

Servicer Evaluation: Aegon Real Assets US

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Table Of Contents

Rationale

Profile

Management And Organization

Loan Administration--Primary Servicing

Loan Administration--Special Servicing

Financial Position

Related Research

Servicer Evaluation: Aegon Real Assets US

Ranking overview					
Servicing category	Overall ranking	Subrankings			Ranking outlook
		Management and organization	Loan administration		
Commercial mortgage loan primary service	STRONG	STRONG	STRONG		Stable
Commercial mortgage loan special servicer	STRONG	STRONG	STRONG		Stable
Financial position					
SUFFICIENT					

Rationale

S&P Global Ratings' rankings on Aegon Real Assets US (Aegon RA) are STRONG as a commercial mortgage loan primary and special servicer. On April 2, 2024, we affirmed the rankings (please see "Aegon Real Assets US STRONG Commercial Mortgage Loan Primary, Special Servicer Rankings Affirmed; Ranking Outlook Stable," published April 2, 2024). The ranking outlook on each ranking is stable.

Our rankings reflect Aegon RA's:

- Management team's experience and tenure;
- Strong employee training, development, and retention programs;
- Well-defined operations, with effective use of technology systems;
- Comprehensive compliance and control environment;
- Proactive portfolio surveillance supported by a dedicated research team;
- Heavy concentration of lender and investor product types, with nearly all loans serviced for life insurance companies;
- Good loan workout and real estate owned (REO) procedures; and
- Demonstrated ability to successfully resolve defaulted commercial mortgage loans and manage REO assets.

Since our prior review (see "Servicer Evaluation: Aegon Real Assets US," published Jan. 13, 2022), the following changes and developments have occurred:

- Aegon RA's ultimate parent company became a Bermuda Limited company, changing its name to Aegon Ltd. from Aegon N.V., effective Oct. 1, 2023.
- Aegon RA underwent an organizational realignment, consolidating and expanding the roles of the managing director of mortgage loan primary servicing and special servicing, as well as the senior director of real assets fund management, accounting, and reporting.
- The organizational realignment resulted in a change in the reporting methodology of special servicing headcount to no longer include tax credit asset management personnel.

- A long-tenured employee was named global head of real assets after the planned retirement of the former global chief investment officer of real assets in November 2022.
- The areas of property tax and insurance were split between two supervisors, one an internal promotion and one an external hire, following the November 2022 retirement of the prior head of those combined areas.
- The head of the mortgage loan accounting team retired in July 2022, replaced by a well-tenured internal employee.
- A senior director of special servicing departed and was replaced by another well-tenured internal employee.
- The primary servicing portfolio increased nominally by 1.5% in unpaid principal balance (UPB), while the number of assets and staff members remained largely flat.
- The special servicing portfolio decreased by 77.1% in UPB (to \$53.1 million from \$231.4 million) and 75.0% in number of assets (to five from 20), while the number of staff members decreased to eight from 19 due primarily to the organizational realignment.

Our ranking outlook for each ranking is stable. Aegon RA has an experienced and tenured management team, a continuing investment in technology improvements, strong internal controls, and a long track record of primary and special servicing. We expect it will remain a highly effective servicer for all the portfolios it services.

In addition to conducting an on-site meeting with servicing management, our review includes current and historical Servicer Evaluation Analytical Methodology data through Dec. 31, 2023, as well as other supporting documentation provided by the company.

Profile

Servicer profile	
Servicer name	Aegon Real Assets US.
Primary servicing location	Cedar Rapids, Iowa.
Parent holding company	Aegon Ltd.
Loan servicing system	Precision LMS Version 5.0

Aegon RA, an indirect wholly owned subsidiary of Aegon Ltd. (Aegon Ltd.), is a U.S.-based investment adviser registered with the Securities and Exchange Commission and part of Aegon Asset Management (Aegon AM), the global investment management brand of Aegon Ltd. Aegon Ltd. is a multinational life insurance company, pension manager, and asset manager domiciled in Bermuda. It has nearly 16,000 employees worldwide. Product lines range from life, critical illness, and disability insurance to pensions, annuities, long-term savings, and investments. U.S. operations include Aegon AM and Aegon RA. Aegon AM had total assets under management of \$337 billion, inclusive of Aegon RA, as of Dec. 31, 2023.

Aegon RA's largest client is its affiliate, the Transamerica Life Insurance Co., which Aegon acquired in 1999. Transamerica, founded in 1928, is headquartered in Cedar Rapids, Iowa, and is Aegon Ltd.'s largest operation. As of Dec. 31, 2023, it reported general account-invested assets totaling \$72.3 billion, of which \$9.4 billion were in mortgage loans.

Aegon RA provides a broad range of real estate services and advises clients on debt and equity investments across a wide spectrum of real estate asset classes. It is dedicated to originating and servicing real estate-related assets for affiliated and nonaffiliated clients. As of Dec. 31, 2023, assets under management totaled over \$20 billion. The real assets division, which serviced approximately \$17.6 billion in UPB as of Dec. 31, 2023, employs over 100 professionals (including 47 in primary servicing and eight in special servicing and asset management). The active special servicing portfolio included three loans and two REO assets totaling \$53.1 million in UPB as of Dec. 31, 2023.

Aegon RA's primary functions are also in Cedar Rapids, Iowa. Other locations that support Aegon RA's business in the U.S. include Chicago and San Francisco.

The Aegon RA debt platform is structured to serve two market segments: commercial mortgage loans (CMLs) and agricultural mortgage loans.

Aegon RA originates and manages commercial loans and construction to permanent loans on behalf of affiliated and unaffiliated clients. Production for CMLs totaled \$1.4 billion for 2022 and \$903 million for 2023. The CML component of the primary servicing portfolio (\$14.0 billion in UPB as of Dec. 31, 2023) is collateralized primarily by multifamily, office, retail, and industrial properties.

Agricultural loans are originated by Aegon RA on behalf of unaffiliated clients through a joint venture; production totaled \$493 million for 2022 and \$201 million for 2023. The agricultural mortgage loan component of the primary servicing portfolio (\$3.6 billion UPB as of Dec. 31, 2023) is collateralized primarily by row crops, ranchland, permanent plantings, timberland, and processing and storage facilities.

Additionally, Aegon RA has extensive knowledge and experience with several Federal Home Loan Banks (FHLBs) that provide members with low-cost lending to manage liquidity and interest rate risk by pledging their loan portfolios. Aegon RA provides the following services to both affiliated and unaffiliated clients:

- Monitoring portfolio eligibility for pledging;
- Pledging and unpledging loans;
- Ongoing surveillance of pledged loans; and
- Coordinating document custody.

Table 1

Total servicing portfolio						
	UPB (mil. \$)	YOY change (%)	No. of assets	YOY change (%)	No. of staff	YOY change (%)
Primary servicing						
Dec. 31, 2023	17,613.2	(0.1)	3,059	(0.5)	47	9.3
Dec. 31, 2022	17,637.7	0.6	3,074	(1.2)	43	(6.5)
Dec. 31, 2021	17,531.4	(1.6)	3,111	1.7	46	2.2
Dec. 31, 2020	17,819.0	4.6	3,058	(0.2)	45	(2.2)
Dec. 31, 2019	17,042.8	8.1	3,063	5.3	46	0.0
Special servicing						
Dec. 31, 2023	53.1	431.7	5	25.0	8	(52.9)

Table 1

Total servicing portfolio (cont.)						
	UPB (mil. \$)	YOY change (%)	No. of assets	YOY change (%)	No. of staff	YOY change (%)
Dec. 31, 2022	10.0	39.8	4	33.3	17	(5.6)
Dec. 31, 2021	7.1	(99.5)	3	(88.9)	18	(14.3)
Dec. 31, 2020	1,399.4	629.7	27	42.1	21	0.0
Dec. 31, 2019	191.8	(29.0)	19	(40.6)	21	5.0

UPB--Unpaid principal balance. YOY--Year-over-year.

Table 2

Portfolio overview										
	Dec. 31, 2023		Dec. 31, 2022		Dec. 31, 2021		Dec. 31, 2020		Dec. 31, 2019	
	UPB (mil. \$)	No.	UPB (mil. \$)	No.	UPB (mil. \$)	No.	UPB (mil. \$)	No.	UPB (mil. \$)	No.
Primary loans	17,613.2	3,059	17,637.7	3,074	17,531.4	3,111	17,819.0	3,058	17,042.8	3,063
Average loan size	5.8	--	5.7	--	5.6	--	5.8	--	5.6	--
Special servicing										
Loans	48.0	3	4.9	2	2.0	1	1,304.6	15	106.1	5
REO properties	5.1	2	5.1	2	5.1	2	94.7	12	85.7	14
Total special servicing	53.1	5	10.0	4	7.1	3	1,399.4	27	191.8	19

Note: Totals may not add due to rounding. UPB--Unpaid principal balance. REO--Real estate owned.

Management And Organization

The management and organization subranking is STRONG for both primary and special servicing.

Organizational structure, staff, and turnover

Aegon RA's servicing management teams and staff are well-experienced and have significant company tenure. To minimize disruptions and smooth personnel transitions, Aegon RA maintains very proactive reallocation and succession-planning processes. We believe Aegon RA's organizational structure provides for a high level of accountability and control.

As noted earlier, since our prior review, Aegon underwent several management changes including appointing a new global head of real assets and a new leader of the mortgage loan accounting team. Both role replacements were part of a succession plan to replace managers retiring in 2022. Similarly, the head of property tax and insurance retired in November 2022, with the tasks of property tax and insurance split between two supervisors, one an internal promotion and the other an external hire. Finally, the senior director of special servicing departed and was replaced by another well-tenured internal employee. We note that in many cases, as part of the succession plan, replacements worked alongside managers until their retirement, which we view favorably.

Mortgage loan primary servicing and special servicing are both headed by a managing director (MD) of debt and equity asset management with over 20 years of industry experience and 13 years of company tenure. As part of the organizational realignment, this role was expanded since our prior review, and the MD now leads asset management teams across real estate debt and equity strategies, including primary servicing, special servicing, REO asset

management, real estate private equity asset management, and low-income housing tax credit asset management. This position reports directly to the global head of real assets.

A senior director, responsible for managing the real assets fund management, accounting, and reporting groups, reports directly to the global head of real assets. This individual has four direct reports and has 40 years of experience with the company. This department provides the accounting and investor reporting functions for the primary servicing portfolio.

As of Dec. 31, 2023, the company reported 47 full-time employees allocated to the primary servicing operations, which includes real assets fund management, accounting, and reporting personnel as they perform those functions for the primary servicing portfolio.

Primary servicing senior and middle managers report average industry experience of 33 and 20 years, respectively, and tenures of 29 years and 16 years, respectively. Staff members report an average of 16 years of industry experience and 12 years of company tenure (see table 3).

Primary servicing reported a 14.0% turnover rate (six departures) during 2023, a generally favorable metric, particularly during a tight labor environment. The ten departures (21.7% turnover rate) in 2022 included two previously mentioned planned retirements.

The special servicing platform consists of two closely aligned disciplines: special servicing and asset management. Special servicing is responsible for subperforming and nonperforming portfolio and life company commercial mortgage loan workouts, maturing loans, bankruptcy and foreclosure activities, and a wide range of nonmonetary loan and collateral level issues (i.e., loan assumptions, transfers of interest, and easements). This team comprises the following positions reporting to the aforementioned MD:

- A director with 16 years of industry experience and company tenure;
- An associate director with 13 years of industry experience and company tenure;
- A senior mortgage loan production analyst with nearly five years of industry experience and company tenure; and
- A real estate analyst with one year of industry experience and company tenure.

With only three loans in special servicing as of year-end 2023, the two asset managers dedicated to specially serviced loans, who average 15 years of industry experience, appear to have ample capacity to handle additional special servicing loan transfers, notwithstanding their other responsibilities.

Asset management is responsible for equity and investment properties, including foreclosed REO assets, as well as for overseeing property manager and broker selection, leasing, real estate accounting, REO sales, and reporting. The team that manages specially serviced assets comprises the following positions reporting to the aforementioned MD:

- A senior director with 18 years of industry experience and one year of company tenure;
- A senior asset manager with 20 years of industry experience and one year of company tenure; and
- A real estate analyst with approximately two years of industry experience and company tenure.

With only two REO assets in special servicing as of year-end 2023, the two asset managers dedicated to specially serviced REO assets appear to have ample capacity to handle additional special servicing REO transfers, notwithstanding their other responsibilities.

The previously noted organizational realignment resulted in a change in the reporting methodology of special servicing headcount to not report tax credit asset management personnel, as they are not directly involved in the management and disposition of specially serviced REO assets.

Special servicing senior and middle managers report average industry experience of 20 and 16 years, respectively, and tenures of eight years and 16 years, respectively. Special servicing asset managers report average industry experience of 16 years and average company tenure of eight years. Staff members report an average of eight years' industry experience and over four years' company tenure (see table 3).

Special servicing and asset management noted one departure (16.7% turnover rate) during 2023 and four employees (22.2% turnover rate) in 2022. Turnover metrics reflect the redeployment of employees in asset management to other initiatives due the disposition of REO assets.

Table 3

Years of industry experience and company tenure(i)								
	Senior managers		Middle managers		Asset managers		Staff	
	Industry experience	Company tenure	Industry experience	Company tenure	Industry experience	Company tenure	Industry experience	Company tenure
Primary	33	29	20	16	10	N/A	16	12
Special	20	8	16	16	16	8	8	4

(i)As of Dec. 31, 2023. N/A--Not applicable.

Training

Aegon RA displays a solid commitment to training and employee development, providing its management and staff with a diversified array of ongoing, formal, internal and external training programs, as well as on-the-job training. Primary servicing targets 40 annual training hours per employee, whereas special servicing targets 25. In 2023, primary servicing employees completed an average of 44 training hours, and during 2022 that staff also exceeded the target, completing an average of 42 training hours. In 2023, special servicing employees completed an average of 34 training hours, and during 2022 that staff also exceeded the target, completing an average of 41 training hours. All training hours are centrally tracked.

The company continues to promote a policy of hiring individuals with at least a general knowledge of real estate, with the intention of cross-training employees. The goal of this practice is to employ a staff with a wide range of knowledge and experience so resources can be reallocated where needed. Employee development is part of the core strategy of the parent company, so Aegon RA has incorporated staff development plans into its annual and midyear performance appraisal process, with specific training goals included.

Other training features considered in our assessment include:

- AAM People Managers' Program, a global program designed to practice and embed people skills, co-create a

coaching culture, increase the instance of formal and informal performance development conversations, and encourage feedback conversations;

- Aegon Asset Management Academy, a training and development global website where employees can find information on development opportunities across Aegon AM;
- A website that provides employees access to professional development opportunities through the Transamerica Learn Center, which offers location-based, instructor-led workshops, webinars, and eLearning courses, as well as other resources;
- We Learn, an online platform that allows employees to take ownership of their own development by providing opportunities to learn what they want, where and when they wish. The platform houses thousands of different learning resources and is continually refreshed to provide current and relevant content;
- Informal, current market-driven training provided by internal subject matter experts;
- Aegon corporate training initiatives that regularly provide web-based training on compliance and legal matters;
- "Welcome to Aegon AM!," a formal new employee onboarding program, developed with human resources;
- The Mentorium, a mentorship program that was instituted since our prior review and is available to all employees. Management noted 19 servicing employees are currently engaged in the program; and
- External training opportunities that include:
 - The Mortgage Bankers Assn. Commercial Certified Mortgage Servicer certificate program;
 - Certified Commercial Investment Member Institute candidacy and designations;
 - Servicing-related conferences;
 - Vendor user conferences, including SS&C Technologies (Aegon AM's servicing system vendor), KnowledgeLake, and SharePoint; and
 - A tuition assistance program for continuing education for professional designations and licenses (e.g., accounting, appraisal, legal, and real estate).

Aegon RA also has a longstanding internship program for which it recruits largely from nearby colleges. Management noted that the internship program has historically been successful in identifying full-time entry-level staff.

As part of Aegon's employee retention initiatives, it is focused on the following:

- Talent Marketplace (TMP), a new AI-enabled digital platform that allows employees to match their skills, experiences, and ambitions with opportunities across the organization. TMP is available to all employees and enables learning on the job through gigs (short part-time projects) and learning from others through mentorship connections.
- Building connectivity through its Inclusion & Diversity and social responsibility communities. These groups are employee-driven, management board-sponsored, and formed by employees deciding to come together for a collective purpose.
- Other established retention measures include annual market competitive compensation analysis; a peer recognition platform; exit interviews for all departures to obtain feedback for ongoing improvement; and regular monitoring of team engagement levels through a global employee survey.

Systems and technology

Aegon RA has effective technology to meet its primary and special servicing requirements. The servicing and accounting systems are well automated and integrated. Aegon RA also has well-designed data backup routines and disaster recovery preparedness, as well as a formal privacy and cyber security policy. Further details are provided in the below sections:

Servicing system applications

Highlights of the company's technology systems platform include:

- The administrative system application responsibilities are divided between the corporate information systems department, which administers hardware, software, and data center operations, and seven internal systems administrators dedicated to the servicing group for system enhancements, vendor contact, and application training.
- Precision LM Version 5.0 from SS&C, which offers complete functionality for loan processing, reporting, and asset management, is the primary servicing system of record. It can handle various collateral types, including commercial, residential, multifamily, and agricultural loans.
- Automation and leverage of the Precision LM servicing system allows Aegon RA to maintain an efficient platform that minimizes manual input.
- Precision LM is interfaced to the general ledger for automated updating.
- Aegon RA's origination system, Precision LM Web Originator 5.0, is integrated with Precision LM to facilitate the transfer of data for new loan boarding.
- Borrower Viewpoint 3.1, also from SS&C, is a web-based portal providing basic loan data to borrowers. Data is loaded from Precision LM nightly.
- KnowledgeLake is an organization-wide document imaging and management system, and SharePoint is the repository for all documents and provides search capabilities.
- Aegon RA Investor Portal is an internally and externally used web-based information portal sourced from Precision LM. It allows users (lenders, investors, and third-party clients) to access KnowledgeLake documents and other reports.
- The firm uses an internal credit rating model to assist in evaluating the credit risk associated with each mortgage loan.
- Since our prior review, Gimmel Records SaaS, a vendor-hosted solution used for legal holds and record retention, was implemented.
- Aegon RA's main data center houses all communication applications, including intranet and internet connections between mainframes and servers to the servicing center in Cedar Rapids, and connectivity to other Aegon RA offices.
- The Special Technology Asset Resource (STAR) System, an internally developed and supported system, is the special servicing system of record. Data is downloaded nightly from Precision LM. The system is utilized by asset managers for tracking a loan from origination to payoff, collateral monitoring, recording borrower communications, tracking negotiations, and reporting; it also provides customized monthly reporting for each client.
- The firm utilizes ARGUS software for underwriting, collateral valuation, and cash flow projections.

- The firm's accounting system of record for REO assets is Yardi Voyager (version 7S), a vendor-hosted solution.
- Aegon RA utilizes RPA to index various documents directly to KnowledgeLake, to update property tax information within Precision LM, and for e-mail requests for property insurance renewals, quarterly and annual financial statements, rent rolls, and leasing information.

Business continuity and disaster recovery

Documented plans exist for business continuity and disaster recovery. Additionally:

- Full data backups are conducted weekly, with incremental daily backups nightly (taken prior to and following the running of the batch cycle). Data tapes are rotated daily to an off-site storage facility. The target recovery time for Precision LM is four hours, within the range of peers'.
- The third-party-supported disaster recovery hot site, located in Raleigh, N.C., is sufficiently distant from the servicing and main data locations in Cedar Rapids.
- Business recovery is supported by other company office locations in and around Cedar Rapids, and a third-party contract for many mobile recovery units for the Cedar Rapids area.
- Disaster recovery plans are tested semiannually. The most recent test was in September 2023, and all test objectives were met.
- Crisis management exercises are conducted by a third party, with the most recent exercise, conducted in September 2023, experiencing no significant issues.
- A service-level agreement exists with Aegon Global Technology to have servers recovered at an IBM facility located in Raleigh, N.C. All critical systems are recovered in either a four-hour or 24-hour recovery timeframe.

Cyber security

Aegon AM has a formal privacy and cyber security policy and a formal information security policy that was last updated in November 2022. Network security parameters are set, configured, and controlled by Aegon Global Technology, which also administers network access and directory permissions. All employees participate in annual information security training.

To ensure separation of duties, Aegon AM uses the Systems Security Administration Team (SSAT) for the administration of all system logins and active directory groups. At least annually, or at a frequency dependent on the system application's control environment, an SSAT access coordinator provides security role reports to the business process owners to perform reviews of employee entitlements to the company's systems and applications.

Additional cybersecurity procedures include annual third-party network penetration testing, and quarterly phishing emails sent to employees. The most recent third-party network penetration test was performed during August 2023, with no material problems cited.

Internal controls

Aegon AM uses an operational risk management system with a three-lines-of-defense framework throughout the organization, which we believe is highly effective. Further detail considered in our assessment is provided in the below sections.

Policies and procedures

Aegon RA's primary servicing policies and procedures (P&P) manual provides a well-written overview of its operations. It is available in electronic and hard-copy formats. The manual has two levels: an overview document and functional detail documents. Primary servicing P&P manuals are updated no less than annually (most recently in June 2023), and the process is well controlled. Designated staff members are available to manage the process for the primary servicing group. Access to the manual is read and write controlled; edits require manager approval; and there is a defined approval process for all major actions with clearly delineated delegation of authority.

Aegon RA's special servicing and equity real estate P&P manuals provide well-written overviews of its operations. Hard copies are kept available for access within each group as well as electronically on shared network drives. The manuals contain example forms, flow charts, and checklists that detail and simplify the processes for special servicing and asset management. P&Ps contained within the special servicing and asset management manuals are revised on an as-needed basis and are reviewed and approved by management of both groups. The special servicing P&Ps were last updated in June 2023, and the asset management P&Ps were last updated in October 2023.

Compliance and quality control

The first line of defense consists of each business group assuming direct responsibility for work product and organization of daily business processes to ensure adherence to all risk controls in-place, and compliance with relevant policies.

The risk and control committee, which employs a chief risk officer, represents the second line of defense. This committee's main focus is to identify and assess operational risks, monitor the design and effectiveness of the internal control environment, and report the test results to senior management. Additional areas of focus for the risk and control committee include Service Organization Control 1 (SOC 1) testing, business continuity and disaster recovery, and information security.

Internal and external audits

An independent internal audit program tasked with internal audit functions for Aegon AM represents the third line of defense.

This independent operations audit and risk team within the Aegon AM operations department is dedicated to managing operational risk. The internal audit department has an annual audit plan, broken down by quarter. Not all functional areas are audited every quarter or even every year. Management has indicated that the internal audit department has historically utilized a risk-based approach, where audits are scheduled if an exception is escalated to the third level of defense.

A dedicated Aegon AM audit and compliance team, consisting of a manager and two staff members, provides consistency in audit approaches and responses across asset classes and brings together knowledge necessary to support critical Transamerica initiatives such as audit coordination and Sarbanes-Oxley (SOX) reporting. According to management, mortgage loan servicing has been deemed to be low risk because of historically strong controls and processes, and as a result, is not reviewed annually by the internal audit department; we have observed this approach

with other servicers we rank that are part of large financial organizations.

Aegon RA's servicing operations are not required to undergo Regulation AB, uniform single attestation program, or government-sponsored entity (GSE) audits and reviews because it does not service CMBS or GSE loans as a primary or special servicer. However, we believe the audit and controls for the ranked primary and special servicing platforms are very robust and effective, based on the following:

- The corporate risk management team conducts an operational risk management report to identify and measure key risk indicators.
- Aegon RA complies with SOX regulations regarding the existence of internal controls (i.e., account reconciliations, journal entries, loan funding and closing, payment processing, and financial reporting).
- Third-party auditors issue a SOC 1 report annually for both Aegon RA Commercial and Aegon RA Agricultural, due to the unique nature of services provided to investors. Reports covering the period from Oct. 1, 2022, to Sept. 30, 2023, noted no material exceptions.

Vendor management

Aegon RA demonstrates sound internal controls over the selection and review of third-party vendors, which includes a comprehensive vendor selection and compliance program, along with annual vendor scorecard ratings and health checks, and relatively short termination rights (30-day notice).

- Aegon AM maintains an outsourcing and supplier risk policy that outlines minimum business, legal, and security requirements for vendor management, service providers, and outsourcers who are categorized as "top-tier" vendors.
- Aegon RA outsources certain tasks to a third-party provider that provides data entry services pertaining to borrower rent rolls and property financial statements and is not considered to be a top-tier vendor, due to the small scope of services outsourced.
- The vendor selection and compliance program includes a threat analysis that considers reputational, operational, and compliance risk factors.

Insurance and legal proceedings

The company has represented that its directors and officers as well as its errors and omissions insurance coverage is in-line with the requirements of its portfolio size. As of the date of this report, management of Aegon RA indicated it is not subject to, or knowledgeable of, any material lawsuits that could affect the servicing operations.

Loan Administration--Primary Servicing

The loan administration subranking is STRONG.

As of Dec. 31, 2023, Aegon RA provided primary servicing for a portfolio of almost 3,100 loans, constituting a total UPB of approximately \$17.6 billion (see table 4). Aegon RA provides primary servicing for 11 unaffiliated clients, as well as its Transamerica affiliates. A dedicated servicing management team covers client marketing efforts, due diligence, negotiation of complex and unique servicing agreements, conversions, and relationship management. Aegon RA has unique contractual agreements with each of its third-party servicing clients, requiring that its loan

administration processes and procedures have some degree of customization for each client.

The portfolio is somewhat geographically diverse, and it contains meaningful exposure to most major collateral property types (see table 5), as well as nearly \$3.6 billion in agricultural loans as of Dec. 31, 2023. However, investor product types are heavily concentrated, with approximately 99% of all loans (by both UPB and loan count) serviced for affiliated and unaffiliated life insurance companies (see table 6).

The portfolio's near-term maturities are relatively small during the next couple of years. In particular, loan maturities total \$402.1 million (2.3% of the portfolio) in 2024, and \$488.9 million (2.8% of the portfolio) in 2025.

Delinquencies in the portfolio started trending down in 2021 before ticking up slightly in the second half of 2023 (see table 4). Delinquencies have historically been concentrated in the agricultural loan portfolio. According to Aegon RA management, the recent increase is due primarily to higher interest expense, which affected refinancing abilities; a moderation in crop prices; and stress in the wine grape and almond industries, which affected a couple of the larger loan relationships.

Table 4

Primary servicing portfolio										
	Dec. 31, 2023		Dec. 31, 2022		Dec. 31, 2021		Dec. 31, 2020		Dec. 31, 2019	
	UPB (mil. \$)	No.	UPB (mil. \$)	No.	UPB (mil. \$)	No.	UPB (mil. \$)	No.	UPB (mil. \$)	No.
Primary loans	17,613.2	3,059	17,637.7	3,074	17,531.4	3,111	17,819.0	3,058	17,042.8	3,063
Average loan size	5.8	--	5.7	--	5.6	--	5.8	--	5.6	--
Delinquent (%)										
30 days	0.1	--	0.0	--	0.1	--	0.4	--	0.3	--
60 days	0.1	--	0.0	--	0.0	--	0.0	--	0.0	--
90+ days	0.4	--	0.2	--	0.1	--	0.8	--	1.0	--
Total	0.5	--	0.3	--	0.3	--	1.2	--	1.3	--

Note: Totals may not add due to rounding. UPB--Unpaid principal balance.

Table 5

Primary portfolio breakdown by property type and state(i)				
	UPB (mil. \$)	UPB (%)	No. of properties	Properties (%)
Type				
Multifamily	6,788.2	38.5	579	16.7
Agriculture	3,581.0	20.3	2,059	59.2
Office	1,847.7	10.5	126	3.6
Retail	1,778.1	10.1	212	6.1
Warehouse	1,749.7	9.9	258	7.4
All others	1,868.5	10.6	242	7.0
Total	17,613.2	100.0	3,476	100.0
State				
California	3,742.0	21.2	469	13.5
Texas	1,109.6	6.3	139	4.0
Washington	869.5	4.9	206	5.9

Table 5

Primary portfolio breakdown by property type and state(i) (cont.)				
	UPB (mil. \$)	UPB (%)	No. of properties	Properties (%)
Florida	843.3	4.8	113	3.3
New York	642.6	3.6	45	1.3
All others	10,406.2	59.1	2,504	72.0
Total	17,613.2	100.0	3,476	100.0

Note: Totals may not add due to rounding. (i)As of Dec. 31, 2023. UPB--Unpaid principal balance.

Table 6

Primary portfolio by investor product type(i)				
Loan type	UPB (mil. \$)	UPB (%)	Loan count	Loan (%)
On own or parent's balance sheet (excluding issued CRE CDO/CRE CLO)	11,332.0	64.3	948	31.0
Life insurance companies	6,170.4	35.0	2,077	67.9
Other third-party investors (REITs, investment funds, etc.)	92.4	0.5	33	1.1
Banks and financial institutions	18.4	0.1	1	0.0
Total	17,613.2	100.0	3,059	100.0

Note: Totals may not add due to rounding. (i)As of Dec. 31, 2023. UPB--Unpaid principal balance. CRE--Commercial real estate. CDO--Collateralized debt obligation. CLO--Collateralized loan obligation. REIT--Real estate investment trust.

New loan boarding

Based upon its stated practices and written procedures, Aegon RA has a sound loan set-up function that includes four dedicated staff members. Control and other features of new loan setup include the following:

- The loan boarding area handles new loan setup, system changes, and interest rate adjustments.
- A new loan framework is created in Precision LM after closing. New loan checklists are reviewed as the loan is boarded.
- An independent team verifies that the key loan terms in the servicing system agree with the corresponding executed documents after boarding. The verification is linked to SOX key controls and SOC 1 controls validating the key financial terms with the executed loan documents.
- Welcome packets are distributed to new borrowers after review by the loan administration supervisor. Delivery by electronic distribution is approximately four business days after a loan is boarded (except when mail delivery is specified by the borrower).
- Aegon RA has a comprehensive records management group that manages document imaging, indexing, the file room, original document custody, legal holds, and the company retention policy. Aegon RA has increasingly used technology to improve document storage and facilitate access for those who have approval to view the files.

Payment processing

Aegon RA's practices and integrated technology tools efficiently address payment processing, with proper segregation of duties. Highlights of payment processing, which has six dedicated internal staff members, include:

- The payment processing and loan accounting group is responsible for monthly billing statements, lockbox, and automated clearing house (ACH) interfaces, escrows, third-party client cash movements, account reconciliations, payoff quotes, and mortgage releases.

- The welcome packet sent to the borrower includes an ACH form and the amortization schedule.
- Payment processing is highly automated, with 67% of payments collected via ACH. Other payments are collected electronically either by lockbox (24%) or wire transfer (9%). ACH debits are automatically applied.
- Lockbox interface files come from the banks nightly and payments are automatically applied. Reports are generated daily for unmatched or unallocated payments; these are researched and applied manually. Wire transfers and ACH credits are pulled from the banks each day and processed manually.

Investor reporting

Aegon RA is highly experienced with life insurance company reporting requirements. It has nine dedicated staff members for the various investor reporting and operational accounting activities that are properly segregated for reporting, remitting, and related account reconciliation processes. Other noteworthy features include:

- A proprietary Oracle reporting database feed from Precision LM delivers customized client reports in accordance with statutory requirements, generally accepted accounting principles, and International Financial Reporting Standards. Aegon RA utilizes Business Objects 4.2 as the primary reporting tool.
- Because of the customized nature of Aegon RA's contracts with external clients, a substantial number and variety of reports are produced. Reports are generated and delivered electronically through an investor's portal or a secure internet site on a monthly, quarterly, or annual basis, depending on agreements.
- The investor reporting team completes client review checklists to ensure that the terms of investment management agreements are satisfied. Investor reporting packages and their affiliated controls are reviewed as part of the SOC 1 audit.

Escrow administration

The company has sound controls for escrow administration activities, with two dedicated staff members for tax administration and five dedicated staff members for insurance administration. Highlights include:

- The real estate tax administration team is responsible for monitoring and verifying personal and property taxes before closing and through the life of the loan. No tax functions are outsourced.
- The insurance administration team is responsible for insurance compliance, claims processing, reserves, and catastrophic reporting. The requesting and monitoring of policy renewals is outsourced to a single vendor.
- A force-placed hazard insurance policy is maintained, with a 90-day look back provision. As of Dec. 31, 2023, the company reported no loans on the force-placed policy.
- As of Dec. 31, 2023, 36% of Aegon RA's loans were escrowed for taxes, and 7% were escrowed for insurance.

Asset and portfolio administration

Aegon RA has extensive procedures covering asset and portfolio administration tasks, with eight dedicated staff members supporting the area.

Other notable features include:

- The portfolio management team is responsible for analysis of annual property operating statements and rent rolls, annual valuation of the loan portfolio, review and approval of new lease activity, and review and approval of post-closing agreements (tenant improvement and leasing commission escrows, lease-up escrows, and master

leases).

- A proprietary credit risk analysis model is run monthly, using Precision LM and asset management system fields. It provides updated risk scores for each loan based on a variety of factors.
- Mortgage loan analysts perform monthly evaluations of credit rating movements through a "two-tick report." The report, a form of watch list, highlights all loans that moved two or more risk rating notches in the servicing portfolio and provides a researched reason for the change.
- Asset managers handle loan-level reserve monitoring and analysis for escrowed events such as tenant improvement and replacement reserves.
- Outsourced functions include operating statement spreading and entry onto Precision LM, rent roll spreading and entry onto Precision LM, and document imaging to the loan file. Additionally, management indicates that most inspections are performed by the originating correspondent.
- As of Dec. 31, 2023, Aegon RA had received and analyzed 98% of the Dec. 31, 2022, operating statements for the loans in its servicing portfolio as part of the annual portfolio valuation, which is consistent with the prior review.
- Uniform Commercial Code (UCC) administration and additional collateral tracking is conducted in-house. Servicing paralegals are used to protect the investor's interest in the UCC, letter of credit, or other collateral when necessary. UCC and letter-of-credit reports are monitored monthly and tracked through Precision LM. As of Dec. 31, 2023, Aegon RA reported one lapsed loan in UCC filings. When the error was identified, the company completed a lien search to confirm no loss of lien priority and filed a new UCC1.

Applied research is a dedicated group that supports investment teams across Aegon RA by providing services designed to manage risk and optimize investment returns. These services include but are not limited to:

- Producing original research and whitepapers providing updates on investment strategy, market, property sector risk assessment, and portfolio management.
- Providing investment risk analytics and quantitative modeling of complex investment problems.
- Monitoring and reporting investment portfolio risk exposures in conjunction with economic, market fundamentals, asset-level, and investor capital flow trends.

Borrower requests

Aegon RA addresses borrower requests in a well-controlled manner. Highlights include the following:

- Four portfolio analysts, two loan analysts, and four individuals in supervisory roles within the portfolio management team are responsible for borrower consents.
- The loan analysts and portfolio analysts process borrower requests and seek review and approval from a supervisor for all requests prior to providing a response to the borrower. Depending on characteristics of the borrower request, the request may require approval outside and above this team.
- An internal delegated authority matrix is used to determine the appropriate level of internal approval required. Aegon RA's authority to approve requests on behalf of the investor or client depends on the commercial mortgage loan servicing agreement, which is tailored for each investor or client based on client preferences.
- Aegon RA is provided broad authority by some investors and clients to approve borrower requests without approval, while others maintain final authority over approvals and require Aegon RA only to provide its

recommendation.

During 2023, Aegon RA processed 133 borrower consent requests with an aggregate UPB of over \$2.2 billion in the role of primary servicer. During 2022, Aegon RA processed 207 borrower consent requests with an aggregate UPB of over \$3.3 billion in the role of primary servicer. Request actions by percentage are shown in table 7.

Table 7

Borrower requests (%)		
Request type	2023	2022
Leasing consents/tenant activities	51.1	25.1
Reserve draw requests	22.6	13.0
Borrower release/modifications	15.0	31.4
Real estate release/modifications	7.5	12.1
Other	3.0	17.0
Extension	0.8	--
Assumptions/transfers	--	1.4

Early-stage collections

Aegon RA has four allocated staff members to handle early-stage collections. Noteworthy procedures include the following:

- Portfolio analysts monitor late payments using reports automatically generated from Precision LM. The portfolio analyst contacts delinquent borrowers, and all communication is tracked in Precision LM. After (at most) 60 days of delinquency, loans are transferred to special servicing.
- Calls to borrowers are made within two business days after the grace period expires, followed by the first written delinquency notice.
- For agricultural loans, a second written notice is sent 45 days after the payment due date.
- Collections are handled by mortgage loan servicing personnel.

Loan Administration--Special Servicing

The loan administration subranking is STRONG.

As previously noted, the special servicing platform comprises special servicing and asset management teams. The team handles conventional subperforming and nonperforming loan workout and foreclosure activities. Special servicing also handles matured loans, restructures, borrower-requested modifications, and other nonmonetary servicing issues. The asset management area oversees property operations for all equity and investment properties, and assists special servicing with problem loan foreclosures and REO property operations (accounting and reporting). The special servicing and asset management areas are also responsible for certain credit-driven activities on performing loans, such as loan assumption and transfer requests, major leasing activity, and partial collateral release requests.

The company has a team of four state licensed real estate appraisers, three of which also have the Member Appraisal Institute professional designation, for supporting assets in special servicing, asset management plans, acquisitions, dispositions, etc. Quarterly valuation consultations play a key role in the company's management of distressed properties, defaulted assets, foreclosure candidates, and REO properties. Additionally, Aegon RA employs an internal engineering and environmental services staff consisting of four staff members. This engineering and environmental team includes a director of engineering and environmental services, two engineers, and one project specialist. These individuals provide property condition assessments, maximum loss studies, and environmental site assessments.

As of Dec. 31, 2023, the active special servicing portfolio included three loans totaling \$48.0 million in UPB, and two REO assets totaling \$5.1 million in UPB (see table 8).

Table 8

Special servicing portfolio															
	Dec. 31, 2023			Dec. 31, 2022			Dec. 31, 2021			Dec. 31, 2020			Dec. 31, 2019		
	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)
Loans	48.0	3	15.5	4.9	2	7.3	2.0	1	1.7	1,304.6	15	15.4	106.1	5	22.2
Real estate-owned	5.1	2	37.2	5.1	2	25.2	5.1	2	13.2	94.7	12	33.3	85.7	14	24.1
Total	53.1	5	24.2	10.0	4	16.3	7.1	3	9.4	1,399.4	27	37.3	191.8	19	43.1

Note: Totals may not add due to rounding. (i)Average age reflects the time in months from the date the loan first became specially serviced to the reporting date.

Loan recovery and foreclosure management

Aegon RA displays comprehensive and proactive loan recovery and foreclosure management protocols to efficiently resolve nonperforming loans across a broad spectrum of property types. Procedures governing problem-loan analysis and loan recovery management are well-developed.

Other key aspects considered in our assessment include:

- Nonperforming loans are generally transferred to special servicing after loans have been in default for 30 days.
- The department head assigns assets to asset managers based on their expertise and experience for the individual asset types as well as their workloads at the time of assignment.
- Asset managers complete resolution plans within 45 days of transfer and present plans to a senior management review committee for approval.
- The committee also approves foreclosure recommendations and suggested bid prices, developed with assistance from the support groups for current market economics and internal appraised values.
- The plan, approval process, and subsequent foreclosure actions are tracked in STAR. Foreclosure event-date tracking is supported by tickler date reports.

Since our prior review, resolution activity has been minimal. During 2023, Aegon RA reported the resolution of two loans, one of which was reported as a full payoff and one was a discounted payoff. In 2022, the firm also reported the resolution of two loans, one of which was returned to the master servicer, and one was a full payoff. No foreclosure

activity has occurred since 2016. Aegon RA management attributes a low delinquency and default environment to the following origination, primary servicing, and special servicing practices:

- The CML origination group applies disciplined underwriting and risk management approaches.
- Primary servicing employs strong surveillance practices that provide an early warning of property stress.
- Special servicing employs an individualized approach to working through loan distress situations to reach resolution, which has proven to successfully minimize foreclosures.

Table 9

Total special servicing portfolio--loan resolutions															
	2023			2022			2021			2020			2019		
	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)
Resolutions															
Loans	8.7	2	6.7	39.8	2	3.6	887.5	13	21.7	65.3	10	5.2	11.9	2	11.0
Foreclosed loans	--	--	N/A	--	--	N/A	--	--	N/A	--	--	N/A	--	--	N/A
Total	8.7	2	6.7	39.8	2	3.6	887.5	13	21.7	65.3	10	5.2	11.9	2	11.0
Resolution breakdown															
Returned to master	--	--	--	34.0	1	1.0	769.1	6	9.1	58.9	9	5.3	--	--	N/A
Full payoffs	2.9	1	6.8	5.8	1	6.1	118.5	7	32.4	--	--	N/A	--	--	N/A
DPO or note sale	5.8	1	6.6	--	--	N/A	--	--	N/A	6.4	1	4.9	11.9	2	11.0
Foreclosed loans	--	--	N/A	--	--	N/A	--	--	N/A	--	--	N/A	--	--	N/A
Total/average	8.7	2	6.7	39.8	2	3.6	887.5	13	21.7	65.3	10	5.2	11.9	2	11.0

Note: Totals may not add due to rounding. (i)Average age reflects the time in months from the date the loan first became specially serviced to the reporting date. UPB--Unpaid principal balance. N/A--Not applicable. DPO--Discounted payoff.

REO management and dispositions

Aegon RA demonstrates extensive REO management and sales oversight capabilities, although its activity within the special servicing platform has been limited in recent years. Notable aspects include:

- Aegon RA's asset management group handles foreclosed properties, as well as company and third-party-owned real property equity investments. This group also administers the oversight of the company's owned office properties.
- REO asset managers use a vendor list for preselection of property managers before foreclosure. We believe the selection process, which includes property-specific criteria, interviews, senior management approval, and competitive bidding, is well controlled.
- Property management companies operate as full-functioning managers.
- Asset managers complete detailed property budgets, which are approved by the division manager, and resolution strategies within 90 days of transfer of title, and these budgets are updated annually.
- REO business plans are approved according to delegated levels of authority.

- Aegon RA screens leasing and selling brokers from a vendor list and subsequently approves them using the same procedures it uses to select property managers; it employs standard short-term contracts and requires monthly status reports.
- Asset managers perform site visits twice per year to review building maintenance, tenant status, and to discuss leasing and marketing issues with brokers.
- Potential sale offers, any significant change from the REO plan, and final sales are approved according to delegated levels of authority.
- Internal e-mails to appropriate departments, including required accounting information, provide notice of a property's sale.
- Although there have been no REO sales since 2020, we believe the group's asset managers have strong controls over the disposition of its REO properties (see table 10).

As of Dec. 31, 2023, REO assets totaled two (\$5.1 million in UPB). With only two REO assets in special servicing as of year-end 2023, the two asset managers dedicated to specially serviced REO assets appear to have ample capacity to handle additional special servicing REO transfers, notwithstanding their other responsibilities. In 2023 and 2022, Aegon RA did not complete any REO dispositions. In 2021, Aegon RA decided to terminate its asset management contract with Fannie Mae and transferred 10 REO assets it was managing for Fannie Mae out of its portfolio to another servicer.

Table 10

Total special servicing portfolio--real estate-owned sales															
	2023			2022			2021			2020			2019		
	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)
Estimated market value	--	0	N/A		0	N/A	0	N/A	10.2	4	43.1	104.1	16	55.9	
Gross sales proceeds	--	--	--	--	--	--	--	--	10.9	--	--	116.8	--	--	
Gross sales proceeds/market value (%)	--	--	--	--	--	--	--	--	107.2	--	--	112.2	--	--	

REO--Real estate-owned. N/A--Not applicable.

REO accounting and reporting

Aegon RA's controls and procedures for property-level accounting and oversight are sound. Highlights include:

- Bank accounts are selected from a list of approved banks, and well-defined and controlled procedures are utilized.
- Third-party management companies provide financial reports to Aegon RA's finance and accounting division (separate from servicing and special servicing).
- The financial accounting and reporting division handles all financial reporting, accounting, and cash management for foreclosures, as well as equity investments and Aegon RA's own facilities. In the case of building managers, Aegon RA's finance and accounting department handles the tenant billing, cash collections, and operating expense

payments.

- Property management companies handle all accounting, including billing tenants, cash collections, and operating expense payments by utilizing Aegon RA's Yardi Voyager 7S REO accounting system. Aegon RA's accounting and reporting team then reviews operating account reconciliations monthly and balance sheet reconciliations quarterly, along with the documentation supporting the financials, and ultimately prepares portfolio-wide reporting.
- Property managers' utilization of Yardi provides for centralized reporting, which is subject to the corporation's internal and external audit programs, minimizing the need for on-site building manager audits.
- On a monthly basis, asset managers review property financials, including variance reports, and work with the property manager to understand variances and implement any necessary plans at the property to improve its financial position.

Subcontracting management

Aegon RA handles the management and oversight of subcontractors in a controlled and effective manner and follows the following guidelines:

- The company's vendor management system provides the ability to manage and track vendors by type (including a rating system), as well as contract details, fees, and insurance.
- Aegon RA utilizes a job authorization form that serves to comply with internal and external audit requirements, provides a mechanism to approve property repairs and projects, and integrates with the Yardi Investment Management job cost module and vendor management tool.
- Most outsourced engineering and environmental due diligence is directed to the three large engineering and environmental consulting companies retained under master services agreements.

Borrower requests

The special servicing team assists with performing loan servicing requests such as passive interest transfer requests, easements or construction-related work, leasing matters with significant landlord obligations, guarantee releases, and more. The team is also responsible for distressed loan matters such as loans with anticipated or current defaults or significant performance concerns.

Aegon RA did not report its borrower request activity in its role of special servicer until the second half of 2023, during which it processed 47 borrower consent requests with an aggregate UPB of nearly \$700 million. Request actions by percentage, are shown in table 11.

Table 11

Borrower requests--2023 (%)	
Request type	
Borrower release/modifications	51.1
Real estate release/modifications	29.9
Other	12.6
Leasing consents/tenant activities	4.3
Assumptions	2.1

During 2022, Aegon RA did not report any borrower consent requests in the role of special servicer.

Legal department

The special servicing operation is supported by a highly experienced in-house legal team comprising an assistant general counsel, two attorneys, and two paralegals. Other notable aspects of what we consider to be a well-controlled legal function include:

- Attorneys are assigned to the special servicing and asset management groups for leasing, workouts, and foreclosure issues.
- The company maintains a list of approved outside attorneys that is managed and maintained by the in-house legal team. In coordination with special servicing asset managers, the legal department directs the actions of external counsel.
- The legal department tracks the status of all assigned legal matters and receives copies of all correspondence and pleadings. To ensure cost effectiveness, Aegon RA's legal staff maintains strict billing guidelines and approves legal bills only after review by the appropriate asset managers. In-house legal staff members also attend the various committee meetings regarding their assigned asset.

Financial Position

The financial position is SUFFICIENT.

Related Research

- Aegon Real Assets US STRONG Commercial Mortgage Loan Primary, Special Servicer Rankings Affirmed; Ranking Outlook Stable, April 2, 2024
- Select Servicer List, Jan. 22, 2024
- Full Analyses: Aegon Ltd., Nov. 6, 2023
- Servicer Evaluation: Aegon Real Assets US, Jan. 13, 2022
- Servicer Category Descriptions Expanded and Revised, Feb. 28, 2022
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

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