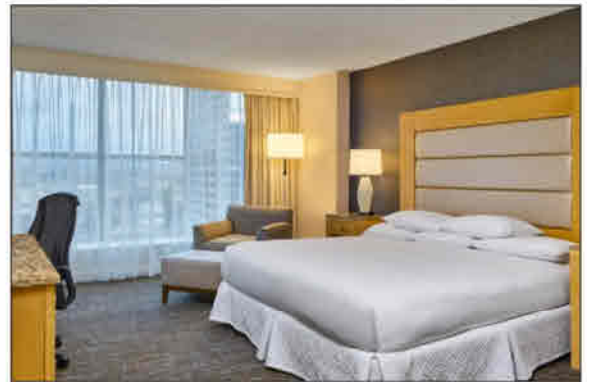


Mortgage Loan No. 6 — Hilton Glendale

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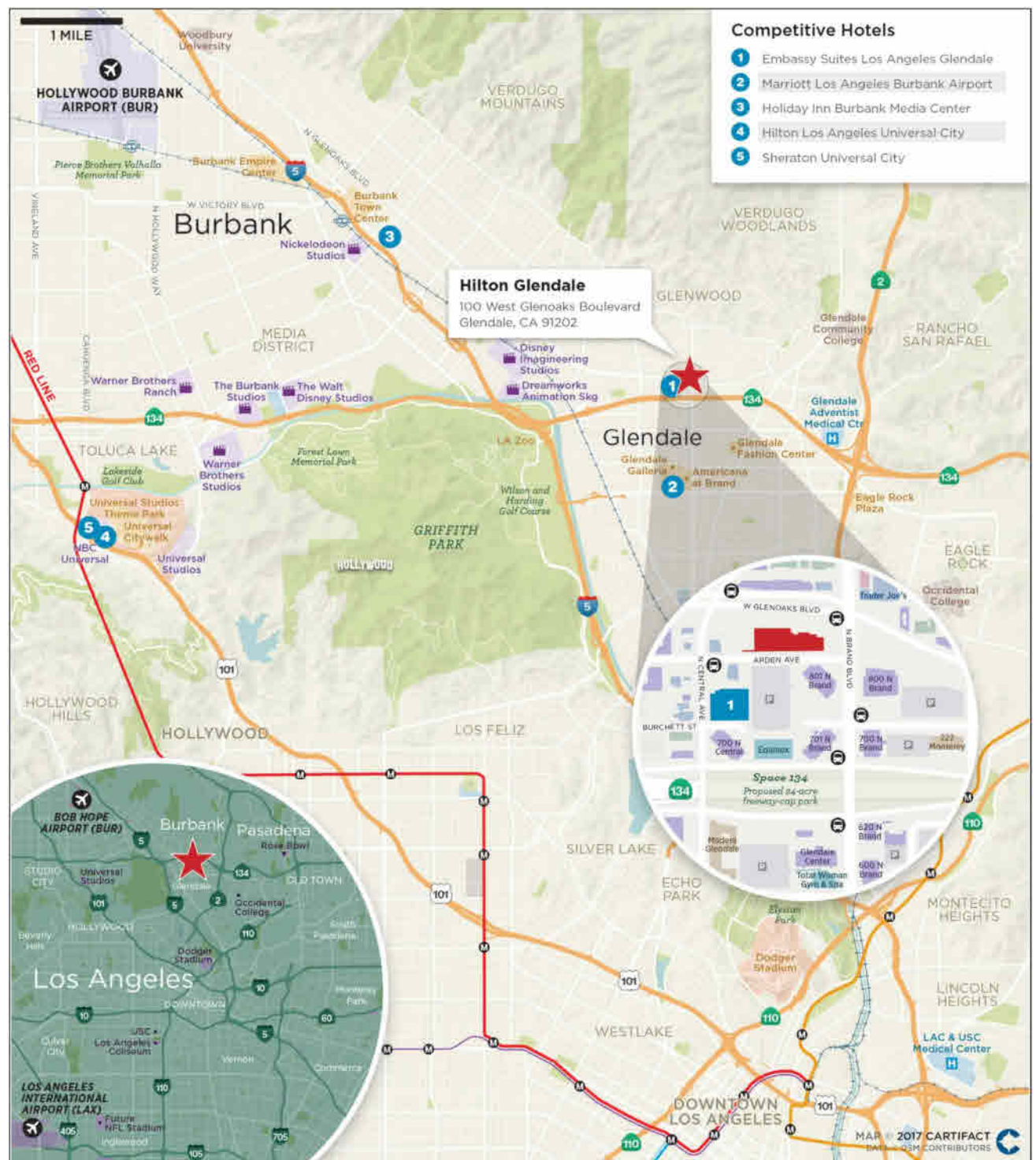


Mortgage Loan No. 6 — Hilton Glendale





## Mortgage Loan No. 6 — Hilton Glendale



## Mortgage Loan No. 6 — Hilton Glendale

### Mortgage Loan Information

|   |                                       |
|---|---------------------------------------|
| <b>Mortgage Loan Seller:</b>                  | Column                                |
| <b>Original Principal Balance:</b>            | \$47,250,000                          |
| <b>Cut-off Date Principal Balance:</b>        | \$47,204,053                          |
| <b>% of Pool by IPB:</b>                      | 5.5%                                  |
| <b>Loan Purpose:</b>                          | Acquisition                           |
| <b>Borrower:</b>                              | NA Glendale, LLC                      |
| <b>Sponsors:</b>                              | Kam Sang Company, Inc.;<br>Ronnie Lam |
| <b>Interest Rate:</b>                         | 4.91111111%                           |
| <b>Note Date:</b>                             | 7/13/2017                             |
| <b>Maturity Date:</b>                         | 8/6/2022                              |
| <b>Interest-only Period:</b>                  | 0 months                              |
| <b>Original Term:</b>                         | 60 months                             |
| <b>Original Amortization<sup>(1)</sup>:</b>   | 360 months                            |
| <b>Amortization Type:</b>                     | Balloon                               |
| <b>Call Protection:</b>                       | L(25),Def(31),O(4)                    |
| <b>Lockbox<sup>(2)</sup>:</b>                 | Hard                                  |
| <b>Additional Debt<sup>(3)</sup>:</b>         | Yes                                   |
| <b>Additional Debt Balance<sup>(3)</sup>:</b> | \$5,244,895                           |
| <b>Additional Debt Type<sup>(3)</sup>:</b>    | Mezzanine                             |
| <b>Additional Future Debt Permitted:</b>      | No                                    |

### Escrows and Reserves<sup>(5)</sup>

|                             | Initial   | Monthly   | Initial Cap |
|-----------------------------|-----------|-----------|-------------|
| <b>Taxes:</b>               | \$760,488 | \$108,641 | N/A         |
| <b>Insurance:</b>           | \$40,111  | \$10,028  | N/A         |
| <b>FF&amp;E Reserves:</b>   | \$82,870  | \$82,870  | N/A         |
| <b>Engineering Reserve:</b> | \$5,500   | \$0       | N/A         |
|                             |           |           |             |
|                             |           |           |             |
|                             |           |           |             |

### Sources and Uses

| Sources               | Proceeds            | % of Total    |
|-----------------------|---------------------|---------------|
| <b>Mortgage Loan</b>  | \$47,250,000        | 62.5%         |
| <b>Mezzanine Loan</b> | 5,250,000           | 6.9           |
| <b>Sponsor Equity</b> | 23,058,672          | 30.5          |
| <b>Total Sources</b>  | <b>\$75,558,672</b> | <b>100.0%</b> |

### Property Information

|                                       |                             |
|---------------------------------------|-----------------------------|
| <b>Single Asset / Portfolio:</b>      | Single Asset                |
| <b>Title:</b>                         | Fee                         |
| <b>Property Type - Subtype:</b>       | Hotel - Full Service        |
| <b>Net Rentable Area (Rooms):</b>     | 351                         |
| <b>Location:</b>                      | Glendale, CA                |
| <b>Year Built / Renovated:</b>        | 1992 / 2016                 |
| <b>Occupancy / ADR / RevPAR:</b>      | 83.9% / \$167.03 / \$140.19 |
| <b>Occupancy / ADR / RevPAR Date:</b> | 7/31/2017                   |
| <b>Number of Tenants:</b>             | N/A                         |
| <b>2014 NOI:</b>                      | \$3,883,511                 |
| <b>2015 NOI:</b>                      | \$5,166,275                 |
| <b>2016 NOI:</b>                      | \$6,085,338                 |
| <b>TTM NOI<sup>(4)</sup>:</b>         | \$5,388,082                 |
| <b>UW Occupancy / ADR / RevPAR:</b>   | 83.9% / \$167.03 / \$140.19 |
| <b>UW Revenues:</b>                   | \$24,959,643                |
| <b>UW Expenses:</b>                   | \$18,539,491                |
| <b>UW NOI:</b>                        | \$6,420,152                 |
| <b>UW NCF:</b>                        | \$5,421,766                 |
| <b>Appraised Value / Per Room:</b>    | \$74,500,000 / \$212,251    |
| <b>Appraisal Date:</b>                | 6/20/2017                   |

### Financial Information

|                                   |           |
|-----------------------------------|-----------|
| <b>Cut-off Date Loan / Room:</b>  | \$134,484 |
| <b>Maturity Date Loan / Room:</b> | \$124,829 |
| <b>Cut-off Date LTV:</b>          | 63.4%     |
| <b>Maturity Date LTV:</b>         | 58.8%     |
| <b>UW NOI DSCR:</b>               | 2.17x     |
| <b>UW NCF DSCR:</b>               | 1.83x     |
| <b>UW NOI Debt Yield:</b>         | 13.6%     |
| <b>UW NCF Debt Yield:</b>         | 11.5%     |

- (1) The Hilton Glendale loan is structured with a fixed amortization schedule based on an approximately 360-month amortization period. For more information see "Description of the Mortgage Pool - The Whole Loans" in the Prospectus.
- (2) For a more detailed description of the lockbox, please refer to "Lockbox / Cash Management" below.
- (3) The Hilton Glendale loan is accompanied by a mezzanine loan with a cut-off date balance of approximately \$5.24 million. The financial information presented in the chart above and herein reflects the cut-off date balance of the \$47,204,053 senior note. For a more detailed description of the additional debt, please refer to "Additional Debt" below.
- (4) Represents the trailing twelve month period ending July 31, 2017.

## Mortgage Loan No. 6 — Hilton Glendale

(5) For a more detailed description of Escrows and Reserves, please refer to "*Escrows and Reserves*" below.

**The Loan.** The Hilton Glendale loan is a \$47.25 million first mortgage loan secured by the fee interest in a 351-room full-service hotel property located in Glendale, California. The loan has a five-year term and will amortize on a fixed amortization schedule.

**The Borrower.** The borrowing entity for the loan is NA Glendale, LLC, a Delaware limited liability company and special purpose entity.

**The Sponsors.** The loan's sponsors and nonrecourse carve-out guarantors are Kam Sang Company, Inc. and Ronnie Lam. Kam Sang Company, Inc., established in 1979 by current President and CEO Ronnie Lam, owns hospitality, retail, residential, restaurants, and mixed-use properties. In total, the Kam Sang Company, Inc. owns 1,248 rooms in California and Nevada.

**The Property.** The property is a 351-room, full-service hotel located in Glendale, California. The property is 18 stories (19 including the Skyline Lounge meeting space) and was constructed in 1992. The property underwent a comprehensive renovation of approximately \$9.7 million which was completed in 2016. Major areas of upgrade included the meeting space, public restrooms, guestrooms & bathrooms, guest bathrooms, corridors & elevator lobbies, lobby & lobby lounge, and restaurant/bar/lounge. Additionally, the loan's sponsors plan to invest approximately \$953,000 through April 2018 for a change-in-ownership PIP that will include new desks, dressers, nightstands, new televisions, bathroom lighting and mirror replacements. Upon completion of the change-in ownership PIP, the property will have received approximately \$10.6 million (\$30,318/room) in capital improvements since 2014.

The unit mix at the property consists of 163 king units, 127 double units, 48 queen units, eight one-bedroom suites, three two-bedroom suites, and two presidential suites. Amenities at the property include one food and beverage outlet, 17,786 SF of meeting space, a fitness center, a business center, an outdoor swimming pool, and a gift shop. The food and beverage outlet, Amuse Restaurant & Bar, has recently undergone a complete renovation and is located adjacent to the main lobby. The 17,786 SF of meeting space consists primarily of the 8,052 SF Grand Ballroom, a smaller 2,800 SF Brand Ballroom, and nine additional spaces. The property has a 547-space subterranean parking garage with valet services as well as self-parking.

The property is located along West Glenoaks Boulevard on a 1.8-acre lot between North Brand Boulevard and North Central Avenue. The property is located at a busy intersection proximate to the Ventura Freeway, State Route 134, which is the nearest major highway. Nearby airports include Hollywood Burbank Airport (5 miles), the Van Nuys Regional Airport (12 miles) and Los Angeles International Airport (15 miles).

The area benefits from several major demand drivers including the Glendale Galleria Mall (GGP, 1 mile), Griffith Observatory (2 miles), the Los Angeles Zoo (3 miles), the Rose Bowl Stadium (4 miles), ABC Studios (5 miles), Warner Brothers Studios (5 miles), Dodger Stadium (6 miles), Universal Studios Hollywood (7 miles), the LA Convention Center (10 miles) and Hollywood (10 miles).

The property is located along Arden Avenue between N. Brand and N. Central Avenue. The primary Glendale office market is situated along N. Brand and N. Central Avenue immediately south the property and extending south of the Ventura Freeway, contributing to the corporate demand at the property.

## Mortgage Loan No. 6 — Hilton Glendale

### Historical Occupancy, ADR, RevPAR<sup>(1)</sup>

| Year               | Competitive Set |          |          | Hilton Glendale <sup>(2)</sup> |          |          | Penetration Factor |       |        |
|--------------------|-----------------|----------|----------|--------------------------------|----------|----------|--------------------|-------|--------|
|                    | Occupancy       | ADR      | RevPAR   | Occupancy                      | ADR      | RevPAR   | Occupancy          | ADR   | RevPAR |
| 2014               | 81.4%           | \$160.30 | \$130.42 | 81.3%                          | \$153.68 | \$124.93 | 99.9%              | 95.9% | 95.8%  |
| 2015               | 83.1%           | \$171.36 | \$142.43 | 84.4%                          | \$156.89 | \$132.46 | 101.6%             | 91.6% | 93.0%  |
| 2016               | 84.3%           | \$204.06 | \$171.94 | 84.1%                          | \$175.97 | \$148.01 | 99.8%              | 86.2% | 86.1%  |
| TTM <sup>(3)</sup> | 79.5%           | \$199.83 | \$158.83 | 83.9%                          | \$167.03 | \$140.19 | 105.6%             | 83.6% | 88.3%  |

(1) Source: third party data provider. The competitive set consists of the following hotels: Holiday Inn Burbank Media Center, Sheraton Hotel Pasadena, Hilton Los Angeles Universal City, Sheraton Hotel Universal City (2014 and 2015 only), Marriott Los Angeles Burbank Airport, Hilton Pasadena, Westin Pasadena, Embassy Suites Los Angeles Glendale and the Langham Huntington Pasadena (2016 and TTM only).

(2) Source: Borrower provided financials.

(3) Represents the trailing twelve month period ending July 31, 2017 for Hilton Glendale and the trailing twelve month period ending May 31, 2017 for the competitive set.

**The Market.** The property is located in Glendale, California, within Los Angeles County, in the Los Angeles-Long Beach-Anaheim, California metropolitan statistical area ("**MSA**"). According to the 2016 U.S. Census, the Los Angeles MSA was the second-largest in the United States after New York. The city of Glendale attracts regional and national firms seeking a West Coast presence due to its intellectual capital, its burgeoning tech cluster in Silicon Beach, and global links through its stronghold industries of entertainment, tourism and fashion. It is home to multiple Fortune 500 companies and is the largest international trade center in the U.S., with over \$200 billion in imports and exports annually. According to the appraisal, the Los Angeles MSA is one of the world's major centers of business, entertainment, international trade, culture, media, fashion, science, technology, and education. According to the appraisal, Los Angeles is known as the "Entertainment Capital of the World" because it is home to Hollywood, many famous actors, and several famous entertainment awards shows including the Oscars and Grammys.

According to the REIS, Inc. Los Angeles County recorded 2016 population of 10,208,550, indicating a 0.5% increase over the previous year, and is projected to increase to 10,507,710 by 2021. According to the U.S. Bureau of Labor Statistics, 2016 unemployment for the city and MSA was 5.1% and 4.9%, respectively; both represent the lowest unemployment since 2007.

The city of Glendale, California is located in the San Fernando Valley and is part of Los Angeles County. The city experienced significant development in the 1970s, with the completion of State Highway 2 and Interstate 134, as well as the redevelopment of Brand Boulevard and the construction of the Glendale Galleria shopping mall that opened in 1976. Glendale, along with its neighbor Burbank, has served as a major production center for the U.S. entertainment industry and the U.S. animation industry.

According to a third party data provider, the property is located within the Los Angeles/Long Beach, California lodging market. For the trailing twelve month ("**TTM**") period ended May 2017, the Los Angeles/Long Beach market contained 1,015 hotels with a lodging inventory of 99,978 rooms. The Los Angeles/Long Beach lodging market achieved an aggregate occupancy level of 80.8% with an ADR of \$172.16, reflecting a RevPAR of \$139.13. The TTM May 2017 RevPAR of \$139.13 represents an increase of 4.1% over the previous corresponding TTM period.

## Mortgage Loan No. 6 — Hilton Glendale

### Competitive Hotels Profile<sup>(1)</sup>

| Property                             | Rooms        | Year Built         | Estimated Market Mix |            |                 | 2016 Estimated Operating Statistics |                 |                 |
|--------------------------------------|--------------|--------------------|----------------------|------------|-----------------|-------------------------------------|-----------------|-----------------|
|                                      |              |                    | Commercial           | Leisure    | Meeting & Group | Occupancy                           | ADR             | RevPAR          |
| <b>Hilton Glendale</b>               | <b>351</b>   | <b>1992 / 2016</b> | <b>59%</b>           | <b>23%</b> | <b>18%</b>      | <b>84.3%</b>                        | <b>\$175.97</b> | <b>\$148.41</b> |
| Embassy Suites Los Angeles Glendale  | 272          | 2008 / 2017        | 55%                  | 25%        | 20%             | 85%-90%                             | \$200 - \$210   | \$170 - \$180   |
| Marriott Los Angeles Burbank Airport | 488          | 1982 / 2015        | 60%                  | 20%        | 20%             | 85%-90%                             | \$190 - \$200   | \$170 - \$180   |
| Holiday Inn Burbank Media Center     | 484          | 1981 / 2013        | 55%                  | 30%        | 15%             | 75%-80%                             | \$160 - \$170   | \$125 - \$130   |
| Hilton Los Angeles Universal City    | 495          | 1984 / 2014        | 40%                  | 40%        | 20%             | 85%-90%                             | \$240 - \$250   | \$210 - \$220   |
| Sheraton Universal City              | 449          | 1969 / 2017        | 40%                  | 40%        | 20%             | 70%-75%                             | \$220 - \$230   | \$150 - \$160   |
| <b>Total<sup>(2)</sup></b>           | <b>2,188</b> |                    |                      |            |                 |                                     |                 |                 |

(1) Source: Appraisal.

(2) Excludes the subject property.

### Operating History and Underwritten Net Cash Flow

|   | 2014                | 2015                | 2016                | TTM <sup>(1)</sup>  | Underwritten        | Per Room <sup>(2)</sup> | % <sup>(3)</sup> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|------------------|
| Occupancy                                 | 81.3%               | 84.4%               | 84.1%               | 83.9%               | 83.9%               |                         |                  |
| ADR                                       | \$153.68            | \$156.89            | \$175.97            | \$167.03            | \$167.03            |                         |                  |
| RevPAR                                    | \$124.93            | \$132.46            | \$148.01            | \$140.19            | \$140.19            |                         |                  |
| Room Revenue                              | \$16,005,134        | \$16,969,485        | \$19,013,722        | \$17,960,788        | \$17,960,788        | \$51,170                | 72.0%            |
| Food and Beverage                         | 4,227,894           | 5,379,135           | 4,985,445           | 6,033,132           | 6,033,132           | \$17,188                | 24.2%            |
| Other Departmental Revenues               | 1,416,202           | 1,133,594           | 1,165,928           | 965,723             | 965,723             | \$2,751                 | 3.9%             |
| <b>Total Revenue</b>                      | <b>\$21,649,230</b> | <b>\$23,482,214</b> | <b>\$25,165,095</b> | <b>\$24,959,643</b> | <b>\$24,959,643</b> | <b>\$71,110</b>         | <b>100.0%</b>    |
| Room Expense                              | 4,105,755           | 4,243,066           | 4,566,947           | 4,530,633           | 4,530,633           | \$12,908                | 25.2%            |
| Food and Beverage Expense                 | 3,847,193           | 4,274,165           | 4,021,625           | 4,359,126           | 4,359,126           | \$12,419                | 72.3%            |
| Other Departmental Expenses               | 646,600             | 139,790             | 136,932             | 137,562             | 137,562             | \$392                   | 14.2%            |
| <b>Departmental Expenses</b>              | <b>\$8,599,548</b>  | <b>\$8,657,021</b>  | <b>\$8,725,504</b>  | <b>\$9,027,321</b>  | <b>\$9,027,321</b>  | <b>\$25,719</b>         | <b>36.2%</b>     |
| <b>Departmental Profit</b>                | <b>\$13,049,682</b> | <b>\$14,825,193</b> | <b>\$16,439,591</b> | <b>\$15,932,322</b> | <b>\$15,932,322</b> | <b>\$45,391</b>         | <b>63.8%</b>     |
| <b>Operating Expenses<sup>(4)</sup></b>   | <b>\$7,803,836</b>  | <b>\$7,964,230</b>  | <b>\$8,910,977</b>  | <b>\$8,829,178</b>  | <b>\$8,535,415</b>  | <b>\$24,317</b>         | <b>34.2%</b>     |
| <b>Gross Operating Profit</b>             | <b>\$5,245,846</b>  | <b>\$6,860,963</b>  | <b>\$7,528,614</b>  | <b>\$7,103,144</b>  | <b>\$7,396,907</b>  | <b>\$21,074</b>         | <b>29.6%</b>     |
| Fixed Expenses <sup>(4)</sup>             | 1,362,335           | 1,694,688           | 1,443,276           | 1,715,062           | 976,755             | \$2,783                 | 3.9%             |
| <b>Net Operating Income<sup>(4)</sup></b> | <b>\$3,883,511</b>  | <b>\$5,166,275</b>  | <b>\$6,085,338</b>  | <b>\$5,388,082</b>  | <b>\$6,420,152</b>  | <b>\$18,291</b>         | <b>25.7%</b>     |
| FF&E                                      | 865,969             | 939,289             | 1,006,604           | 970,597             | 998,386             | \$2,844                 | 4.0%             |
| <b>Net Cash Flow</b>                      | <b>\$3,017,542</b>  | <b>\$4,226,986</b>  | <b>\$5,078,734</b>  | <b>\$4,417,485</b>  | <b>\$5,421,766</b>  | <b>\$15,447</b>         | <b>21.7%</b>     |

(1) The TTM column represent the trailing twelve month period ending July 31, 2017.

(2) Per Room values are based on 351 available rooms.

(3) % column represents percent of Total Revenue except for Room Expense, Food and Beverage and Other Department Expenses, which is based on their corresponding revenue line items.

(4) The Underwritten NOI is greater than the TTM NOI primarily due underwriting lower expenses that included property taxes underwritten based on the acquisition value and the current tax rate, consistent with the appraisal (in California the subject will be reassessed based on the sale), insurance that was underwritten to the new policy premium, and a lower management fee per the new management agreement.

**Property Management.** The property is managed by Merritt Hospitality, LLC, a wholly-owned management subsidiary of HEI Hospitality, LLC ("HEI") under a management agreement through 2022. HEI owns and manages over 50 full-service, upscale, luxury, and premium select-service hotels and resorts located in large metropolitan, urban markets and destination locations, representing the world's leading brands such as Marriott, Hilton, Embassy Suites, Westin, Le Méridien, and Sheraton.

## Mortgage Loan No. 6 — Hilton Glendale

**Escrows and Reserves.** At origination, the borrower deposited a total of \$888,969 into escrows; \$760,488 for tax reserve, \$82,870 for FF&E reserve, \$40,111 for insurance reserve and \$5,500 for deferred maintenance reserve.

*Tax Escrows* – On a monthly basis, the borrower is required to escrow 1/12th of the annual estimated tax payments, which currently equates to \$108,641.

*Insurance Escrows* – On a monthly basis, the borrower is required to escrow 1/12th of the annual estimated insurance payments, which currently equates to \$10,028.

*FF&E Reserve* – On a monthly basis, the borrower is required to escrow an amount equal to the greater of (a) 1/12th of 4.0% of gross income from operations for the property over the trailing twelve month period, which currently equates to \$82,870 and (b) the amount required to be deposited into the reserve as defined in the management agreement (up to 4.0% of gross revenues).

*Deferred Maintenance Reserves* – The engineer identified \$5,000 of deferred maintenance to repair the pool apron. At origination, the borrower was required to escrow 110% of the estimated cost of the repairs which equates to \$5,500.

**Lockbox / Cash Management.** The Hilton Glendale loan is structured with a hard lockbox and springing cash management. The property manager will deposit all rental, credit card deposits and other income directly into the lockbox account controlled by the lender. So long as there is no Cash Sweep Event (as defined below), all funds in the lockbox account are swept daily to the borrower operating account during each interest period of the term of the loan in accordance with the loan documents. During the continuance of a Cash Sweep Event, all funds in the lockbox account are swept on a daily basis into a cash management account controlled by the lender. All excess cash flow in the cash management account, after payments made in accordance with the loan documents for, among other things, debt service, required reserves and operating expenses and mezzanine debt service, will be held as additional collateral for the loan so long as the Cash Sweep Event exists.

A “Cash Sweep Event” means: (i) an event of default (ii) any bankruptcy action of the borrower or the property manager, or (iii) the debt yield is less than 7.75%.

**Additional Debt.** In addition to the Hilton Glendale loan, a \$5.25 million mezzanine loan was provided in connection with the financing that is secured by a pledge of the direct equity interests in the mortgage borrower and is conterminous with the mortgage loan. The mezzanine loan has a 9.5000% coupon and will amortize on a fixed amortization schedule. Including the mezzanine loan, the Cut-off Date LTV is 70.4% and the UW NOI Debt Yield is 12.2%.