	n/a	10 (2)
Completed Foreclosures	57 (1)	n/a	9 (1)	16 (6)
Full Payoff at Foreclosure Sale	n/a	n/a	n/a	12 (1)
REO Sales (Time Held as REO by Torchlight)	n/a	19 (2)	18 (4)	17 (5)

*Rounded to nearest whole month. Asset counts shown in parentheses.

Exhibit 6 Torchlight: Asset Recovery Proceeds Relative to Collateral Values and UPB*

	2024	2023	2022	2021	2020
Net Recovery Proceeds-to-Value (%)					
Note Sales	n/a	n/a	106.8 (1)	135.4 (1)	n/a
Discounted Payoffs	n/a	n/a	n/a	100.7 (2)	n/a
Paid Off at Receivership Sale	n/a	n/a	n/a	n/a	n.m. (1)
REO Sales	n/a	115.9 (2)	97.8 (4)	100.3 (5)	118.1 (5)**
Net Proceeds-to-UPB (%)					
Individual Note Sales	n/a	n/a	84.5	96.7	n/a
Discounted Payoffs	n/a	n/a	n/a	79.9	n/a
Full Payoffs	n/a	n/a	n/a	101.8	n/a

*Number of assets shown in parentheses. **118.1% based on the sale transaction and 128.4% including all retained cash accounts.
n/a = not applicable. n.m. = full recovery of negligible realizable value and metric not meaningful.

Exhibit 7 Torchlight: Total Special Servicing Loan Activity (All Contained in CMBS Transactions)

	2024		2023		2022		2021	
	Volume ($ Millions)	**Loans**	**Volume ($ Millions)**	**Loans**	**Volume ($ Millions)**	**Loans**	**Volume ($ Millions)**	**Loans**
Loan Portfolio at Beginning of Period	2,315.7	32	290.7	6	408.4	10	774.0	38
Loans Transferred Into Portfolio:								
Retransferred/Redefaulted Loans	0.0	0	0.0	0	0.0	0	1.7	1
Pre-Existing From Another Special Servicer	350.0	6	1,717.8	21	0.0	0	0.0	0
New Nonmonetary/Imminent Default Transfers	0.0	0	67.2	3	0.0	0	110.2	2
New Monetary Default Transfers	43.5	1	240.0	2	0.0	0	0.0	0
Total Transfers	**393.5**	**7**	**2,025.0**	**26**	**0.0**	**0**	**111.9**	**3**
Loans Fully Resolved:								
Modified or Corrected Loans	(19.0)	(1)	0.0	0	(10.1)	(1)	(265.9)	(20)
Individual Note Sales	0.0	0	0.0	0	(58.4)	(1)	(9.5)	(1)
Discounted Payoffs (Excludes Note Sales)	0.0	0	0.0	0	0.0	0	(13.1)	(2)
Full Payoffs	0.0	0	0.0	0	0.0	0	(36.0)	(2)
Loans Paid Off at Foreclosure or Receivership Sale	0.0	0	0.0	0	0.0	0	(5.0)	(1)
Total Loan Resolutions and Recoveries	**(19.0)**	**(1)**	**0.0**	**0**	**(68.5)**	**(2)**	**(329.5)**	**(26)**
Completed Foreclosures	(137.8)	(2)	0.0	0	(18.0)	(1)	(212.5)	(6)
Net Adjustments Including Other Loans Transferred Out	(48.6)	(2)	0.0	0	(31.2)	(1)	64.5	1
Loan Portfolio at End of Period (Total Note Positions)	**2,503.8**	**34***	**2,315.7**	**32**	**290.7**	**6**	**408.4**	**10**
Property Count at End of Period	–	17	–	21	–	8	–	10

*34 total debt positions and seven loans based on borrower relationships and/or shared collateral.

Exhibit 8 Torchlight: REO Portfolio Activity (All Contained in CMBS Transactions)

	2024		2023		2022		2021	
	Volume ($ Millions)	**Properties**	**Volume ($ Millions)**	**Properties**	**Volume ($ Millions)**	**Properties**	**Volume ($ Millions)**	**Properties**
REO Portfolio at Beginning of Period	239.9	9	170.9	5	237.6	7	146.7	6
Asset Already REO When Transferred	0.0	0	115.3	6	0.0	0	0.0	0
Completed Foreclosures	137.8	1	0.0	0	18.0	1	212.5	7
REO Sold During Period	0.0	0	(46.2)	(2)	(103.8)	(4)	(45.0)	(5)
Other REO Transferred Out	(124.2)	(3)	0.0	0	0.0	0	0.0	0
Other Adjustments	(0.4)	1	(0.1)	0	19.1	1	(76.6)	(1)
Total REO Portfolio at End of Period	**253.1**	**8***	**239.9**	**9***	**170.9**	**5***	**237.6**	**7***

*If consolidated by assets with shared real estate—two REO as of December 31, 2024, three REO as of December 31, 2023, four REO as of December 31, 2022, and six REO as of December 31, 2021.

Assessment: Torchlight has completed only a few CMBS asset resolutions in the past three years, which is somewhat a function of having only moderate portfolio volume. Accordingly, it does limit Morningstar DBRS' ability to assess asset-recovery performance. However, the Company continues to demonstrate expertise in managing large and complex assets. Over its history, the Company has liquidated some very challenging assets, including several outcomes resulting in minimal or sometimes no realized losses. Although the Company has had large realized losses for some REO sales, and especially large-scale retail, the corresponding sales proceeds were generally high relative to the collateral values and Torchlight's estimates for recoverability.

Investor and Master Servicer Reporting

Torchlight's investor reporting practices involve oversight from the financial control team, resulting in three levels of review. An officer on the special servicing team, experienced with CMBS special servicer reporting requirements, prepares and verifies reporting content before the special servicing head reviews them. The financial control team then reviews the reports and all calculations before signing off on each pool. The special servicing head also formally approves the final reports.

Surveillance practices and reporting procedures address CREFC-compliant content including asset status reports, property protection advances, appraisal subordination entitlement reductions, and realized loss calculations. Torchlight noted that it routinely communicates with master servicers on loan watchlist activity, trigger events and covenant compliance, advancing, transfers, and resolution decisions. As noted, Torchlight monitors all its deals as a named special servicer via the Backshop system, and it reviews monthly portfolio performance reports downloaded from a CMBS data provider. The designated special servicing team officer, in conjunction with the department head and financial control team, coordinates named special servicing portfolio transfers arising from CMBS classholder control changes.

Assessment: Although Torchlight does not have a dedicated CMBS investor reporting unit per se, its personnel resources, approval controls, and technology indicate that the Company is suitably positioned to address its CMBS surveillance and reporting duties.

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.

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

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