

Mortgage Loan No. 7 — Embassy Suites and Claypool Court



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Mortgage Loan Information

| | |
|--|---------------------------------|
| Mortgage Loan Seller: | Column |
| Original Principal Balance: | \$30,000,000 |
| Cut-off Date Principal Balance: | \$30,000,000 |
| % of Pool by IPB: | 3.2% |
| Loan Purpose: | Refinance |
| Borrower: | Claypool Court, LLC |
| Sponsor: | Melvin Simon & Associates, Inc. |
| Interest Rate: | 4.1290% |
| Note Date: | 9/29/2015 |
| Maturity Date: | 10/6/2025 |
| Interest-only Period: | 36 months |
| Original Term: | 120 months |
| Original Amortization: | 360 months |
| Amortization Type: | IO-Balloon |
| Call Protection: | L(28),Def(88),O(4) |
| Lockbox⁽¹⁾: | Hard |
| Additional Debt: | No |
| Additional Debt Balance: | N/A |
| Additional Debt Type: | N/A |
| Additional Future Debt Permitted: | No |

Escrows and Reserves⁽⁵⁾

| | Initial | Monthly | Initial Cap |
|-----------------------------|--------------|---------------------------|-------------|
| Taxes: | \$0 | Springing | N/A |
| Insurance: | \$0 | Springing | N/A |
| FF&E Reserve: | \$0 | 5% of hotel gross revenue | N/A |
| PIP Reserve: | \$11,000,000 | \$185,333 | N/A |
| TI/LC Reserve: | \$0 | Springing | \$230,000 |
| Replacement Reserve: | \$0 | Springing | \$46,200 |

Sources and Uses

| Sources | Proceeds | % of Total |
|----------------------|---------------------|---------------|
| Mortgage Loan | \$30,000,000 | 88.7% |
| Borrower Equity | 3,814,313 | 11.3 |
| | | |
| Total Sources | \$33,814,313 | 100.0% |

Property Information

| | |
|---|-----------------------------|
| Single Asset / Portfolio: | Single Asset |
| Title⁽²⁾: | Fee & Leasehold |
| Property Type - Subtype: | Hotel – Full Service |
| Net Rentable Area (Rooms)⁽³⁾: | 360 |
| Location: | Indianapolis, IN |
| Year Built / Renovated: | 1985 / 2011-2012 |
| Occupancy / ADR / RevPAR: | 73.9% / \$147.70 / \$109.08 |
| Occupancy / ADR / RevPAR Date: | 8/31/2015 |
| Number of Tenants⁽⁴⁾: | 7 |
| 2012 NOI: | \$5,152,732 |
| 2013 NOI: | \$5,373,024 |
| 2014 NOI: | \$5,308,304 |
| TTM NOI⁽⁴⁾: | \$5,372,975 |
| UW Occupancy / ADR / RevPAR: | 73.9% / \$147.70 / \$109.08 |
| UW Revenues: | \$18,873,495 |
| UW Expenses: | \$13,668,564 |
| UW NOI: | \$5,204,931 |
| UW NCF: | \$4,230,955 |
| Appraised Value / Per Room: | \$51,700,000 / \$143,611 |
| Appraisal Date: | 8/28/2015 |

Financial Information

| | |
|-----------------------------------|----------|
| Cut-off Date Loan / Room: | \$83,333 |
| Maturity Date Loan / Room: | \$72,313 |
| Cut-off Date LTV: | 58.0% |
| Maturity Date LTV: | 50.4% |
| UW NCF DSCR: | 2.42x |
| UW NOI Debt Yield: | 17.3% |

| Uses | Proceeds | % of Total |
|----------------------|---------------------|---------------|
| Payoff Existing Debt | \$22,247,609 | 65.8% |
| Upfront Reserves | 11,000,000 | 32.5 |
| Closing Costs | 566,704 | 1.7 |
| | | |
| Total Uses | \$33,814,313 | 100.0% |

- (1) For a more detailed description of Lockbox, please refer to "Lockbox / Cash Management" below.
- (2) The property is owned in fee by the borrower but the borrower leases parking spaces from an adjacent parking garage. For more information please refer to "Parking Lease" below.
- (3) The property contains approximately 78,000 SF of retail and office/exhibition space, located on floors 1 through 3. The net operating income from the space represents approximately 3.3% of the UW NOI.
- (4) Represents trailing twelve months ending August 31, 2015.
- (5) For a more detailed description of Escrows and Reserves, please refer to "Escrows and Reserves" below.

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The Loan. The Embassy Suites and Claypool Court loan is a \$30.0 million first mortgage loan secured by the fee interest in a 360-room full-service hotel property located in Indianapolis, Indiana, together with a leasehold interest in certain parking spaces, pursuant to a parking agreement. The loan has a 10-year term and will amortize on a 30-year schedule after a three-year interest-only period.

The Borrower. The borrowing entity for the loan is Claypool Court, LLC, a Delaware limited liability company and special purpose entity.

The Sponsor. The loan's sponsor and nonrecourse carve-out guarantor is Melvin Simon & Associates, Inc., an entity owned by various members of the Simon family, including David Simon, the current Chairman and CEO of the Simon Property Group ("Simon"). Simon is a leader in retail real estate ownership, management, investment and development across North America, Europe and Asia and is an S&P 100 company (NYSE: SPG).

The Property. The property consists of a full-service hotel known as the Embassy Suites Indianapolis Downtown located in Indianapolis, Indiana that offers 360 suites and additionally contains approximately 78,000 SF of retail and office space known as Claypool Court. The property was originally constructed in 1985. The sponsors have spent over \$4.0 million (approximately \$11,200 per room) on capital expenditures between 2010 and 2014. In addition, they are expected to undergo an approximately \$19.8 million (\$55,070 per room) property improvement plan between 2015 and 2017. The renovation is expected to upgrade the entire hotel including the entry, lobby, meeting rooms, guestrooms and other public spaces. The hotel has access to an adjacent, adjoining garage, which is owned by a third-party and charges guests a daily usage fee. The borrower has a leasehold interest in certain parking spaces pursuant to a parking agreement which grants rights to utilize such parking. The borrower's leasehold interest is encumbered by the mortgage. See "*Parking Lease*" below.

The hotel's lobby is located at the base of an open-air atrium with glass enclosed elevators providing views of the lobby and atrium as guests ascend to their rooms. Amenities at the property include the Claypool Grill Restaurant and Lounge, a breakfast/snack area, a fitness room, a business center and an indoor swimming pool. The property also provides approximately 12,500 SF of meeting space as well as providing guests direct access to the adjacent Indiana Roof Ballroom meeting facilities, a landmark facility and per the appraisal, one of the central business district's higher-end meeting venues. The guestroom mix includes 210 king suites, 132 double/double suites, 11 penthouse suites, one penthouse double king suite and six ADA suites. Each guestroom includes a flat-screen television, refrigerator, sleeper sofa, desk with chairs and lounge chairs.

The property contains the approximately 78,000 SF Claypool Court which is located on the first three floors of the property and provided a mixture of retail and office/exhibition space. The larger tenants include Rhythm! Discovery Center, the Indianapolis Colts Bar, the Weber Grill, the Indianapolis Arts Counsel and Panera Bread. Based on the underwritten rent roll, Claypool Court was 74.0% leased to seven tenants and the net operating income attributed to the Claypool Court space represented approximately 3.3% of UW NOI. The retail space is managed by Simon.

The property's demand mix is approximately 50% commercial, 30% leisure and 20% meeting & group. According to the appraisal, the largest generators of commercial demand in Indianapolis include Bank One, Clarion Health, Deloitte, Eli Lilly, JPMorgan Chase, the NCAA, Pricewaterhouse Coopers, Simon, Rolls Royce and United Technologies.

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The Market. The property is located in Indianapolis, Indiana on the north side of West Washington Street, which, according to the appraisal, is within Indianapolis' primary entertainment, retail and convention venue in the heart of the Indianapolis central business district. According to the appraisal, the property is in walking distance to many of the area's primary generators of lodging demand including Monument Circle, the Circle Centre Mall, Conseco Fieldhouse, Lucas Oil Stadium (the home of the Indianapolis Colts), Banker's Life Fieldhouse (homes of the Indiana Pacers), Hilbert Circle Theatre (home of the Indianapolis Symphony Orchestra), Indianapolis Zoo various commercial and governmental developments, including the state capitol building, and the recently expanded Indiana Convention Center. The Indiana Convention Center offers approximately 566,600 SF of contiguous exhibit hall space, 11 exhibit halls ranging from 36,300 SF to 88,900 SF, 71 meeting rooms totaling 113,302 SF and three ballrooms of various sizes totaling 62,173 SF, with the largest one in excess of 33,000 SF. In addition, the property connects to the Circle Centre Mall through the city's covered skywalk. The Circle Centre Mall, which was developed by Simon, consists of over 100 stores on four levels with a gross leasable area of 786,000 SF.

Historical Occupancy, ADR, RevPAR⁽¹⁾

| Competitive Set | | | | Embassy Suites and Claypool Court ⁽²⁾ | | | Penetration Factor | | |
|--------------------|-----------|----------|----------|--|----------|----------|--------------------|--------|--------|
| Year | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR |
| 2012 | 70.3% | \$132.69 | \$93.32 | 72.5% | \$146.05 | \$105.87 | 103.1% | 110.1% | 113.4% |
| 2013 | 69.8% | \$135.38 | \$94.45 | 74.4% | \$141.00 | \$104.92 | 106.6% | 104.2% | 111.1% |
| 2014 | 71.7% | \$140.85 | \$101.03 | 75.1% | \$143.24 | \$107.51 | 104.7% | 101.7% | 106.4% |
| TTM ⁽³⁾ | 70.2% | \$145.02 | \$101.84 | 73.9% | \$147.70 | \$109.08 | 105.2% | 101.8% | 107.1% |

(1) Source: Third Party Data Provider. The competitive set consists of the following hotels: Hyatt Regency Indianapolis, Crowne Plaza Indianapolis Downtown Union Station, Omni Severin Hotel, and Hilton Indianapolis.

(2) Source: Borrower financials.

(3) Represents the trailing twelve month period ending August 31, 2015.

Competitive Hotels Profile⁽¹⁾

| Property | Estimated Market Mix | | | | | |
|--|----------------------|-------------|--------------------|------------|-----------------|------------|
| | Rooms | Year Built | Meeting Space (SF) | Commercial | Meeting & Group | Leisure |
| Embassy Suites Indianapolis Downtown | 360 | 1985 | 12,493 | 50% | 20% | 30% |
| Hilton Indianapolis | 332 | 2000 | 28,000 | 40% | 35% | 25% |
| Hyatt Regency Indianapolis | 499 | 1977 | 35,000 | 35% | 45% | 20% |
| Crowne Plaza Indianapolis Downtown Union Station | 273 | 1986 | 50,000 | 35% | 35% | 30% |
| Omni Severin Hotel | 424 | 1913 | 17,000 | 40% | 30% | 30% |
| Total⁽²⁾ | 1,528 | | | | | |

(1) Source: Appraisal and borrower financials.

(2) Excludes the subject property.

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Operating History and Underwritten Net Cash Flow

| | 2012 | 2013 | 2014 | TTM ⁽¹⁾ | Underwritten | Per Room ⁽²⁾ | % ⁽³⁾ |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|------------------|
| Occupancy | 72.5% | 74.4% | 75.1% | 73.9% | 73.9% | | |
| ADR | \$146.05 | \$141.00 | \$143.24 | \$147.70 | \$147.70 | | |
| RevPAR | \$105.87 | \$104.92 | \$107.51 | \$109.08 | \$109.08 | | |
| Room Revenue | \$13,949,040 | \$13,786,439 | \$14,127,432 | \$14,332,449 | \$14,332,449 | \$39,812 | 75.9% |
| Food and Beverage | 1,223,699 | 1,343,226 | 1,360,678 | 1,318,067 | 1,318,067 | 3,661 | 7.0% |
| Other Departmental Revenues | 3,191,350 | 3,045,522 | 3,147,585 | 3,222,979 | 3,222,979 | 8,953 | 17.1% |
| Total Revenue | \$18,364,089 | \$18,175,187 | \$18,635,695 | \$18,873,495 | \$18,873,495 | \$52,426 | 100.0% |
| Room Expense | 3,371,089 | 3,337,024 | 3,383,599 | 3,285,675 | 3,285,675 | 9,127 | 22.9% |
| Food and Beverage Expense | 923,173 | 1,039,106 | 1,021,564 | 992,480 | 992,480 | 2,757 | 75.3% |
| Other Departmental Expenses | 685,525 | 655,578 | 671,134 | 672,823 | 672,823 | 1,869 | 20.9% |
| Departmental Expenses | \$4,979,787 | \$5,031,708 | \$5,076,297 | \$4,950,978 | \$4,950,978 | \$13,753 | 26.2% |
| Departmental Profit | \$13,384,302 | \$13,143,479 | \$13,559,398 | \$13,922,517 | \$13,922,517 | \$38,674 | 73.8% |
| Operating Expenses | \$7,085,050 | \$6,827,143 | \$7,223,003 | \$7,473,556 | \$7,740,210 | \$21,501 | 41.0% |
| Gross Operating Profit | \$6,299,252 | \$6,316,336 | \$6,336,395 | \$6,448,961 | \$6,182,307 | \$17,173 | 32.8% |
| Fixed Expenses | 1,146,520 | 943,312 | 1,028,091 | 1,075,986 | 977,376 | 2,715 | 5.2% |
| Net Operating Income | \$5,152,732 | \$5,373,024 | \$5,308,304 | \$5,372,975 | \$5,204,931 | \$14,458 | 27.6% |
| FF&E | 0 | 0 | 0 | 0 | 973,975 | 2,705 | 5.2% |
| Net Cash Flow | \$5,152,732 | \$5,373,024 | \$5,308,304 | \$5,372,975 | \$4,230,955 | \$11,753 | 22.4% |

(1) The TTM column represents the trailing twelve month period ending August 31, 2015.

(2) Per Room values are based on 360 rooms.

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

Property Management. The hotel is managed by Embassy Suites Management LLC, a subsidiary of Hilton Hotels Corporation, pursuant to a management agreement that expires in December 2024. The management agreement provides for a management fee of 3.0% of gross hotel revenues plus an incentive fee. In addition, the property has a co-terminus franchise agreement that provides for a program fee of 4.0% of gross hotel revenues and a royalty fee of 4.0% of gross hotel revenues (stepping up to 5.0% in 2016). The retail portion of the property is managed by M.S. Management Associates, Inc., an affiliate of the borrower.

Escrows and Reserves. At origination, the borrower deposited into escrow \$11.0 million into the PIP reserve.

Tax Escrows – During a Lockbox Event, on a monthly basis, the borrower is required to escrow 1/12th of the annual estimated tax payments.

Insurance Escrows – The requirement of the borrower to make monthly deposits to the insurance reserve is waived so long as no Lockbox Event exists and the borrower provides satisfactory evidence that the property is insured as part of a blanket policy in accordance with the loan documents.

Replacement Reserves – During a Lockbox Event, on a monthly basis, the borrower is required to escrow \$1,283 for replacement reserves. The replacement reserve is capped at \$46,200.

TI/LC Reserves – During a Lockbox Event, on a monthly basis, the borrower is required to escrow \$9,667 for TI/LC reserves. The TI/LC reserve is capped at \$230,000.

FF&E Reserves – On a monthly basis, the borrower is required to escrow an amount equal to 1/12th of 5.0% of gross revenues from the hotel portion of the property, which currently equates to \$70,238.

PIP Reserve – At origination, the borrower deposited into escrow \$11.0 million to be held for the PIP work. In addition, the borrower is required to deposit an additional \$5.0 million into the PIP reserve through nine quarterly payments of \$556,000 commencing on January 6, 2016 and continuing consecutively for the next eight calendar quarters. Borrower's failure to make any such deposits to the PIP Reserve on a timely basis shall constitute an event of default. In lieu of depositing the full amount of PIP reserve funds required hereunder in cash and at any time after depositing any PIP reserve funds, the borrower may deliver to

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lender one or more letters of credit as a substitute for all or any portion of such PIP reserve funds; provided however, that such letter, or letters of credit may not exceed \$5.0 million, in aggregate, for the initial deposit or the quarterly installments.

Lockbox / Cash Management. The Embassy Suites and Claypool Court loan is structured with a hard lockbox and springing cash management. The borrower is required to send tenant direction letters to instruct tenants of the retail portion of the property to deposit all rental, or related deposits and other income directly into the lockbox account controlled by the lender. In addition, the borrower is required to, and is required to cause the applicable manager to, deposit all amounts received by borrower or manager constituting rents from the retail portion of the property and the net receipts or net income from the hotel portion of the property (after all expenses and capital expenditures with respect to the hotel portion of the property have been paid for by the hotel manager in compliance with the provisions of the hotel management agreement) into the lockbox account within two business days after receipt. During the continuance of a Lockbox Event, all funds in the lockbox account are swept weekly to a cash management account under the control of the lender and disbursed in accordance with the provisions of the loan documents. During the continuance of a Lockbox Event, all excess cash flow, after payments made in accordance with the loan documents for, amongst other things, debt service, required reserves and operating expenses, will be held as additional collateral for the loan.

“Lockbox Event” means: (i) an event of default, (ii) any bankruptcy action of the borrower, retail manager, or the hotel manager or (iii) the DSCR based on the trailing four calendar quarter period is less than 1.50x for two consecutive quarters.

Parking Lease. The borrower has a parking agreement in place with the adjacent parking garage owner which provides for the lease of up to 131 parking spaces per day which has a 2015 general daily rate of \$12.47 per parking space. The lease has a current expiration date of October 31, 2035. The borrower's leasehold interest in the parking agreement is encumbered by the lien of the mortgage.