

# Surveillance Performance Update

## LCCM 2021- FL2 Trust

### DBRS Morningstar

July 10, 2023

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### Rating Action Summary

DBRS, Inc. (DBRS Morningstar) confirmed its ratings on all classes of notes issued by LCCM 2021-FL2 Trust (the Issuer). All trends are Stable. The rating confirmations reflect the overall stable performance of the transaction, which has remained in line with DBRS Morningstar’s expectations since issuance. At issuance, the initial collateral consisted of 23 floating-rate mortgages or pari passu participation interests in mortgage loans secured by 27 mostly transitional properties, with a cut-off balance totaling \$607.5 million. As of the July 2023 remittance, the pool comprises 23 loans secured by 50 properties with a cumulative trust balance of \$607.4 million. Most loans are in a period of transition with plans to stabilize and improve the asset value.

Participants	
<b>Issuer</b>	LCCM 2021-FL2 Trust
<b>Mortgage Loan Seller</b>	Ladder CRE Finance REIT Inc.
<b>Master Servicer</b>	Wells Fargo Bank
<b>Special Servicer</b>	Situs Holdings
<b>Collateral Manager</b>	Ladder Capital Asset Management LLC
<b>Advancing Agent</b>	Ladder CRE Finance REIT Inc

The transaction is managed and is structured with a 24-month Reinvestment Period ending with the July 2023 Payment Date. The current Cash Reinvestment Account has a current balance of \$0.1 million as of the June 2023 remittance. Since the previous DBRS Morningstar rating action in November 2022, two loans, representing 4.9% of the current trust balance, have been added to the transaction. Since issuance, 15 loans, with a former cumulative loan balance of \$323.8 million, have successfully repaid from the trust.

Pool Characteristics			
<b>Trust Amount (\$)</b>	607,400,983	<b>Top Ten Loan Concentration (%)</b>	67.2
<b>Number of Loans</b>	23	<b>Par Value Trigger (%)</b>	119.5
<b>Number of Properties</b>	50	<b>Initial Par Value Ratio (%)</b>	122.0
<b>Managed / Static</b>	Managed	<b>Current Par Value Ratio (%)</b>	122.0
<b>Replenishment Allowed</b>	Y	<b>ICR Value Trigger (%)</b>	120.0
<b>Reinvestment and/or Replenishment End Date</b>	Jul-23	<b>Initial ICR Value Ratio (%)</b>	277.0
<b>Current Cash Reinvestment Account Balance (\$)</b>	110,886	<b>Current ICR Value Ratio (%)</b>	175.6
<b>WA As-Is Appraised Issuance LTV (%)</b>	65.9	<b>WA Stabilized Appraised Issuance LTV (%)</b>	64.1
<b>WA As-Is Appraised Current LTV (%)</b>	68.5	<b>WA Stabilized Appraised Current LTV (%)</b>	64.7

<b>LCCM 2021-FL2 Trust Capital Structure</b>									
<b>Class</b>	<b>Issuance Balance (\$)</b>	<b>Current Balance (\$)</b>	<b>Original Subordination (%)</b>	<b>Current Subordination (%)</b>	<b>DBRS Morningstar Original Rating</b>	<b>DBRS Morningstar Current Rating</b>	<b>Current Trend</b>	<b>DBRS Morningstar Last Action</b>	<b>DBRS Morningstar Last Action Date</b>
Class A Notes	318,943,000	318,943,000	47.50	47.50	AAA (sf)	AAA (sf)	Stable	Confirmed	July 10, 2023
Class A-S Notes	44,804,000	44,804,000	40.13	40.13	AAA (sf)	AAA (sf)	Stable	Confirmed	July 10, 2023
Class B Notes	37,970,000	37,970,000	33.88	33.88	AA (low) (sf)	AA (low) (sf)	Stable	Confirmed	July 10, 2023
Class C Notes	47,841,000	47,841,000	26.00	26.00	A (low) (sf)	A (low) (sf)	Stable	Confirmed	July 10, 2023
Class D Notes	40,248,000	40,248,000	19.38	19.38	BBB (sf)	BBB (sf)	Stable	Confirmed	July 10, 2023
Class E Notes	8,353,000	8,353,000	18.00	18.00	BBB (low) (sf)	BBB (low) (sf)	Stable	Confirmed	July 10, 2023
Class F Notes	34,173,000	34,173,000	12.38	12.38	BB (low) (sf)	BB (low) (sf)	Stable	Confirmed	July 10, 2023
Class G Notes	22,781,000	22,781,000	8.63	8.63	B (low) (sf)	B (low) (sf)	Stable	Confirmed	July 10, 2023
Class H Notes	52,398,869	52,398,869	0.00	0.00					

The transaction is concentrated by property type as six loans, representing 34.7% of the current trust balance, are secured by office properties. While all loans remain current, given the decline in desirability for office product across tenants, investors, and lenders alike, there is greater uncertainty regarding the borrowers' exit strategies upon loan maturity. In the analysis for this review, DBRS Morningstar evaluated these risks by stressing the current property values or increasing the probability of default for four loans, representing 33.5% of the current trust balance, collateralized by both office and nonoffice property types. That analysis suggested the rated bonds remain sufficiently insulated (relative to the respective rating categories) against potential loan delinquency and increased credit risk.

Beyond the office concentration noted above, the transaction also comprises seven loans, representing 27.1% of the current trust balance secured by multifamily properties and three loans, representing 15.9% of the pool secured by mixed-use properties. In comparison with March 2022 reporting, office properties represented 29.2% of the collateral, multifamily properties represented 21.1% of the collateral and mixed-use properties represented 32.1% of the collateral.

The loans are secured rather equally by properties in urban and suburban markets. Six loans, representing 38.6% of the pool, are secured by properties in urban markets, as defined by DBRS Morningstar, with a DBRS Morningstar Market Rank of 6, 7, or 8. Ten loans, representing 34.5% of the pool, are secured by properties in suburban markets, as defined by DBRS Morningstar, with a DBRS Morningstar Market Rank of 3, 4, or 5. The remaining seven loans, representing 26.9% of the pool, are secured by properties with a DBRS Morningstar Market Rank of 1 or 2, denoting rural and tertiary markets, respectively. In comparison, as of March 2022, properties in urban markets represented 59.4% of the collateral, suburban markets represented 25.0% of the collateral, and properties in tertiary markets represented 15.6% of the collateral.

Leverage across the pool has increased slightly from issuance levels as the current weighted-average (WA) as-is appraised value loan-to-value ratio (LTV) is 68.5%, with a current WA stabilized LTV of 64.7%. In comparison, these figures were 65.9% and 64.1%, respectively, at issuance. DBRS Morningstar

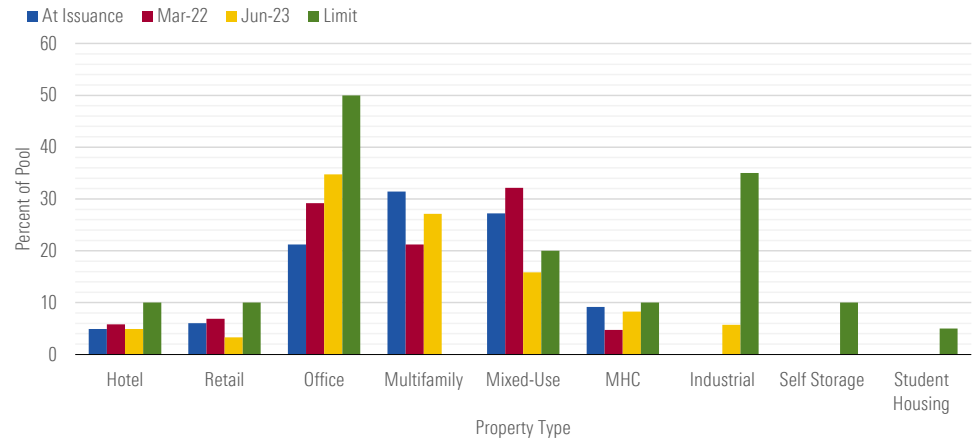
recognizes that select property values may be inflated as the majority of the individual property appraisals were completed in 2021 and 2022 and may not reflect the current rising interest rate or widening capitalization rate environments.

Through June 2023, the collateral manager had advanced \$66.3 million in loan future funding to 12 of the outstanding individual borrowers to aid in property stabilization efforts. The majority of this amount has been released to the borrowers of the Regions Harbert Plaza (\$19.6 million), Puerto Rico Industrial Portfolio (\$17.6 million) and The Met (\$11.5 million) loans. The Regions Harbert Plaza loan is secured by an office property in Birmingham, Alabama. The borrower used the advanced funds to complete its capital improvement and lease up plans at the subject, with \$12.1 million associated with the lease renewal of the largest tenant. The Puerto Rico Industrial Portfolio loan is secured by five industrial parks totaling 21 properties throughout Puerto Rico. The borrower used the advanced funds to complete capital improvement projects and to fund leasing costs across the portfolio. The loan has no future funding remaining. The Met loan is secured by a mixed-use property in Atlanta. The borrower has used advanced funds to date for capital improvement projects, leasing costs, and loan carry costs. An additional \$10.7 million of loan future funding is allocated to the borrower for continued capex and accretive leasing costs.

In total, an additional \$98.4 million of loan future funding allocated to 16 borrowers to further aid in property stabilization efforts remains outstanding. Of this amount, \$29.3 million is allocated to the borrower of the Citigroup Center loan, which is secured by an office tower in downtown Miami, Florida. The funds are available to the borrower to fund costs associated with the borrower's ongoing capital improvement and lease-up plan. Additionally, \$17.7 million is allocated to the borrower of the Clark Tower loan, which is secured by an office property in Memphis, Tennessee. Since loan closing, the borrower has not made a draw request as the funds are suited for planned capital improvement projects and leasing costs.

## Transaction Concentrations

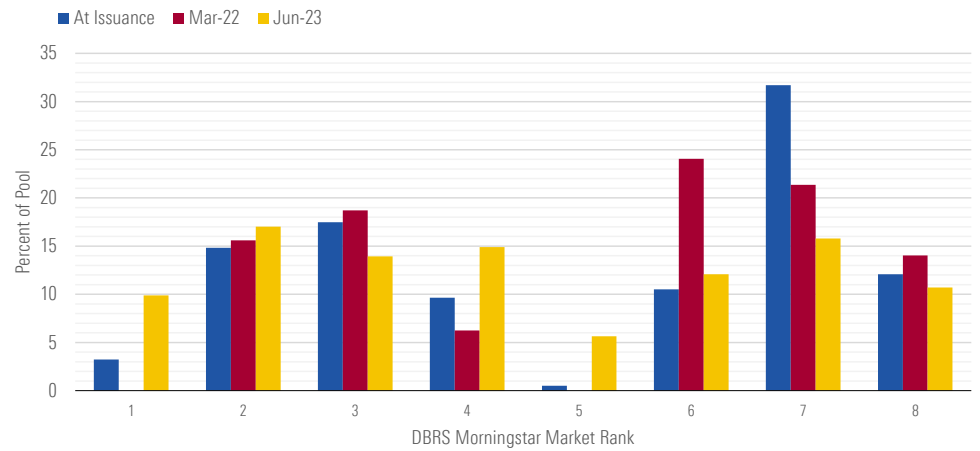
**Exhibit 1** Property Type Concentration



Source: DBRS Morningstar.

### Property Type Concentration

	At Issuance		As of March 2022 Remittance		As of June 2023 Remittance		Limit (%)
	# of Loans	% of Pool	# of Loans	% of Pool	# of Loans	% of Pool	
<b>Hotel</b>	1	4.9	1	5.8	1	4.9	10.0
<b>Retail</b>	3	6.0	3	6.9	2	3.3	10.0
<b>Office</b>	2	21.2	3	29.2	6	34.7	50.0
<b>Multifamily</b>	9	31.4	4	21.2	7	27.1	0.0
<b>Mixed-Use</b>	5	27.2	5	32.1	3	15.9	20.0
<b>MHC</b>	3	9.2	1	4.7	3	8.3	10.0
<b>Industrial</b>	0	0.0	0	0.0	1	5.7	35.0
<b>Self Storage</b>	0	0.0	0	0.0	0	0.0	10.0
<b>Student Housing</b>	0	0.0	0	0.0	0	0.0	5.0

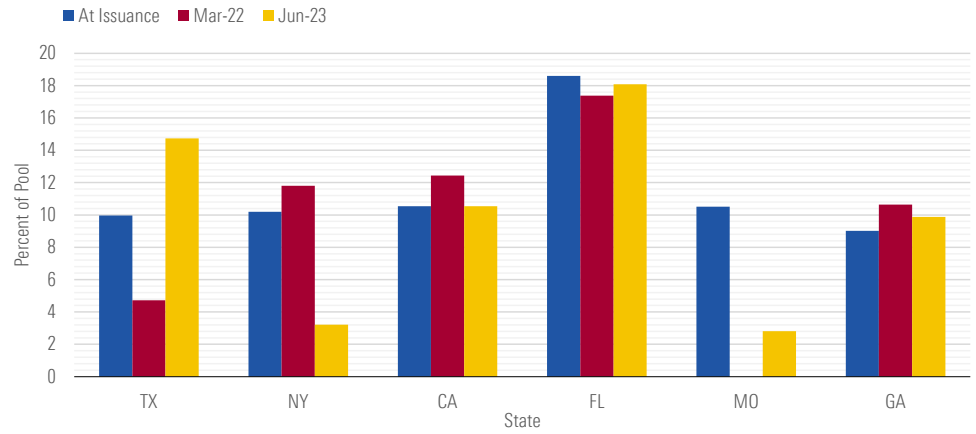
**Exhibit 2** Market Rank Concentration

Source: DBRS Morningstar.

**DBRS Morningstar Market Rank**

	At Issuance		As of March 2022 Remittance		As of June 2023 Remittance	
	# of Loans	% of Pool	# of Loans	% of Pool	# of Loans	% of Pool
<b>1</b>	1	3.2	0	0.0	2	9.9
<b>2</b>	4	14.8	3	15.6	5	17.0
<b>3</b>	4	17.5	3	18.7	3	13.9
<b>4</b>	3	9.6	2	6.2	5	14.9
<b>5</b>	1	0.5	0	0.0	2	5.6
<b>6</b>	2	10.5	3	24.1	2	12.1
<b>7</b>	6	31.7	4	21.3	3	15.8
<b>8</b>	2	12.1	2	14.0	1	10.7

**Exhibit 3 State Concentration**



Source: DBRS Morningstar.

**State Concentration**

	At Issuance		As of March 2022 Remittance		As of June 2023 Remittance	
	# of Loans	% of Pool	# of Loans	% of Pool	# of Loans	% of Pool
<b>TX</b>	3	10.0	1	4.7	5	14.7
<b>NY</b>	4	10.2	4	11.8	1	3.2
<b>CA</b>	2	10.5	2	12.4	2	10.5
<b>FL</b>	3	18.6	2	17.4	4	18.1
<b>MO</b>	1	10.5	0	0.0	1	2.8
<b>GA</b>	1	9.0	1	10.6	1	9.9

**Current Loan Status**

<b>Loan Status</b>	<b># of Loans</b>	<b>% of Pool</b>
<b>Delinquent</b>	0	0.0
<b>Specially Serviced</b>	0	0.0
<b>REO</b>	0	0.0
<b>Modified or Forborne</b>	3	17.5
<b>Servicer's Watchlist</b>	5	27.5

As of the June 2023 remittance, there are no delinquent loans or loans in special servicing; however, five loans, representing 27.5% of the current trust balance, are on the servicer's watchlist for a variety of reasons, including pending loan maturity as well as low debt service coverage ratios and occupancy rates. All affected borrowers have outstanding maturity extension options on the respective loans. While temporary declines in property performance were expected by DBRS Morningstar in some cases at issuance as borrowers worked toward completing their business plans, DBRS Morningstar does recognize that select borrowers may face additional headwinds because of their specific property type and current economic challenges.

Three loans, representing 17.5% of the current pool balance, have been modified. The largest modified loan, Regions Harbert Plaza, represents 9.3% of the trust balance. The loan was first modified in June 2021 with subsequent modifications in September 2022 and March 2023. Each modification was necessary to extend loan maturity as the borrower needed more time to complete its business plan. In exchange for the current one-year maturity extension to March 2024, the borrower was required to make a \$1.25 million principal curtailment and to deposit \$1.0 million into a shortfall reserve. The borrower is also required to make an additional \$1.25 million principal curtailment and \$1.0 million shortfall reserve deposit in September 2023 as well as purchase a new interest rate cap agreement every three months through loan maturity, which is budgeted at a total cost of \$1.0 million. As of February 2023, the property was 66.5% occupied with \$7.5 million of loan future funding available for capital improvement and accretive leasing costs. Given the increased credit risk of the loan, DBRS Morningstar adjusted its probability of default assumptions, resulting in an increased loan expected loss approximately two times the transaction's WA expected loss.

<b>Loan Additions Since Last Rating Action</b>									
<b>Loan Name</b>	<b>Month Added to Transaction</b>	<b>Loan Purpose</b>	<b>Trust Loan at Contribution (\$)</b>	<b>A-Note at Contribution (\$)</b>	<b>Future Funding (\$)</b>	<b>Future Funding Purpose</b>	<b>Fully Funded A-Note (\$)</b>	<b>DBRS Morningstar As Is DSCR (x)</b>	<b>DBRS Morningstar Stabilized DSCR (x)</b>
One North Main	Dec-22	Acquisition	16,867,510	16,867,510	4,462,490	Capital Improvements, Leasing Costs	21,330,000	1.24	1.27
Park Trails Apartments	Dec-22	Acquisition	11,843,080	12,955,000	5,145,000	Capital Improvements, Earnout	18,100,000	0.62	0.83

<b>Loan Name</b>	<b>Property Type</b>	<b>City</b>	<b>State</b>	<b>Appraised As Is Value (\$)</b>	<b>Appraised As Is LTV (%)</b>	<b>Appraised Stabilized Value (\$)</b>	<b>Appraised Stabilized LTV (%)</b>	<b>DBRS Morningstar Business Plan Score</b>
One North Main	Mixed-Use	Ann Arbor	MI	26,000,000	64.9	31,150,000	68.5	2.18
Park Trails Apartments	Multifamily	Houston	TX	21,400,000	60.5	28,700,000	63.1	2.08

<b>Loan Future Funding Released Through June 2023</b>								
<b>Loan</b>	<b>Trust Balance at Contribution (\$)</b>	<b>Percent of Pool at Contribution (%)</b>	<b>Future Funding Available at Loan Closing (\$)</b>	<b>Future Funding Purpose</b>	<b>Future Funding Released Since Loan Closing (\$)</b>	<b>Current Trust Balance (\$)</b>	<b>Current Percent of Pool (%)</b>	<b>Future Funding Outstanding (\$)</b>
Citigroup Center	65,000,000	10.7	37,275,000	Capital Improvements, Leasing Costs	8,000,000	65,000,000	10.7	29,275,000
The Met	54,785,000	9.0	22,115,000	Capital Improvements, Leasing Costs, Debt Service Shortfalls	11,453,000	60,000,000	9.9	10,662,000
Regions Harbert Plaza	60,000,000	9.9	30,415,000	Capital Improvements, Leasing Costs	19,640,000	56,394,451	9.3	7,475,000
Puerto Rico Industrial Portfolio	30,804,200	5.1	17,685,585	Capital Improvements, Leasing Costs	17,630,000	34,699,893	5.7	0
Union Park Center	19,665,000	3.2	5,210,000	Capital Improvements, Leasing Costs	2,000,000	29,965,000	4.9	3,210,000
Timber Ridge Apartments	26,110,069	4.3	3,689,931	Capital Improvements	3,455,000	26,110,069	4.3	234,931
Clark Tower	13,633,828	2.2	23,350,000	Capital Improvements, Leasing Costs	0	25,414,000	4.2	17,686,000
Airline MHP	24,300,000	4.0	1,500,000	Capital Improvements	700,000	24,300,000	4.0	800,000
Woodgate Apartments	23,115,000	3.8	1,330,000	Capital Improvements	658,000	23,115,000	3.8	672,000
Aventura Corporate Center	18,340,000	3.0	2,000,000	Leasing Costs	0	18,340,000	3.0	2,000,000
The Icon	10,175,854	1.7	562,400	Capital Improvements	400,000	17,037,600	2.8	162,400
One North Main	16,867,510	2.8	4,462,490	Capital Improvements, Leasing Costs	0	16,867,510	2.8	4,462,490
3511 NW 91st Street	15,950,000	2.6	10,550,000	Capital Improvements, Leasing Costs	225,000	15,950,000	2.6	10,325,000
Park Trails Apartments	11,843,080	1.9	5,145,000	Capital Improvements, Earnout	0	12,955,000	2.1	5,145,000
Hooksett Village	11,390,000	1.9	2,910,000	Capital Improvements, Leasing Costs	1,600,000	12,559,720	2.1	1,310,000
Dodson Apartments	9,075,000	1.5	1,100,000	Capital Improvements	540,000	9,075,000	1.5	560,000
Valley Shopping Center	7,637,000	1.3	4,378,000	Capital Improvements, Leasing Costs	0	7,637,000	1.3	4,378,000

**Top 10 Loan Summary Table**

<b>Loan Name</b>	<b>Current Trust Balance (\$)</b>	<b>% of Pool</b>	<b>DBRS Morningstar As-Is DSCR (x)</b>	<b>DBRS Morningstar Stabilized DSCR (x)</b>	<b>DBRS Morningstar As-Is LTV (%)</b>	<b>DBRS Morningstar Stabilized LTV (%)</b>	<b>DBRS Morningstar Business Plan Score</b>
Citigroup Center	65,000,000	10.7	0.97	1.24	83.8	66.2	2.43
The Met	60,000,000	9.9	0.05	0.64	108.0	78.0	2.48
7th and Hill	56,400,000	9.3	0.00	0.74	81.6	78.1	1.98
Regions Harbert Plaza	56,394,451	9.3	0.87	1.10	106.4	75.5	2.53
Puerto Rico Industrial Portfolio	34,699,893	5.7	1.89	2.08	76.9	71.7	1.78
Union Park Center	29,965,000	4.9	1.08	1.13	85.7	75.0	1.70
Sheraton Imperial RDU	29,935,353	4.9	0.00	1.46	62.5	51.2	2.36
Timber Ridge Apartments	26,110,069	4.3	1.08	1.37	86.0	70.3	2.36
Clark Tower	25,414,000	4.2	0.83	1.54	106.4	67.9	3.23
Airline MHP	24,300,000	4.0	0.97	1.48	77.4	72.4	2.33

<b>Loan Name</b>	<b>DBRS Morningstar Property Type</b>	<b>City</b>	<b>State</b>	<b>Year Built</b>	<b>SF/Units</b>	<b>Fully Funded Mortgage Loan PSF (\$)</b>	<b>Loan Added During Reinvestment Period</b>
Citigroup Center	Office	Miami	FL	1982	809,601	310	
The Met	Mixed-Use	Atlanta	GA	1914	1,003,712	77	
7th and Hill	Multifamily	Los Angeles	CA	1928	125	451,200	
Regions Harbert Plaza	Office	Birmingham	AL	1989	613,764	127	Y
Puerto Rico Industrial Portfolio	Industrial	Various	PR	Various	262,252	444	Y
Union Park Center	Office	Salt Lake City	UT	1988	197,984	169	Y
Sheraton Imperial RDU	Full Service Hotel	Durham	NC	1986	331	90,439	
Timber Ridge Apartments	Multifamily	Mobile	AL	2001	320	93,125	
Clark Tower	Office	Memphis	TN	1973	663,622	65	Y
Airline MHP	MHC	Midland	TX	1973	651	39,631	

## Business Plan Updates

### Citigroup Center

<b>Current Trust Balance (\$)</b>	65,000,000
<b>Future Funding Outstanding (\$)</b>	29,275,000
<b>Fully Funded A-note Balance (\$)</b>	251,100,000

The loan is secured by an 809,594-sf Class A office and an adjacent 918-space parking structure on Biscayne Boulevard in downtown Miami. Initial loan proceeds of \$213.8 million and sponsor equity of \$93.2 million financed the \$300.0 million acquisition of the subject. The loan is structured with a future funding commitment of \$37.3 million, allocated as \$26.4 million for leasing costs and \$10.9 million for capital improvements. Sponsorship for the loan is a joint venture between Monarch Alternative Capital (Monarch), Tourmaline Capital Partners (Tourmaline), and Crocker Partners. At issuance, the collateral had an occupancy rate of 61.9% with the borrower's business plan focused on executing approximately 280,000 sf of new leases to stabilize the collateral at an occupancy rate of 95.0%. A \$65.0 million piece of the A-note is securitized in both the LCCM 2021-FL2 and LCCM 2021-FL3 transactions, each of which are rated by DBRS Morningstar. The remaining debt is held by the issuer.

As of June 2023 reporting, the loan had a funded balance of \$221.8 million as the lender has advanced only \$8.0 million of loan future funding since closing. According to the collateral manager, \$6.3 million has been advanced for capital improvements with the remainder for leasing costs. As of the Q1 2023 asset summary report provided by the collateral manager, the overall capex plan was 57.0% complete with previously finished projects including bathroom and corridor upgrades substantially complete throughout the building as well as the speculative (spec) suite build-out on the 11th floor and property signage. Ongoing or pending projects include additional bathroom and corridor upgrades as well as lobby improvements, which are expected to commence shortly as a contract has been awarded and materials have been ordered. The report also noted the borrower intends to commence additional spec suite build-outs on the 8th and 9th floors, totaling approximately 30,000 sf. The cost to complete the build-outs is budgeted at \$4.6 million (\$120.00 psf) and will be funded from additional sponsor equity. In comparison, the spec suite build-out on the 11th floor will cost \$2.5 million (\$104.00 psf).

As of February 2023, the property remained 62.4% occupied, unchanged from November 2021. The largest tenants remain Citigroup Technology, Inc. (15.3% of the NRA, lease expiry in January 2030), Shook Hardy & Bacon LLP (6.8% of the NRA, lease expiry in July 2030), and Vitas Healthcare Corporation (5.3% of the NRA, lease expiry in October 2025). According to the collateral manager update, however, leasing activity is improving as 12 new leases, totaling approximately 45,000 sf, have been executed at a WA base rental rate of \$54.00 psf with a WA lease term of 8.5 years. Necessary leasing costs were higher than expected ranging from \$110.00 psf to \$120.00 psf; however, the sponsor will fund the projected overage of \$2.1 million with additional equity. An additional 30,000 sf of lease renewals were executed, included Regus (24,000 sf), which signed a 10-year renewal at a base rent of \$51.00 psf with 3.0% annual escalations. The tenant's previous rental rate was \$47.50 psf.

The borrower is also reportedly finalizing three new leases totaling approximately 36,000 sf including a 21,000-sf office lease, which would be the largest new lease since loan closing, and a lease for the 7,000-sf ground floor restaurant place. Terms of the potential office lease include an 11.5-year term at a starting rental rate of \$48.00 psf, while potential terms of the restaurant lease include a 10-year term at a starting rental rate of \$80.00 psf. The potential leasing package is unknown, but the lender has approved up to \$88.00 psf for each space from the available loan future funding facility with any overage required to be paid by the borrower. In its original analysis, DBRS Morningstar projected office leases at seven- and 10-year terms with market rental rates ranging from \$43.00 to \$52.00 and necessary leasing packages ranging from \$50.00 psf to \$70.00 psf. These figures for the restaurant space were 10 years, \$80.00 psf, and \$50.00 psf, respectively. While it appears market rental rates have remained relatively consistent from loan closing, necessary leasing packages have increased.

According to YE2022 reporting provided by the servicer, NCF was \$12.6 million, down from \$13.9 million at YE2021. While revenue remained stable year-over-year, the property's operating expense ratio increased to 52.1% from 46.6%, highlighted by increased real estate tax, insurance, professional fees, and G&A expenses. As a result, the DSCR decreased to 0.71x from 1.07x. All excess cash has been trapped since October 2022 as the NOI DSCR fell below the required 1.20x minimum. The loan has a current interest rate of 8.25%; however, the pay rate is 5.50% as the borrower benefits from an interest rate cap agreement through loan maturity in July 2024.

It appears the borrower is now making material progress in both the capital improvement program as well as in its accretive leasing plan, though it is unclear if bottom line cash flow improvement will occur in 2023 as tenant build-outs are completed and tenants begin to take occupancy and pay rent. At closing, DBRS Morningstar projected a stabilized vacancy rate of 18.4% with estimated leasing costs of \$2.88 psf contrasted with the 5.0% vacancy rate and \$1.00 psf in leasing costs estimated by the issuer. According to Q1 2023 Reis data, office properties in the Downtown submarket of Miami reported a vacancy rate of 19.0%, a continued improvement from the high of 27.1% in Q2 2021 and the 21.0% rate as of Q4 2021. The report did indicate, however, that submarket vacancy rate is expected to increase to 22.8% by YE2024. DBRS Morningstar is concerned the property is no longer cash-flowing despite the recent positive leasing update. This risk is mitigated given the sponsor's continued commitment to the asset, highlighted by recent fresh equity infusions. As such, the loan is expected to remain current, though it is uncertain if the borrower will be able to increase occupancy to the current submarket rate by loan maturity in July 2024. DBRS Morningstar doubts the borrower will be able to achieve a 95.0% occupancy rate. The loan exhibits moderate leverage with an LTV of 72.4% based on the currently funded loan of \$213.8 million and the appraiser's property value of \$306.4 million at closing, though the current market value of the property may have changed given the current interest rate and investment sales markets. While the loan matures in July 2024, the borrower does have the ability to extend the maturity to July 2025 subject to performance hurdles.

### The Met

<b>Current Trust Balance (\$)</b>	60,000,000
<b>Future Funding Outstanding (\$)</b>	10,662,000
<b>Fully Funded A-note Balance (\$)</b>	76,900,000

The loan is secured by a 1.0 million-sf mixed-use property consisting of six buildings with 927,212 sf of creative office and retail space and a 76,500-sf self-storage facility in Atlanta, approximately two miles southwest of the CBD and one mile northeast of the Atlanta BeltLine Westside Trail. The sponsor, a joint venture between Silver Point Capital (90.0%) and Carter USA (10.0%), acquired the property in May 2018 for \$58.0 million and, prior to closing, completed \$10.6 million in capital improvements. Loan proceeds of \$54.8 million along with \$3.0 million of borrower equity were used to refinance \$50.8 million of prior debt, fund a \$2.2 million shortfall reserve, and fund \$0.6 million of outstanding tenant leasing costs. The loan is structured with a \$22.1 million future funding component with \$16.3 million allocated to accretive leasing costs, \$3.5 million for capital improvements, and \$2.2 million to be used for operating shortfalls.

Carter USA is based in Atlanta and had four other projects in the Atlanta area at closing, three of which are located less than four miles from the subject. The sponsor's business plan for the collateral comprises three phases with loan proceeds capitalizing the second phase of the project. Phase II is focused on the lease-up of 325,000 sf to achieve an occupancy rate of 87.0%. The 12-month loan had an initial maturity date of July 2022 followed by four 12-month extension options. The borrower exercised the first extension option extending loan maturity to July 2023. According to the collateral manager, the borrower will exercise the second extension option through July 2024. There are no performance tests for the first two extension options; however, the loan will begin to amortize upon the execution of the third extension option.

As of the Q1 2023 update provided by the collateral manager, the property was 52.7% occupied, up from 46.2% as of Q4 2021 but unchanged compared with issuance. The borrower executed one new lease during Q1 2023 totaling 5,100 sf. The tenant, Free Bikes 4 Kidz, pays an annual rental rate of \$5.06 psf. In addition, Highland Forge Acquisition expanded its footprint to 11,600 sf from 5,800 sf. The expansion was expected to be reflected in the April 2023 rent roll. The borrower also renewed 12 leases totaling over 59,925 sf (5.7% of the NRA). The majority of the leases were short-term renewals of one year with rental increases ranging between 5.0% and 10.0%. The new lease and lease renewals were partially offset by additional tenant move - outs, resulting in little accretive leasing. At issuance, the borrower intended to execute five- to 10-year leases with more recognizable and financially stable tenants. According to Q1 2023 Reis data, office properties in the West Atlanta/I-20 West/I-75 submarket reported an average effective rental rate of \$28.71 psf with vacancy of 22.5%. In contrast, DBRS Morningstar projected a stabilized rental rate for office space ranging from \$15.00 psf to \$19.00 psf with vacancy at 21.7%.

Tenant rollover risk is moderate as tenants cumulatively occupying 21.0% of the property's NRA have lease expirations by YE2023; however, the borrower expects the majority of these tenants to renew,

according to the collateral manager's update. Additionally, the self-storage property remained well occupied at 86.0%, as of the February 2023 rent roll. While there was no revenue associated with film or television production at the subject between December 2022 and February 2023, the Met executed a license agreement for the production Megalopolis, which began shooting scenes in early March 2023. Total filming revenue for the month of March 2023 was \$0.1 million.

While the borrower is facing headwinds with new leasing, the borrower is progressing with the capital improvement portion of its business plan having completed a number of projects including roof replacement on the 6000 Building as well as the complete overall of the second floor of 4000 Building, which included new bathrooms, in-suite kitchenettes, and glass storefronts. In addition, the borrower has completed various deferred maintenance items including paving behind the 1000 building and repairs to the penthouse deck. Through Q2 2023, the collateral manager had advanced \$11.5 million of loan future funding to the borrower, largely associated with the capital improvement projects noted above as well as for leasing costs to select tenants. An additional \$10.7 million of future funding remains available to the borrower, which DBRS Morningstar expects is largely allocated for accretive leasing costs.

According to the T-12 ended February 28, 2023, financials provided by the collateral manager, the property generated NCF of \$1.1 million, equating to a 0.24x DSCR and 1.7% debt yield. In comparison with DBRS Morningstar's original analysis, it assumed stabilized NCF of \$3.6 million; however, there remains much for the borrower to accomplish if it is to ultimately complete its business plan. Based on the currently funded loan of \$57.0 million and the appraiser's property valuation of \$84.0 million at issuance, the LTV is moderate at 67.9%; however, the current market value of the property has likely declined given the current state of capital markets and a slowed investment sales market. The appraiser projected a stabilized property value of \$125.0 million, equating to a fully funded LTV of 61.5%, however, DBRS Morningstar concluded to a fully funded stabilized LTV of 78.0% by applying a stressed cap rate. DBRS Morningstar expects the loan to remain current as the borrower is committed to the property and will be required to deposit additional funds into the operation and interest shortfall reserve in connection with the second loan maturity extension; however, DBRS Morningstar remains concerned with the borrower's stalled leasing efforts and the resulting impact on cash flow in the absence of new leasing.

### Regions Harbert Plaza

<b>Current Trust Balance (\$)</b>	56,394,451
<b>Future Funding Outstanding (\$)</b>	7,475,000
<b>Fully Funded A-note Balance (\$)</b>	78,025,138

The loan is secured by a 608,000-sf Class A office property and 530-space parking garage in downtown Birmingham, Alabama. The collateral was originally constructed in 1989 as a multi tenant office space for the Harbert Corporation, which owned the asset from 1989 to 2008 when it was sold to the sponsor, 601W Companies, for \$126.0 million. At origination in July 2018, initial loan proceeds of \$58.6 million along with \$12.8 million of borrower equity and \$8.4 million of existing cash reserves funded the discounted note purchase of \$75.0 million, funded a \$0.5 million debt service reserve, and covered outstanding leasing costs for existing tenants. Loan future funding of up to \$30.4 million was allocated as \$12.1 million for the leasing costs associated with the pending lease renewal of the largest tenant, Maynard Cooper & Gale, \$12.8 million for general leasing costs, and \$5.5 million for planned capital improvements.

Since closing, the loan has been modified three times, the first of which occurred in June 2021 with terms including a principal paydown of \$5.0 million and a decrease in future funding related to general leasing costs to \$8 million in exchange for a maturity extension to October 2022 from July 2021. The second modification occurred in September 2022 when the maturity date was extended further to March 2023 subject to another \$4.5 million principal paydown and an increase in the floating interest rate spread to 6.75% from 6.25%. The most recent loan modification was executed in March 2023. In exchange for the current one-year extension to March 2024, the borrower was required to make a \$1.25 million principal curtailment and to deposit \$1.0 million into a shortfall reserve. The borrower is also required to make an additional \$1.25 million principal curtailment and \$1.0 million shortfall reserve deposit in September 2023 as well as purchase a new interest rate cap agreement every three months through loan maturity, which is budgeted at a total cost of \$1.0 million. Lastly, the borrower was required to deposit \$1.3 million into the leasing reserve for the direct costs associated with the Baker Donelson's build-out. The lender is expected to advance the remaining \$3.9 million for the tenant's build-out from available future funding.

The sponsor's original business plan revolved around maintaining and improving occupancy along with completing upgrades to certain common area amenities. The lease renewal and build-out for Maynard Cooper & Gale (19.3% of the NRA; lease expiring June 2035) were completed in May 2019 and August 2020, respectively. According to the May 2023 rent roll, the property was 68.6% occupied with an average in-place rent of \$21.72 psf. The property caters to professional service tenants with a focus on law firms and financial service providers. The other large tenant, Balch & Bingham, LLP (19.1% of the NRA) operates on a lease expiring in October 2027. The 15-year Baker Donelson lease for 6.3% of the NRA is expected to commence when its new build-out on the 23rd and 24th floors is complete. The tenant currently operates on a lease for the 26th and 27th floors and will receive a leasing allowance of \$140.00 psf. Northwestern Mutual (3.0% of the NRA) extended its lease for 10 years to February 2034 at a rental rate of \$26.50 psf with 3.0% annual rent escalations. The tenant received a rent credit of

approximately \$250,000 and a leasing allowance of \$0.7 million (\$36.50 psf). The collateral manager also noted there are several leases in negotiation with rental rates ranging from \$23.50 psf to \$26.50 psf on a 10-year lease. Through June 2023, the lender had advanced \$19.6 million of loan future funding to the borrower associated with several capital improvement projects and tenant leases. An additional \$7.5 million remains available; however, this will decline to \$3.8 million following the approved advance for the Baker Donelson build-out.

According to the May 2023 Reis data, office properties in the Downtown/Medical Center submarket of Birmingham reported an average rental rate of \$23.37 psf with vacancy of 13.5%. Properties in the 1980 to 1989 vintage such as the subject reported these figures as \$23.09 psf and 15.5%, respectively. In its original analysis, DBRS Morningstar projected a stabilized occupancy rate of 80.0% with a stabilized average rental rate of \$24.02 psf. The issuer projected a stabilized rental rate of \$24.72 psf. There is minimum tenant rollover at the property until 2027, when 20% of the total NRA is scheduled for expiry.

According to T-12 ended February 28, 2023, reporting provided by the collateral manager, the property achieved NCF of \$5.8 million, resulting in a DSCR of 0.96x. In its analysis, DBRS Morningstar projected a stabilized NCF of \$6.0 million and a stabilized DSCR of 1.10x compared with the issuer stabilized NCF of \$6.8 million and DSCR of 1.25x. In May 2021, the property was appraised with an as-is value of \$76.1 million, equating to a current LTV of 87.5%. Leverage would increase to 97.3% considering the updated total commitment balance of \$74.1 million. The appraiser also projected a stabilized value of \$107.3 million; however, DBRS Morningstar does not believe this value is achievable given the current interest rate and investment sales environments as well as the unique challenges faced by office properties in the real estate market. DBRS Morningstar is concerned the borrower will not be able to achieve its business plan and as a result of the increased credit risk, DBRS Morningstar increased the loan's probability of default in its current analysis to increase the loan's expected loss.

#### **Sheraton Imperial RDU**

<b>Current Trust Balance (\$)</b>	29,935,353
<b>Future Funding Outstanding (\$)</b>	-
<b>Fully Funded A-note Balance (\$)</b>	29,935,353

The loan is secured by a 331-key full-service hotel in Durham, North Carolina, 10 miles southeast of the Durham CBD and 15 miles northwest of the Raleigh CBD. The property was originally constructed by the sponsor, Davidson and Jones, in 1986 and was renovated in 2014. The property consists of two buildings: the first totals approximately 300,000 sf and contains the hotel and meeting space, and the second totals approximately 30,000 sf and houses the fitness center. The loan closed in June 2017 with the sponsor using loan proceeds of \$36.0 million along with \$3.0 million of new equity to refinance \$35.0 million of existing debt, fund a \$3.8 million PIP reserve, and fund a seasonality reserve.

The property has operated as a Sheraton since opening and, at closing, the borrower entered into a new, 20-year franchise agreement with Marriott Hotels (Marriott) through 2037 in conjunction with a pending \$8.5 million PIP. The remaining PIP funds were to be collected through a cash flow sweep, with

a targeted completion date by YE2021. The planned scope included full renovation of the hotel including guest rooms, corridors, meeting rooms, the ballroom, the lobby, and the restaurant and bar.

The loan has been modified twice with the first occurring in June 2020 as a result of the borrower needing the relief at the onset of the coronavirus pandemic and the second occurring in February 2021 as a result of the borrower needing additional time to complete its business plan ahead of the original July 2021 maturity date. In exchange for a maturity extension to July 2024, the borrower was required to invest \$11.1 million of fresh equity into the transaction in the form of a \$6.0 million principal paydown, a \$3.1 million deposit into the PIP reserve, a \$1.8 million deposit into the interest reserve, and associated modification fees. Additionally, the substantial completion date of the PIP was extended to YE2022 and the interest rate on the loan was also converted to floating rate from fixed rate. The loan has a current pay rate of 10.13% as the interest rate is the 30-day Structured Overnight Funding Rate plus the contractual spread of 5.50%.

According to Q1 2023 update from the collateral manager, the PIP was substantially completed in February 2023, with a targeted final completion in April 2023. While the ultimate completion was behind schedule, the updated noted Marriott visited the property and provided its endorsement of completion. The total cost of the PIP was \$12.3 million, significantly above the initial \$8.5 million budget. All guest rooms are back in service and the subject's restaurant began dinner service in March 2023. Property management is reportedly focused on increasing corporate and group demand for weeknight booking and recently had success executing a contract with an airline for 30 room nights per week, resulting in monthly revenue of \$100,000.

According to the trailing 12-month (T-12) figures ended May 31, 2023, STR report, the property achieved occupancy, ADR, and RevPAR of 48.9%, \$146.12, and \$71.46, respectively. The figures represented year-over-year gains of 52.4%, 25.5%, and 91.3%, respectively. The large increases are reflective of performance improvement as more guest room renovations were completed and came back online. Based on the most recent T-12 figures, the property trails its competitive set in terms of occupancy with a 74.0% penetration ratio; however, its ADR penetration ratio was 105.5%. Performance over a trailing three-month period, which includes all guest rooms online is more favorable as occupancy was 66.5%, ADR was \$150.15, and RevPAR was \$99.84. In its stabilized analysis when the CMBS transaction closed in 2021, DBRS Morningstar projected occupancy of 67.5% and ADR of \$130.00, resulting in RevPAR of \$87.75.

According to the collateral manager report, the property generated NCF of \$2.7 million for the T-12 period ended February 28, 2023, resulting in a DSCR of 1.22x. While these values are considerably lower than issuer-stabilized projections of \$4.7 million and 2.10x, respectively, they are in line with the DBRS Morningstar expectations of \$3.4 million and 1.46x, respectively. At issuance, the appraiser concluded to an as-is value of \$56.1 million, equating to a current LTV of 53.3%. While the current market value may have declined given the current economic environment, there is likely sufficient market equity in the transaction. DBRS Morningstar does not expect the property to achieve the originally projected as-stabilized value of \$71.2 million provided by the appraiser; however, the property benefits from its

proximity to the Raleigh-Durham International Airport, several major employers, and large universities in addition to the recent equity investment and renovation. The loan is set to mature in July 2024 and according to the collateral manager update, the borrower is expected to evaluate property performance now that the subject is fully operational before approaching the market for refinance debt or to sell the property.

**Full Loan Payoffs Since Issuance**

<b>Loan Name</b>	<b>Repayment Date</b>	<b>Loan Repurchased by Issuer</b>	<b>Loan Balance When Repaid (\$)</b>	<b>Property Type</b>
Southside Works	Oct-22		53,250,000	Mixed-Use
302/312 Broadway	Sep-22		13,400,000	Mixed-Use
Stirling & Biscayne Portfolio	Aug-22		24,500,000	Office
WT Grant Lofts	Jul-22		10,640,610	Multifamily
203 E Fordham Road	Jun-22		20,626,345	Unanchored Retail
25 Broad Street	Apr-22		8,438,000	Unanchored Retail
Citivillage Linden	Mar-22		16,172,380	Multifamily
Bradenton Multifamily Portfolio	Mar-22		23,464,084	Multifamily
Bell View Apartments	Feb-22		18,700,000	Multifamily
Clarence Apartments	Feb-22		3,144,000	Multifamily
North Central IL MHC Portfolio	Jan-22		19,665,000	MHC
Alista Apartments	Dec-21		26,460,200	Multifamily
Center Grove Estates	Dec-21		11,750,000	MHC
One Metropolitan Square	Nov-21		63,883,828	Office
Hunters Crossing Apartments	Nov-21		9,750,000	Multifamily

## Notes:

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

This report is based on information as of July 10, 2023. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

## Glossary

<b>ADR</b>	average daily rate	<b>MTM</b>	month to month
<b>ALA</b>	allocated loan amount	<b>MSA</b>	metropolitan statistical area
<b>ARA</b>	appraisal-reduction amount	<b>n.a.</b>	not available
<b>ASER</b>	appraisal subordinate entitlement reduction	<b>n/a</b>	not applicable
<b>BOV</b>	broker's opinion of value	<b>NCF</b>	net cash flow
<b>CAM</b>	common area maintenance	<b>NNN</b>	triple net
<b>capex</b>	capital expenditures	<b>NOI</b>	net operating income
<b>CBD</b>	central business district	<b>NRA</b>	net rentable area
<b>CBRE</b>	CB Richard Ellis	<b>NRI</b>	net rental income
<b>CMBS</b>	commercial mortgage-backed securities	<b>NR – PIF</b>	not rated – paid in full
<b>CRE</b>	commercial real estate	<b>OSAR</b>	operating statement analysis report
<b>CREFC</b>	CRE Finance Council	<b>PCA</b>	property condition assessment
<b>DPO</b>	discounted payoff	<b>PCR</b>	property condition report
<b>DSCR</b>	debt service coverage ratio	<b>P&amp;I</b>	principal and interest
<b>DSR</b>	debt service reserve	<b>POD</b>	probability of default
<b>EGI</b>	effective gross income	<b>PIP</b>	property improvement plan
<b>EOD</b>	event of default	<b>PILOT</b>	payment in lieu of taxes
<b>F&amp;B</b>	food & beverage	<b>PSA</b>	pooling and servicing agreement
<b>FF&amp;E</b>	furniture, fixtures, and equipment	<b>psf</b>	per square foot
<b>FS Hotel</b>	full-service hotel	<b>R&amp;M</b>	repairs and maintenance
<b>G&amp;A</b>	general and administrative	<b>REIT</b>	real estate investment trust
<b>GLA</b>	gross leasable area	<b>REO</b>	real estate owned
<b>GPR</b>	gross potential rent	<b>RevPAR</b>	revenue per available room
<b>HVAC</b>	heating, ventilation, and air conditioning	<b>sf</b>	square foot/square feet
<b>IO</b>	interest only	<b>SPE</b>	special-purpose entity
<b>LC</b>	leasing commission	<b>TI</b>	tenant improvement
<b>LGD</b>	loss severity given default	<b>TIC</b>	tenants in common
<b>LOC</b>	letter of credit	<b>T-12</b>	trailing 12 months
<b>LOI</b>	letter of intent	<b>UW</b>	underwriting
<b>LS Hotel</b>	limited-service hotel	<b>WA</b>	weighted average
<b>LTC</b>	loan-to-cost ratio	<b>WAC</b>	weighted-average coupon
<b>LTCT</b>	long-term credit tenant	<b>x</b>	times
<b>LTV</b>	loan-to-value ratio	<b>YE</b>	year end
<b>MHC</b>	manufactured housing community	<b>YTD</b>	year to date

## Definitions

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### **Capital Expenditure (capex)**

Costs incurred in the improvement of a property that will have a life of more than one year.

### **DBRS Morningstar Market Rank (DBRSM MR)**

The Market Rank is a number of one through eight that corresponds to the underlying property's zip code. For portfolio loans with multiple underlying properties, the Market Rank applied reflects an approximation of the weighted-average figure based on the corresponding model coefficients.

### **DBRS Morningstar MSA Group (DBRSM MSA)**

The MSA Group is a number of one through three for the top 25 largest MSAs and is based on the MSA's historical performance. All MSAs outside of the top 25 reflect a MSA Group number of zero. For portfolio loans with multiple underlying properties, the MSA Group applied reflects an approximation of the weighted-average figure based on the corresponding model coefficients.

### **DBRS Morningstar Refi DSCR**

A measure that divides the DBRS Morningstar Stabilized NCF by the product of the loan's maturity balance and a stressed refinance debt constant.

### **DBRS Morningstar Term DSCR**

A measure that divides the DBRS Morningstar Stabilized NCF by the actual debt service payment.

### **Debt Service Coverage Ratio (DSCR)**

A measure of a mortgaged property's ability to cover monthly debt service payments, defined as the ratio of net operating income or net cash flow to the debt service payments.

### **Effective Gross Income (EGI)**

Rental revenue minus vacancies plus miscellaneous income.

### **Issuer UW**

Issuer underwritten from Annex A or servicer reports.

### **Loan-to-Value Ratio (LTV)**

The ratio between the principal amount of the mortgage balance, at origination or thereafter, and the most recent appraised value of the underlying real estate collateral, generally from origination.

### **Net Cash Flow (NCF)**

The revenue earned by a property's ongoing operations less the expenses associated with such operations and the capital costs of tenant improvements, leasing commissions, and capex (or reserves). Moreover, NCF is net operating income less tenant improvements, leasing commissions, and capex.

### **NNN (Triple Net)**

A lease that requires the tenant to pay operating expenses such as property taxes, insurance, and maintenance, in addition to the rent.

### **Net Operating Income (NOI)**

The revenue earned by a property's ongoing operations less the expenses associated with such operations but before mortgage payments, tenant improvements, replacement reserves, and leasing commissions.

### **Net Rentable Area (NRA)**

The area (sf) for which rent can be charged. NRA includes the tenant's premises plus an allocation of the common area directly benefiting the tenant, such as common corridors and restrooms.

### **Revenue Per Available Room (RevPAR)**

A measure that divides revenue by the number of available rooms, not the number of occupied rooms. It is a measure of how well the hotel has been able to fill rooms in the off-season, when demand is low even if rates are also low, and how well it fills the rooms and maximizes the rate in the high season, when there is high demand for hotel rooms.

### **Tenant Improvements (TIs)**

The expense to physically improve the property or space, such as new improvements or remodeling, paid by the borrower.

### **Weighted Average (WA)**

Calculation is weighted by the size of each mortgage in the pool.

### **Weighted-Average Coupon (WAC)**

The average coupon or interest payment on a set of mortgages, weighted by the size of each mortgage in the pool.

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### About DBRS Morningstar

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