Rating Report

CMLS Financial Ltd.

Insight beyond the rating.

Servicer Evaluation

Capacity	Action	Evaluation
Primary Commercial Mortgage Servicing	Confirmed	Superior
Master Commercial Mortgage Servicing	Confirmed	Adequate
Special Commercial Mortgage Servicing	Confirmed	Adequate

Evaluation Summary

DBRS, Inc. (DBRS) has confirmed its evaluation of CMLS Financial Ltd.'s (CMLS or the Company) Commercial Mortgage Primary Servicing capabilities of Superior. Additionally, DBRS has confirmed the evaluations of Adequate for the Company's Commercial Mortgage Master and Commercial Mortgage Special Servicing capabilities.

CMLS is among the largest independent commercial mortgage servicing companies in Canada. It is headquartered in Vancouver, with a major office in Toronto, and has operated continuously since 1974. CMLS has been consistently profitable and provides services for a variety of investors, including banks, insurance companies, investment managers, private lenders and commercial mortgage-backed security (CMBS) trusts. The employee-owned company also maintains a significant commercial mortgage origination business, a CMBS issuance platform and a mortgage valuation business.

Among the strengths of CMLS are its highly experienced and tenured senior management team as well as its long history of third-party servicing, including legacy and recently issued CMBS. CMLS also continues to maintain a strong control environment and a thorough internal and external audit program. Finally, the Company exhibits a strong focus on technology as evidenced by the development and maintenance of its impressive proprietary asset management system. The senior management team at CMLS has effectively managed portfolio growth over the past several years and continues to adapt to the changing needs of its servicing portfolio by hiring new employees as necessary and implementing technology-based servicing efficiencies.

The servicer evaluation reflects a comprehensive review of CMLS's organizational structure, management team, asset administration, loss management, technology, staffing and training, procedures and controls as well as financial strength.

Evaluation Considerations

Strengths

1. Experienced and tenured senior management team
2. Long-time CMBS and third-party servicer across all of Canada
3. Strong control environment and audit program
4. Impressive in-house asset management system

Challenges

1. Keeping up with overall servicing portfolio growth

Mitigating Factors

1. CMLS continues to effectively manage its growth by prospectively hiring new employees and using technology to develop servicing efficiencies.

Portfolio

As of March 31, 2017, the CMLS commercial servicing portfolio consisted of 1812 loans totaling $12.2 billion, of which 134 loans totaling $1.51 billion were CMBS. CMLS continues to maintain a diverse roster of investor clients in its servicing portfolio. In addition, the portfolio continues to be well diversified by property type and geography throughout Canada, as can be seen in the charts below.

Exhibit 1: Property Type Distribution

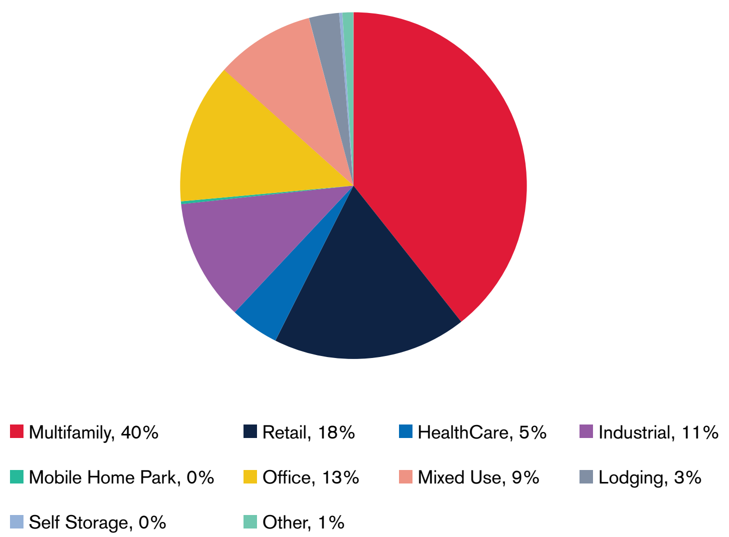
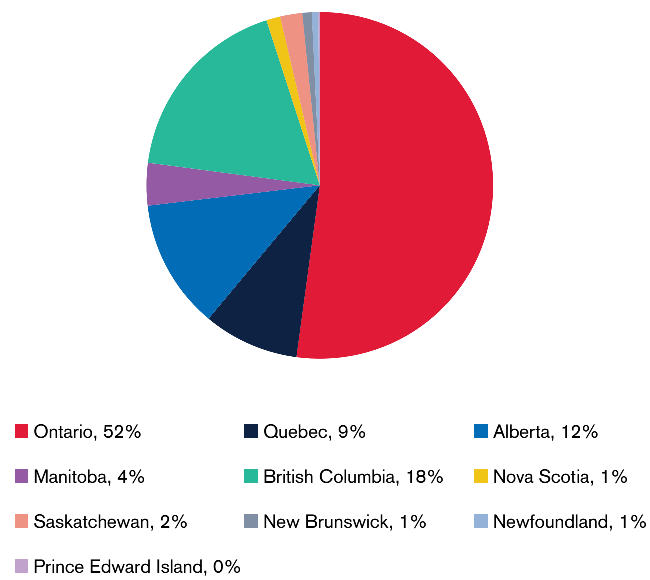


Exhibit 2: Geographic Distribution



Financial Strength and Outlook

CMLS is a privately owned commercial mortgage servicing company. The Company has experienced strong growth over the past several years with servicing assets under management increasing to $12.2 billion as of March 31, 2017, from $1.2 billion at YE2005.

CMLS has continued to experience healthy revenues and enjoy significant profitability over the past several years. In 2016, the Company was once again profitable and maintained significant shareholders' equity at YE2016.

The Company continues to be committed to commercial mortgage servicing as a long-term business and allocates funds and human resources accordingly.

Company Structure and Management Experience

CMLS has been in continuous operation since its formation in 1974. The Company continues to be an independent commercial mortgage servicing firm that services for a variety of investors, including CMBS trusts. CMLS is one of the largest commercial mortgage servicers in Canada. Servicing portfolio growth has been organic, primarily through the Company's originations. In 2016, the Company originated approximately $1.86 billion in commercial mortgages. In addition to servicing, the company also maintains a mortgage valuation business whereby analysts re-underwrite mortgage loans on an annual basis as part of a mortgage risk rating. The company risk rates and prices commercial mortgages for a variety of clients including public and private sector investment managers and REITs. This business is unique and provides a valuable internal research source for the servicing group.

The senior management team at CMLS is highly experienced and tenured. The senior managers average approximately 29 years of commercial real estate and finance experience. Most of them have been with the Company for more than 14 years. This stable team as well as the managers' knowledge and experience are two of CMLS's biggest strengths. In addition, the Company continues to be able to recruit new personnel as needed to fill roles necessitated by its growing portfolio and the changing marketplace.

Asset Administration, Reporting and Customer Service

The servicing team consists of 21 full-time mortgage servicing staff, each devoted to specific daily responsibilities, but also cross-trained in others. Loan funding activities are primarily in Toronto while servicing and asset management activities are primarily handled in the Company's Vancouver office.

New loans are boarded manually via a multi-step process. Firstly, a loan administrator enters the data into the servicing system. Then, the quality control manager reviews 100% of the data for each new loan, comparing the system information to the loan documents. Loan covenants are tracked using the servicing system's diary function. All key loan documents, including security documents, tax and insurance confirmations and funding documents are retained electronically. A welcome package, including an introduction letter and amortization schedule, is provided to each borrower shortly after the loan is set up.

Approximately 20% of CMLS loans are escrowed for real estate taxes. In 2016, the Company disbursed $39.5 million for real estate taxes. During that time, CMLS paid $114.20 in tax penalties. Escrowed taxes are accounted for in the servicing system. Evidence of payment of non-escrowed taxes is collected from the borrower and tracked in the property tax database.

Prior to loan funding, an insurance consultant is engaged to ensure that there is sufficient coverage in accordance with loan document requirements. Thereafter, property insurance renewals are monitored by commercial mortgage specialists. The servicing system issues requests for renewal certificates on an annual basis. Loss payee, coverage and deductible amounts as well as carrier and expiration data are reviewed and compared with the loan and investor requirements.

The investor reporting group handles approximately 100 standard monthly remittances and the associated reporting each month. Reports are typically generated from the servicing system by a mortgage administrator and subsequently reviewed by the servicing group manager prior to distribution. Investor reports are designed according to the needs of the investor and can be delivered in several different formats. Over the last 12 months ended March 2017, the Company had one late remittance and zero instances of restated investor reports. Remittances are provided to investors via wire, electronic funds transfer or check, depending on the investor's requirements. Funds to be remitted are reconciled against funds actually received based on a control listing of the month's transactions. Additionally, CMLS continues to go above and beyond by distributing its CMBS investor reporting package directly to rating agencies.

On an annual basis, CMLS collects and reviews all financial information required by the investor or mortgage, such as borrower financial statements, statements of net worth, property operating statements, rent rolls, etc. The servicing system (SS&C Technologies Canada Corporation's LMS), in conjunction with CMLS's proprietary origination system, is able to automatically generate a number of the CRE Finance Council (CREFC) reports associated with CMBS loans, including the Operating Statement Analysis Report. Periodic property inspections are required for all of the Company's CMBS loans. Inspections are mostly outsourced to a third party and due dates, results, etc. are tracked in the inspections database.

Loss Management

CMLS maintains strong collection processes. Approximately 97% of payments are by pre-authorized collections. The remaining payments are received by check or wire. Payment method is set up by the administrator in the servicing system and daily reports help to reconcile payments expected to those received. The administrator posts pre-authorized payments using the servicing system's automated batch posting function. The Company experiences a very low percentage of payments returned because of insufficient funds. Since 1991, the arrears rate has never been as high as 1.0% and, as of May 31, 2017, it was 0.1%.

CMLS maintains its CMBS watchlist on the servicing system. Administrators are responsible for monitoring loan performance and updating the watchlist as new information becomes available (at minimum on a monthly basis) under the supervision of the Director of Servicing. The watchlist follows CREFC investor reporting package standards and is discussed at monthly operations committee meetings.

When a loan is reported as delinquent, CMLS immediately works to determine the cause of the missed payment. The borrower is contacted and informed of the delinquency and potential consequences. Often, this is enough to convince the borrower to make the loan current. Over the years, CMLS has experienced small losses in its servicing portfolio in a handful of cases. The Company's overall recovery rate, even when loans become delinquent, is extremely high at nearly 100%.

Technology and Systems

Since 2007, CMLS has used SS&C's Precision LM as its loan servicing system of record. The Company recently upgraded to LM V1 CSP2. The system is comprehensive and user friendly. CMLS has a monthly service call with the vendor to discuss software matters and any requested system enhancements. All loan servicing updates are captured within Precision LM. Proprietary ancillary systems are used for origination, investor reporting and mortgage valuations/risk ratings.

Network and individual workstations are regularly updated with software and security patches as released. Network infrastructure is monitored and updated as appropriate to ensure smooth operations as the Company adds users, offices or applications or increases data volume.

CMLS continues to demonstrate strong commitment to technology. Its Vice President of Technology Solutions has more than 21 years of information technology (IT) experience in the financial services industry. He and his team continue to develop and implement many systems initiatives to strengthen data integrity and increase efficiency. To ensure a high level of technical knowledge and support, a number of IT services are outsourced. This format allows CMLS to focus its efforts and capital expenditures on core business while quickly responding to emerging market demands in business analytics and distributed data environments.

CMLS continues to enhance TARGET, its proprietary asset management system. The web-based application provides asset managers with better insight into their portfolios through:

- Customized dashboards,
- Portfolio mapping features,
- Loan-level data, including rent roll analysis, appraisals, expenses, etc. and
- Portfolio trend and exposure analysis (tenant and region/city/province).

TARGET includes the ability to stratify portfolios by asset type or region and includes summary tenant and lease information for office and retail properties. The system also provides stress testing analysis whereby the manager can apply certain stresses, such as higher unemployment, interest rate stresses, cash flow increases or decreases, etc., to see how each item affects overall portfolio performance. CMLS is working to integrate its origination system with TARGET to provide a full loan lifecycle database from loan sourcing through loan payoff.

CMLS continues to maintain a fault tolerant network and data center infrastructure to provide redundant capacity at all levels. The commercial operations use two data centers in geographic diverse locations, each with fully diverse path circuits. VMware technology provides access to the virtual, redundant data centers. Additionally, CMLS maintains two access points for its network, redundant firewall and switching gear, which allows for re-routing in the event of failure. In the event of a loss of a data center, production servers can be restored from backup images held at each data center.

CMLS conducts an annual disaster recovery test to simulate the loss of a data center. The most recent test performed on November 5, 2016, successfully recovered all essential systems, storage drives and email.

Staff and Training

CMLS has continued to expand its servicing staff. As of May 31, 2017, the commercial servicing team consisted of nine managers and 13 servicing administrative staff. Employee turnover is moderate. In 2016, there were five new hires and five employee separations.

CMLS continues to maintain its employee manual and new-hire orientation process. The manual is required reading for new employees. In addition, the first two weeks for a new employee are dedicated to training. Training needs are initially assessed when employees join the Company and are periodically reassessed throughout their tenure with the Company. Past working experience and education are taken into consideration when determining training requirements and potential skill gaps. Managers recommend training to address performance concerns or development opportunities on an individual level or for a team or division. As part of the performance review process, training needs are identified and a plan is established.

Annually, staff is required to participate in 30 hours of training. This includes functional/technical and soft skills in a variety of forms, including group meetings, in-house seminars, including lunch and learn sessions and online training. For the last 12 months ended December 31, 2016, CMLS employees averaged 47 hours of training per employee. The amount of training at CMLS exceeds the training hours at other servicers that DBRS reviews.

CMLS continues to encourage its employees to be life-long learners. Staff members are encouraged and receive support to take formal educational courses, obtain a mortgage brokers license or pursue professional designations, such as the Chartered Financial Analyst designation.

Procedures and Controls

CMLS maintains a general policies and procedures manual for all employees. In addition, certain functions, such as insurance review and analysis, have in-depth manuals dedicated to them. Policies and procedures continue to be complete and easy to follow, providing an overview of each process. This type of manual is appropriate, given the experience level of the employees.

Quality control processes at CMLS are under the direction and oversight of the Company's credit risk group and servicing management. Together, they oversee the administration and design of the internal control framework and the coordination of any audits. CMLS recently created new roles (Manager, Operational Effectiveness, Business Analyst and QC Associate) to support this process. This team provides the credit risk group and servicing management team with information used to determine the frequency and scope of internal reviews and audits. CMLS maintains an internal loan review program to ensure that loan files are complete and meet company standards. Servicing processes are also subject to ad hoc reviews to ensure consistent application of policies and procedures.

The CMLS audit culture is strong. CMLS is dedicated to strong corporate governance and compliance. Since 2011, CMLS has undergone an annual audit on its commercial funding and servicing activities. Deloitte LLP (Deloitte) issues an annual report on controls placed in operation and tests of operating effectiveness (CSAE 3416). The report covers multiple areas, including loan funding, servicing, default management and IT. The most recent audit report for the year ended October 31, 2016, indicates no exceptions. Deloitte also reviews compliance with the governing legislation in British Columbia, Alberta, Manitoba and Ontario each year.

Additionally, Deloitte performs a review engagement of CMLS's compliance with Uniform Single Attestation Program minimum standards to satisfy servicing agreement requirements for its securitized loans. The opinion for the year ended December 31, 2016, indicated that CMLS complied with the minimum standards.

Outsourcing, Offshoring and Vendor Arrangements

CMLS does not offshore any servicing functions.

The Company does outsource some functions, such as property inspections, and uses vendors for various IT functions. The servicing group continues to actively manage its interactions with vendors and performs a business impact analysis to determine the effects of outsourcing a certain function. Proper oversight and controls are established with each vendor at the onset of the relationship.

Additionally, as part of the default management process, CMLS may engage third-party environmental specialists, appraisers and property managers as well as attorneys to help with its special servicing duties. Overall, the Company does a good job of managing its vendors.

Master Servicing

CMLS has developed and implemented policies and procedures for CMBS-specific functions, such as investor reporting and advancing and, more recently, third-party servicer oversight. As of March 31, 2017, CMLS was named master servicer for four CMBS transactions, consisting of 132 loans totaling $1.33 billion. At the same date, the Company oversaw one third-party primary servicer that was responsible for 13 loans totaling $96.4 million.

Pooling and servicing agreements (PSAs) are posted to the Company intranet for easy access by all employees. Additionally, the PSA requirements for each deal are entered into LMS using its Notes function. The LMS servicing system, in conjunction with CMLS's proprietary origination system, can automatically generate CREFC investor reports.

CMLS has established a thorough third-party sub-servicing agreement that outlines the responsibilities of the primary servicer and the duties that they are expected to perform. Site visits will also be required periodically. Frequency of reviews depends on the scope of the servicer's duties as well as its relationship and experience with CMLS. At a minimum, servicers will be visited every three years. In 2016, CMLS reviewed its sole third-party servicer and concluded that the servicer's operations were in accordance with the servicing contract and servicing standards.

CMLS has historically enjoyed extremely low arrears rates. Given the Company's size, any required servicing advances will be reviewed immediately and reported no less than monthly to senior management. When an advance is required, CMLS will satisfy

Master Servicing (CONTINUED)

itself that the collateral market value/expected liquidation proceeds are expected to be sufficient to recover the advance. In accordance with the PSA, when a servicing advance is determined to be non-recoverable, an officer certificate will be distributed along with the appropriate explanation/analysis and appraisals supporting the decision. In addition to the Company's balance sheet, to prepare for its potential advancing obligations, CMLS maintains a significant operating line of credit from a regulated Canadian financial institution. The line can be used for general corporate purposes, including potential advancing. DBRS has reviewed the liquidity of CMLS and is comfortable with its ability to advance. DBRS will continue to monitor CMLS's liquidity on a going-forward basis. Currently, CMLS has no outstanding CMBS advances.

Special Servicing

As of March 31, 2017, CMLS was named special servicer for five CMBS transactions, consisting of 134 loans totaling $1.63 billion. At that date, there were no actively specially serviced loans.

CMLS has limited special servicing experience and no securitized loan workout experience. The Company continues to maintain staff with commercial real estate workout experience throughout Canada. Additionally, the team understands the CMBS defaulted loan function, including the investor reporting associated with specially serviced loans.

CMLS's distressed loan management policy outlines the conditions under which loans are considered to be in arrears and/or distressed. Specific guidelines are maintained for each condition. Generally speaking, loans are considered distressed once payment of principal, interest, taxes or property insurance is past due for 30 days. Other considerations include:

- Debt service coverage ratio falling below a threshold,
- Unplanned draws against line of credit or reserves and
- Large tenant planning to vacate the property.

Management pays careful attention to these conditions and loans are placed on the watchlist for increased monitoring. CMLS is proactive in its monitoring for potential loan problems and considers remedial action with borrowers at an early stage. Evidence of this can be seen in its extremely low delinquency and loss rates. The CMLS senior management committee meets monthly to review and discuss any watchlist or distressed loans. The Senior Vice President of Servicing oversees the defaulted loan process. The low incidence of defaulted loans does not justify hiring full-time default staff at this time, but management has indicated that it would hire a default officer if the number of defaulted loans increased.

CMLS continues to maintain good working relationships with third-party vendors that would be required to realize on a loan, including lawyers, appraisers and other consultants. CMLS works with national law firms in Canada, which provide mortgage enforcement services and real estate sales assistance for mortgage lenders/servicers. An additional special servicing resource for CMLS is its internal mortgage valuation group. This team could be a significant resource for determining fair market values as well as providing geographic and property market data for special servicing asset management.

Conclusion

CMLS has grown from a small commercial mortgage servicer into one of the largest independent servicers in Canada. Among the Company's greatest strengths are its experienced and tenured senior management team as well as its long history of third-party servicing, including CMBS. Additionally, CMLS continues to maintain a strong control environment and a comprehensive internal audit program not usually seen at servicers of its size. Its in-house developed Target system gives CMLS first-class asset management monitoring and reporting capabilities. The Company has acted as CMBS master servicer since 2012 and maintains a thorough third- party sub-servicer oversight program. While CMLS has limited workout experience as a company, it maintains staff with sufficient workout and special servicing experience to handle this function. The Company has also aligned itself with extensive workout resources through its vendor relationships. CMLS continues to maintain extensive policies and procedures for dealing with defaulted loans and has had the opportunity to implement them on occasion. DBRS CMBS surveillance feedback continues to be very positive for CMLS as master servicer.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.