

SIMON PREMIUM OUTLETS



Pismo Beach Premium Outlets

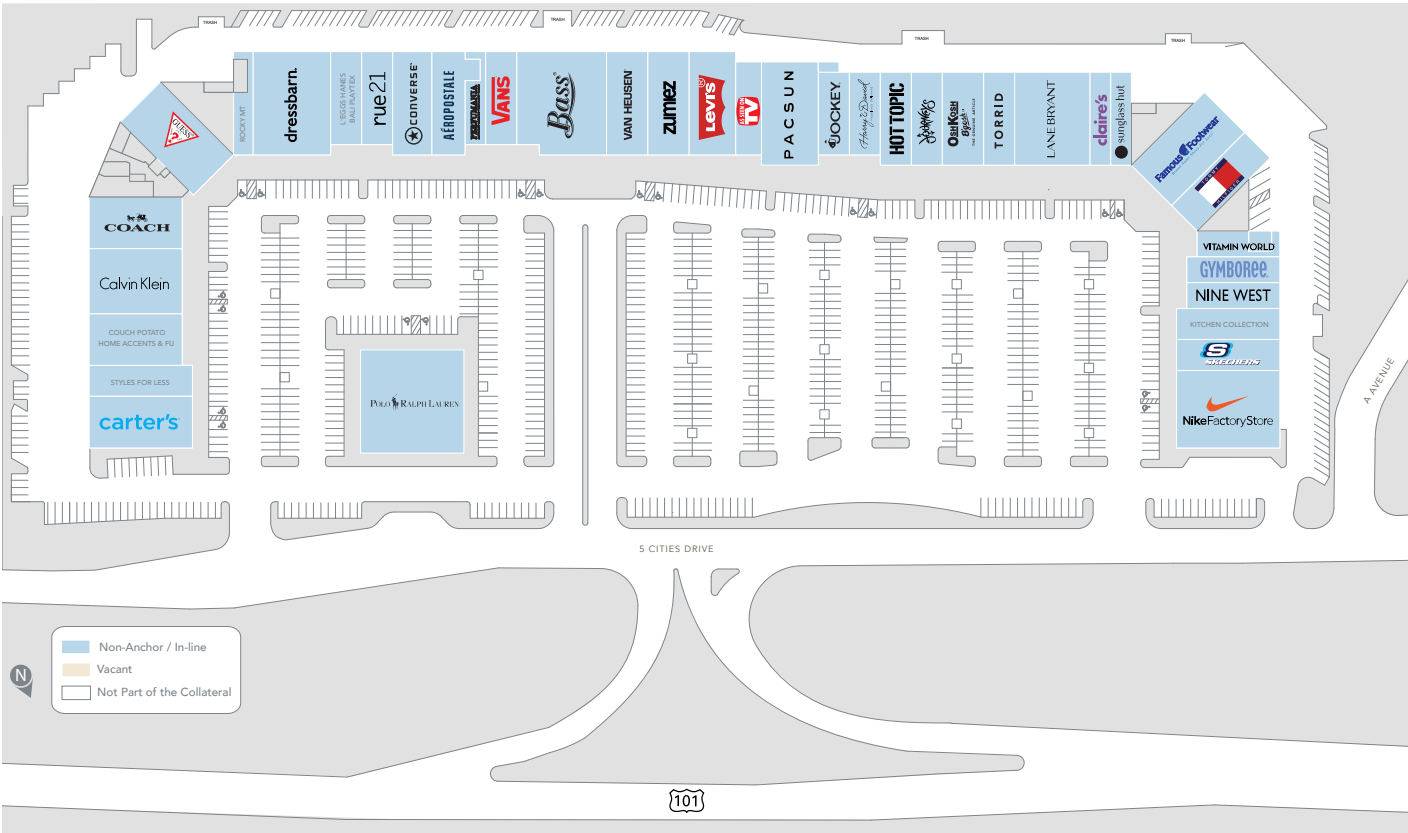


Queenstown Premium Outlets





Pismo Beach Premium Outlets





Queenstown Premium Outlets





## Simon Premium Outlets

| # | Property Name               | Address                 | City/State      | Zip Code |
|---|-----------------------------|-------------------------|-----------------|----------|
| 1 | Queenstown Premium Outlets  | 441 Outlet Center Drive | Queenstown, MD  | 21658    |
| 2 | Pismo Beach Premium Outlets | 333 Five Cities Drive   | Pismo Beach, CA | 93449    |



## SIMON PREMIUM OUTLETS

- **The Mortgaged Properties.** The Simon Premium Outlets Properties consist of two retail outlet centers totaling approximately 437,000 SF: an approximately 290,000 SF retail outlet center located in Queenstown, Maryland (the “**Queenstown Premium Outlets Property**”) and an approximately 147,000 SF retail outlet center located in Pismo Beach, California (the “**Pismo Beach Premium Outlets Property**”).

The following table presents certain information relating to the Simon Premium Outlets Properties:

| Property Name               | City        | State      | Cut-off Date<br>Allocated Loan<br>Amount | Total GLA      | Occupancy    | Year Built | As-Is<br>Appraised<br>Value | UW NCF              |
|-----------------------------|-------------|------------|--|----------------|--------------|------------|-----------------------------|---------------------|
| Queenstown Premium Outlets  | Queenstown  | Maryland   | \$42,561,489                             | 289,571        | 90.8%        | 1989       | \$127,000,000               | \$8,312,543         |
| Pismo Beach Premium Outlets | Pismo Beach | California | 24,227,309                               | 147,416        | 98.5         | 1994       | 71,000,000                  | 4,375,990           |
| <b>Total</b>                |             |            | <b>\$66,788,798</b>                      | <b>436,987</b> | <b>93.4%</b> |            | <b>\$198,000,000</b>        | <b>\$12,688,533</b> |

### Queenstown Premium Outlets Property

The Queenstown Premium Outlets Property is located in Queenstown, Maryland, east of the Chesapeake Bay Bridge on Maryland's Eastern Shore. Located at the Route 301/50 split, it serves the nearby cities of Washington, D.C., Baltimore and Annapolis, as well as tourists traveling to the Eastern Shore. It was constructed in 1989 and renovated in 2006. It features approximately 60 outlet stores including Adidas, Brooks Brothers, Calvin Klein, Coach, J. Crew Factory Store, Michael Kors, Nike Factory Store, Polo Ralph Lauren, Talbots and Under Armour. As of June 30, 2016, the Queenstown Premium Outlets Property generated in-line comparable (tenants with less than 10,000 SF, have been in occupancy for 12 months in the same location at the Queenstown Premium Outlets Property and report sales for 12 months) sales of \$343 per SF, resulting in an in-line comparable (less than 10,000 SF) occupancy cost of 13.3%. As of August 29, 2016, Total Occupancy and Owned Occupancy at the Queenstown Premium Outlets Property were both 90.8%.

### Pismo Beach Premium Outlets Property

The Pismo Beach Premium Outlets Property is located in Pismo Beach, California, between Los Angeles and San Francisco, in the region's wine country. It was constructed in 1994 and renovated in 1999. It features approximately 38 designer and name brand outlet stores including Calvin Klein, Carter's, Coach, Polo Ralph Lauren, Tommy Hilfiger and Nike Factory Store. As of June 30, 2016, the Pismo Beach Premium Outlets Property generated in-line comparable (tenants with less than 10,000 SF, have been in occupancy for 12 months in the same location at the Pismo Beach Premium Outlets Property and report sales for 12 months) sales of \$436 per SF, resulting in an in-line comparable (less than 10,000 SF) occupancy cost of 9.6%. As of August 29, 2016, Total Occupancy and Owned Occupancy at the Pismo Beach Premium Outlets Property were both 98.5%.

The following table presents certain information relating to the major tenants (of which, certain tenants may have co-tenancy provisions) at the Simon Premium Outlets Property:

### **Ten Largest Tenants Based on Underwritten Base Rent**

#### Combined Queenstown Premium Outlets Property and Pismo Premium Outlets Property

| Tenant Name                | Property   | Tenant<br>GLA  | % of<br>GLA  | UW Base<br>Rent    | % of Total UW<br>Base Rent |
|----------------------------|------------|----------------|--------------|--------------------|----------------------------|
| Famous Footwear Outlet     | Both       | 10,543         | 2.4%         | \$434,053          | 3.6%                       |
| Levi's Outlet              | Both       | 8,911          | 2.0          | 385,441            | 3.2                        |
| Bass                       | Both       | 12,600         | 2.9          | 369,781            | 3.1                        |
| Nike Factory Store         | Both       | 20,500         | 4.7          | 358,000            | 3.0                        |
| Calvin Klein               | Both       | 10,670         | 2.4          | 348,950            | 2.9                        |
| Carter's                   | Both       | 9,500          | 2.2          | 348,595            | 2.9                        |
| Dress Barn                 | Both       | 10,700         | 2.4          | 342,080            | 2.8                        |
| PacSun <sup>(1)</sup>      | Both       | 9,471          | 2.2          | 331,828            | 2.8                        |
| Under Armour               | Queenstown | 9,346          | 2.1          | 288,791            | 2.4                        |
| Brooks Brothers            | Queenstown | 8,219          | 1.9          | 287,665            | 2.4                        |
| <b>Ten Largest Tenants</b> |            | <b>110,460</b> | <b>25.3%</b> | <b>\$3,495,185</b> | <b>29.1%</b>               |

(1) PacSun has filed for bankruptcy, but is currently in-place and paying rent. PacSun leases space at both properties: Pismo Beach Premium Outlets Property: 5,471 SF expiring 5/31/2021 at \$38.04 underwritten base rent per SF with \$295 sales per SF and Queenstown Premium Outlets Property: 4,000 SF expiring 5/31/2021 at \$30.93 underwritten base rent per SF with \$238 sales per SF. We cannot assure you that this tenant will not reject its lease or continue paying rent.

## Ten Largest Tenants Based on Underwritten Base Rent (continued)

Queenstown Premium Outlets Property

| Tenant Name                               | Credit Rating<br>(Fitch/MIS/S&P) <sup>(1)</sup> | Tenant<br>GLA  | % of<br>GLA   | UW Base<br>Rent    | % of Total<br>UW Base<br>Rent | UW<br>Base<br>Rent<br>\$ per SF | Tenant<br>Sales \$<br>per SF <sup>(2)</sup> | Occupancy<br>Cost | Lease<br>Expiration | Renewal /<br>Extension Options |
|---|---|----------------|---------------|--------------------|-------------------------------|---------------------------------|---|-------------------|---------------------|--------------------------------|
| Under Armour                              | NR / Baa2 / BBB-                                | 9,346          | 3.2%          | \$288,791          | 3.7%                          | \$30.90                         | NA  | NA                | 5/31/2026           | NA                             |
| Brooks Brothers                           | NR / NR / NR                                    | 8,219          | 2.8           | 287,665            | 3.7                           | 35.00                           | \$232                                       | 16.2%             | 12/31/2019          | NA                             |
| Michael Kors                              | NR / NR / NR                                    | 5,248          | 1.8           | 278,380            | 3.6                           | 53.05                           | \$798                                       | 8.3%              | 11/30/2024          | NA                             |
| Old Navy                                  | NR / NR / NR                                    | 13,000         | 4.5           | 258,700            | 3.3                           | 19.90                           | \$252                                       | 12.9%             | 6/30/2021           | NA                             |
| Columbia Sportswear                       | NR / NR / NR                                    | 7,476          | 2.6           | 235,601            | 3.0                           | 31.51                           | \$326                                       | 13.6%             | 1/31/2023           | NA                             |
| V.F. Factory Outlet                       | NR / A3 / A                                     | 20,862         | 7.2           | 227,502            | 2.9                           | 10.91                           | \$99  | 11.0%             | 5/31/2019           | NA                             |
| Famous Footwear Outlet                    | NR / NR / NR                                    | 5,043          | 1.7           | 218,160            | 2.8                           | 43.26                           | NA  | NA                | 9/30/2025           | NA                             |
| Tommy Bahama                              | NR / NR / NR                                    | 6,000          | 2.1           | 210,000            | 2.7                           | 35.00                           | \$275                                       | 17.0%             | 5/31/2017           | 1, 5-year option               |
| Nike Factory Store                        | NR / A1 / AA-                                   | 13,000         | 4.5           | 208,000            | 2.7                           | 16.00                           | \$515                                       | 4.8%              | 4/30/2018           | 1, 5-year option               |
| Nautica Factory Store                     | NR / NR / NR                                    | 4,560          | 1.6           | 205,291            | 2.6                           | 45.02                           | \$229                                       | 25.4%             | 6/30/2018           | NA                             |
| <b>Ten Largest Owned Tenants</b>          |   | <b>92,754</b>  | <b>32.0%</b>  | <b>\$2,418,090</b> | <b>30.9%</b>                  | <b>\$26.07</b>                  |   |                   |                     |                                |
| Remaining Owned Tenants <sup>(3)(4)</sup> |   | 170,045        | 58.7          | 5,417,722          | 69.1                          | 31.86                           |   |                   |                     |                                |
| Vacant Spaces (Owned Space)               |   | 26,772         | 9.2           | 0                  | 0.0                           | 0.00                            |   |                   |                     |                                |
| <b>Total All Owned Tenants</b>            |   | <b>289,571</b> | <b>100.0%</b> | <b>\$7,835,812</b> | <b>100.0%</b>                 | <b>\$29.82</b>                  |   |                   |                     |                                |

Pismo Beach Premium Outlets Property

| Tenant Name                            | Credit Rating<br>(Fitch/MIS/S&P) <sup>(1)</sup> | Tenant<br>GLA  | % of<br>GLA   | UW Base<br>Rent    | % of Total<br>UW Base<br>Rent | UW<br>Base<br>Rent<br>\$ per SF | Tenant<br>Sales \$<br>per SF <sup>(2)</sup> | Occupancy<br>Cost | Lease<br>Expiration | Renewal /<br>Extension Options |
|--|---|----------------|---------------|--------------------|-------------------------------|---------------------------------|---|-------------------|---------------------|--------------------------------|
| Famous Footwear Outlet                 | NR / NR / NR                                    | 5,500          | 3.7%          | \$215,893          | 5.1%                          | \$39.25                         | \$405                                       | 13.0%             | 11/30/2019          | NA                             |
| PacSun <sup>(3)</sup>                  | NR / NR / NR                                    | 5,471          | 3.7           | 208,094            | 5.0                           | 38.04                           | \$295                                       | 12.9%             | 5/31/2021           | NA                             |
| Bass                                   | NR / NR / NR                                    | 8,500          | 5.8           | 204,510            | 4.9                           | 24.06                           | \$286                                       | 12.9%             | 1/31/2017           | NA                             |
| Levi's Outlet                          | BB / Ba2 / BB                                   | 4,500          | 3.1           | 186,856            | 4.5                           | 41.52                           | \$584                                       | 9.4%              | 1/31/2021           | NA                             |
| Calvin Klein                           | NR / Ba2 / BB+                                  | 5,670          | 3.8           | 186,600            | 4.5                           | 32.91                           | \$329                                       | 13.3%             | 7/31/2019           | NA                             |
| Dress Barn                             | NR / NR / BB-                                   | 7,500          | 5.1           | 180,000            | 4.3                           | 24.00                           | \$251                                       | 15.3%             | 6/30/2021           | NA                             |
| Carter's                               | NR / NR / BB+                                   | 5,000          | 3.4           | 151,900            | 3.6                           | 30.38                           | \$413                                       | 10.5%             | 1/31/2017           | NA                             |
| Lane Bryant                            | NR / NR / NR                                    | 6,570          | 4.5           | 151,110            | 3.6                           | 23.00                           | \$176                                       | 17.3%             | 12/31/2017          | NA                             |
| Guess?                                 | NR / NR / NR                                    | 5,500          | 3.7           | 151,030            | 3.6                           | 27.46                           | \$303                                       | 13.7%             | 1/31/2021           | NA                             |
| Nike Factory Store                     | NR / A1 / AA-                                   | 7,500          | 5.1           | 150,000            | 3.6                           | 20.00                           | \$993                                       | 2.8%              | 2/28/2019           | 1, 5-year option               |
| <b>Ten Largest Owned Tenants</b>       |   | <b>61,711</b>  | <b>41.9%</b>  | <b>\$1,785,993</b> | <b>42.6%</b>                  | <b>\$28.94</b>                  |   |                   |                     |                                |
| Remaining Owned Tenants <sup>(4)</sup> |   | 83,469         | 56.6          | 2,406,718          | 57.4                          | 28.83                           |   |                   |                     |                                |
| Vacant Spaces (Owned Space)            |   | 2,236          | 1.5           | 0                  | 0.0                           | 0.00                            |   |                   |                     |                                |
| <b>Total All Owned Tenants</b>         |   | <b>147,416</b> | <b>100.0%</b> | <b>\$4,192,711</b> | <b>100.0%</b>                 | <b>\$28.88</b>                  |   |                   |                     |                                |

(1) Certain ratings are those of the parent company whether or not the parent guarantees the lease.

(2) Sales are based off of the trailing 12 month period ending June 30, 2016, as provided by the borrower.

(3) PacSun has filed for bankruptcy, but is currently in-place and paying rent. PacSun leases space at both properties: Pismo Beach Premium Outlets Property: 5,471 SF expiring 5/31/2021 at \$38.04 underwritten base rent per SF with \$295 sales per SF and Queenstown Premium Outlets Property: 4,000 SF expiring 5/31/2021 at \$30.93 underwritten base rent per SF with \$238 sales per SF. We cannot assure you that this tenant will not reject its lease or continue paying rent.

(4) Includes one tenant (Aeropostale) that has filed for bankruptcy, but is currently in-place and paying rent. Aeropostale leases space at both properties: Pismo Beach Premium Outlets Property: 3,500 SF expiring 1/31/2018 at \$32.00 underwritten base rent per SF with \$555 sales per SF and Queenstown Premium Outlets Property: 4,000 SF expiring 3/31/2017 at \$29.00 underwritten base rent per SF with \$276 sales per SF. We cannot assure you that this tenant will not reject its lease or continue paying rent.



## SIMON PREMIUM OUTLETS

The following table presents certain information relating to the lease rollover schedule at the Simon Premium Outlets Properties based on initial lease expiration dates:

### Lease Expiration Schedule<sup>(1)</sup>

| Year Ending December 31, | Expiring Owned GLA | % of Owned GLA | Cumulative % of Owned GLA | UW Base Rent        | % of Total UW Base Rent | UW Base Rent \$ per SF | # of Expiring Leases |
|--------------------------|--------------------|----------------|---------------------------|---------------------|-------------------------|------------------------|----------------------|
| MTM                      | 9,961              | 2.3%           | 2.3%                      | \$293,419           | 2.4%                    | \$29.46                | 4                    |
| 2016                     | 2,250              | 0.5            | 2.8%                      | 78,000              | 0.6                     | 34.67                  | 1                    |
| 2017                     | 87,041             | 19.9           | 22.7%                     | 2,432,895           | 20.2                    | 27.95                  | 21                   |
| 2018                     | 37,368             | 8.6            | 31.3%                     | 1,225,985           | 10.2                    | 32.81                  | 10                   |
| 2019                     | 64,579             | 14.8           | 46.0%                     | 1,730,876           | 14.4                    | 26.80                  | 12                   |
| 2020                     | 32,150             | 7.4            | 53.4%                     | 928,199             | 7.7                     | 28.87                  | 7                    |
| 2021                     | 68,736             | 15.7           | 69.1%                     | 1,620,033           | 13.5                    | 23.57                  | 11                   |
| 2022                     | 28,264             | 6.5            | 75.6%                     | 940,326             | 7.8                     | 33.27                  | 8                    |
| 2023                     | 18,891             | 4.3            | 79.9%                     | 583,557             | 4.9                     | 30.89                  | 4                    |
| 2024                     | 12,449             | 2.8            | 82.8%                     | 557,685             | 4.6                     | 44.80                  | 4                    |
| 2025                     | 22,136             | 5.1            | 87.8%                     | 941,161             | 7.8                     | 42.52                  | 7                    |
| 2026                     | 24,154             | 5.5            | 93.4%                     | 696,386             | 5.8                     | 28.83                  | 5                    |
| 2027 & Thereafter        | 0                  | 0.0            | 93.4%                     | 0                   | 0.0                     | 0.00                   | 0                    |
| Vacant                   | 29,008             | 6.6            | 100.0%                    | 0                   | 0.0                     | 0.00                   | 0                    |
| <b>Total / Wtd. Avg.</b> | <b>436,987</b>     | <b>100.0%</b>  |                           | <b>\$12,028,523</b> | <b>100.0%</b>           | <b>\$29.48</b>         | <b>94</b>            |

(1) Calculated based on approximate square footage occupied by each Owned Tenant.

The following table presents certain information relating to historical occupancy at the Simon Premium Outlets Property:

### Historical Leased % & In-line Sales

|   | 2013   | 2014   | 2015   |
|---|--------|--------|--------|
| <u>Queenstown Premium Outlets Property</u>                    |        |        |        |
| Occupancy <sup>(1)(2)</sup>                                   | 100.0% | 98.0%  | 95.0%  |
| In-line Tenant (<10,000 SF) Sales per SF <sup>(3)(4)(5)</sup> | \$432  | \$367  | \$342  |
| <u>Pismo Beach Premium Outlets Property</u>                   |        |        |        |
| Occupancy <sup>(1)(2)</sup>                                   | 100.0% | 100.0% | 100.0% |
| In-line Tenant (<10,000 SF) Sales per SF <sup>(3)</sup>       | \$401  | \$405  | \$429  |

(1) As provided by the borrower.

(2) Reflects occupancy (including temporary tenants) as of December 31 and sales per SF for the tenants that occupy <10,000 SF at the respective property and have been in occupancy for the entirety of the respective sales period, unless specified otherwise.

(3) Inline comparable tenant (<10,000 SF) Sales per SF are for tenants that have been in occupancy for full 12 months for each respective year and have reported full year sales for that period.

(4) Sales for 2013 include Gucci which was a pop-up tenant (sales PSF of \$1,507) and vacated at the end of the year. Sales per SF excluding Gucci were \$410 per SF for 2013.

(5) Coach has recently relocated and expanded its space and is not included in the 2015 sales per SF calculation. The last full year sales volume for Coach was \$1,266 per SF as of 2014.

## SIMON PREMIUM OUTLETS

- **Operating History and Underwritten Net Cash Flow.** The following table presents certain information relating to the historical operating performance and the Underwritten Net Cash Flow at the Simon Premium Outlets Properties:

### Cash Flow Analysis<sup>(1)</sup>

|                                   | 2013         | 2014         | 2015         | TTM 6/30/2016 | Underwritten <sup>(2)</sup> | Underwritten<br>\$ per SF |
|-----------------------------------|--------------|--------------|--------------|---------------|-----------------------------|---------------------------|
| In-Place Base Rent <sup>(3)</sup> | \$12,017,701 | \$12,195,641 | \$12,185,164 | \$12,317,183  | \$12,028,523                | \$27.53                   |
| Vacancy Gross Up                  | 0            | 0            | 0            | 0             | 1,302,488                   | 2.98                      |
| Percentage Rent                   | 447,469      | 459,445      | 386,212      | 343,571       | 222,135                     | 0.51                      |
| Total Rent                        | \$12,465,170 | \$12,655,086 | \$12,571,376 | \$12,660,754  | \$13,553,146                | \$31.01                   |
| CAM Recoveries                    | 2,739,389    | 2,887,003    | 3,060,948    | 3,078,822     | 3,020,788                   | 6.91                      |
| Real Estate Tax Recoveries        | 824,728      | 895,681      | 916,206      | 941,764       | 863,595                     | 1.98                      |
| Utilities Recoveries              | 158,413      | 293,107      | 251,535      | 256,399       | 239,055                     | 0.55                      |
| Marketing Recoveries              | 1,046,160    | 1,242,051    | 1,075,476    | 1,139,173     | 1,139,173                   | 2.61                      |
| Total Rent & Recoveries           | \$17,233,860 | \$17,972,928 | \$17,875,541 | \$18,076,912  | \$18,815,757                | \$43.06                   |
| In-Place Vacancy and Credit Loss  | (6,458)      | (9,688)      | (3,566)      | (65,636)      | (1,512,450)                 | (3.46)                    |
| Net Rev. Before Other Income      | \$17,227,402 | \$17,963,240 | \$17,871,975 | \$18,011,276  | \$17,303,307                | \$39.60                   |
| Temp Tenant Rental Income         | 104,430      | 140,164      | 144,434      | 152,447       | 152,447                     | 0.35                      |
| Other Rental Income               | 77,555       | 56,775       | 56,900       | 64,418        | 64,418                      | 0.15                      |
| Other Non-Rental Income           | 85,794       | 116,539      | 132,740      | 121,714       | 121,714                     | 0.28                      |
| Total Other Income                | \$267,779    | \$313,478    | \$334,074    | \$338,579     | \$338,579                   | \$0.77                    |
| Effective Gross Income            | \$17,495,181 | \$18,276,718 | \$18,206,049 | \$18,349,855  | \$17,641,886                | \$40.37                   |
| Real Estate Taxes                 | \$999,169    | \$1,063,631  | \$1,061,020  | \$1,110,572   | \$1,107,840                 | \$2.54                    |
| Insurance                         | 195,679      | 201,820      | 206,383      | 211,242       | 183,748                     | 0.42                      |
| Utilities                         | 181,322      | 199,570      | 231,439      | 218,986       | 218,986                     | 0.50                      |
| Repairs & Maintenance             | 412,914      | 402,734      | 446,616      | 448,860       | 448,860                     | 1.03                      |
| Janitorial                        | 217,746      | 242,837      | 237,499      | 221,780       | 221,780                     | 0.51                      |
| Management Fee                    | 469,567      | 503,017      | 495,125      | 496,143       | 441,047                     | 1.01                      |
| Payroll                           | 156,599      | 191,381      | 257,048      | 268,495       | 268,495                     | 0.61                      |
| Advertising                       | 1,046,162    | 1,242,053    | 1,075,474    | 1,139,171     | 1,139,171                   | 2.61                      |
| Professional Fees                 | 13,372       | 11,193       | 7,952        | 3,792         | 3,792                       | 0.01                      |
| General and Administrative        | 555,681      | 510,582      | 412,548      | 432,895       | 432,895                     | 0.99                      |
| Other Expenses                    | 36,172       | 38,276       | 31,724       | 24,906        | 24,906                      | 0.06                      |
| Total Expenses                    | \$4,284,383  | \$4,607,094  | \$4,462,828  | \$4,576,842   | \$4,491,520                 | \$10.28                   |
| Net Operating Income              | \$13,210,798 | \$13,669,624 | \$13,743,221 | \$13,773,013  | \$13,150,366                | \$30.09                   |
| TI/LC                             | 0            | 0            | 0            | 0             | 387,598                     | 0.89                      |
| Capital Expenditures              | 0            | 0            | 0            | 0             | 74,235                      | 0.17                      |
| Net Cash Flow                     | \$13,210,798 | \$13,669,624 | \$13,743,221 | \$13,773,013  | \$12,688,533                | \$29.04                   |

(1) Certain items such as straight line rent, interest expense, interest income, lease cancellation income, depreciation, amortization, debt service payments and any other non-recurring or non-operating items were excluded from the historical presentation and are not considered for the underwritten cash flow.

(2) Underwritten cash flow based on contractual rents as of August 29, 2016 and contractual rent steps through August 31, 2017.

(3) Underwritten base rent includes two tenants at each property (PacSun \$331,828 underwritten base rent and Aeropostale \$228,000 underwritten base rent) that have filed for bankruptcy, but are in-place and paying rent. Additionally, includes two tenants at both properties (Coach and Polo Ralph Lauren) that are currently paying a percentage of sales in-lieu of base rent (Queenstown Premium Outlets Property – Coach \$74,040, Polo Ralph Lauren \$160,540) (Pismo Beach Premium Outlets Property – Coach \$94,830, Polo Ralph Lauren \$98,700).

- **Appraisal.** According to the appraisal, the Queenstown Premium Outlets Property had an “as-is” appraised value of \$127,000,000 as of August 7, 2016. According to the appraisal, the Pismo Beach Premium Outlets Property had an “as-is” appraised value of \$71,000,000 as of August 10, 2016.
- **Environmental Matters.** According to the Phase I environmental reports, each dated August 15, 2016, there are no recognized environmental conditions or recommendations for further action at the Simon Premium Outlets Properties.

- **Market Overview and Competition.** The Simon Premium Outlets Portfolio consist of two retail outlet centers: the Queenstown Premium Outlets Property and the Pismo Beach Premium Outlets Property.

**Queenstown Premium Outlets Property**

Primary competition for the Queenstown Premium Outlets Property includes three outlet centers, each 50 miles or more from the subject. The Queenstown Premium Outlets Property draws from Queen Annes county area which includes a population of approximately 49,013 and had an average household income of \$107,353 (as of 2015). The Queenstown Premium Outlets Property also draws from tourist traffic, particularly in the summer months.

The following table presents certain information relating to the primary competition for the Queenstown Premium Outlets Property:

**Competitive Set<sup>(1)</sup>**

|                             | <b>Queenstown Premium Outlets Property</b>                           | <b>Tanger Outlet Center Seaside Property</b>  | <b>Tanger Outlet Center Ocean Gateway</b>   | <b>Tanger Outlet Center Oxon Hill Road</b>   |
|-----------------------------|--|---|---|--|
| Distance from Subject       | -  | 60.0 miles  | 70.0 miles  | 50.0 miles   |
| Property Type               | Outlet Center  | Outlet Center   | Outlet Center   | Outlet Center  |
| Year Built / Renovated      | 1989 / 2006  | 1954 / 1996   | 1982 / 1996   | 2013 / NA  |
| Total GLA                   | 289,571  | 755,816   | 199,201   | 221,765  |
| Total Occupancy             | 90.8%  | 100.0%  | 97.0%   | 100.0%   |
| Sales per SF <sup>(2)</sup> | \$343  | NAV   | NAV   | NAV  |
| Major Tenants               | Nike Factory Store, Old Navy, V.F. Factory Outlet, Polo Ralph Lauren | Nike, Old Navy, Dress Barn, Children Place, Bass, Coach, Columbia Sportswear, Loft, Polo, Banana Republic | J Crew, Brook Brothers, Chico's, Coach, Bass, Adidas, American Eagle, Under Armour, Gap | H&M, Gap, Banana Republic, Coach, Under Armour, Polo, Nike, Calvin Klein, Carter, Columbia Sportswear, Bass, Express |

(1) Source: Appraisal.

(2) Represents sales as of June 30, 2016 for comparable in-line tenants with less than 10,000 SF, have been in occupancy for 12 months in the same location at the Queenstown Premium Outlets Property and report sales for 12 months.

**Pismo Beach Premium Outlets Property**

Primary competition for the Pismo Beach Premium Outlets Property includes two outlet centers, each more than 100 miles from the subject. The Pismo Beach Premium Outlets Property draws most of its traffic from the surrounding counties of Santa Barbara, King, Kern, San Luis Obispo and Fresno. Nearby San Luis Obispo is the home of Cal Poly University with a student population of over 20,900 (as of 2015). The immediate trade area of 20 miles around the property included a population of 284,892 and had an average household income of \$75,409 (as of 2015). The area also draws Pacific Coast tourism traffic.

The following table presents certain information relating to the primary competition for the Pismo Beach Premium Outlets Property:

**Competitive Set<sup>(1)</sup>**

|                             | <b>Pismo Beach Premium Outlets Property</b>             | <b>Outlets at Tejon</b>  | <b>Camarillo Premium Outlets</b>  |
|-----------------------------|---|--|---|
| Distance from Subject       | -   | 120.0 miles  | 124.0 miles   |
| Property Type               | Outlet Center   | Outlet Center  | Outlet Center   |
| Year Built / Renovated      | 1994 / 1999   | 2014 / NA  | 1995 / NA   |
| Total GLA                   | 147,416   | 300,000  | 675,000   |
| Total Occupancy             | 98.5%   | 100.0%   | 100.0%  |
| Sales per SF <sup>(2)</sup> | \$436   | NA   | NA  |
| Major Tenants               | Polo Ralph Lauren, Bass, Dress Barn, Nike Factory Store | Michael Kors, H&M, Coach, Banana Republic, J. Crew, Nike, Pottery Barn | Neiman Marcus Last Call, Saks Fifth Avenue OFF 5TH, Barneys New York Outlet |

(1) Source: Appraisal.

(2) Represents sales as of June 30, 2016 for comparable in-line tenants with less than 10,000 SF, have been in occupancy for 12 months in the same location at the Pismo Beach Premium Outlets Property and report sales for 12 months.



- **The Borrowers.** The borrowers are Prime Outlets at Pismo Beach LLC, and Queenstown Outlets Limited Partnership, each a single-purpose, single-asset entities. Legal counsel to the borrowers delivered a non-consolidation opinion in connection with the origination of the Simon Premium Outlets Loan. The non-recourse carve-out guarantor under the Simon Premium Outlets Loan is Simon Property Group, L.P. (“**Simon**”), an indirect owner of the borrowers. The liability of the non-recourse carve-out guarantor is capped at 20% of the outstanding principal balance of the Simon Premium Outlets Whole Loan, and all reasonable, out of-pocket costs and expenses (including, but not limited to, court costs and fees and reasonable attorney’s fees) incurred by the lender in connection with the enforcement of, or preservation of the lender’s rights under, the guaranty and the environmental indemnity agreement.

Simon is the operating partnership of Simon Property Group, Inc., a retail real estate owner, manager and developer, and a S&P 100 company (Simon Property Group, NYSE: SPG). As of June 30, 2016, Simon owned or held an interest in 207 properties in the United States, including 108 malls, 71 Premium Outlets, 14 Mills, four lifestyle centers, and 10 other retail properties within 37 states and Puerto Rico. Internationally, as of June 30, 2016, the company has ownership interests in nine Premium Outlets in Japan, three Premium Outlets in South Korea, two Premium Outlets in Canada, one Premium Outlet in Mexico, and one Premium Outlet in Malaysia. Per its 2015 Annual Report, Simon reported total assets of approximately \$30.7 billion, equity of approximately \$5.2 billion and liquidity of approximately \$701.1 million. As of November 7, 2016, Simon has a credit rating of A by S&P Global Rating Services.

- **Escrows.** On each due date during a Simon Premium Outlets Trigger Period, the borrowers will be required to fund (i) a replacement reserve in the amount of \$7,283 for purposes of replacements and repairs to the Simon Premium Outlets Properties, (ii) a tenant improvements and leasing commission reserve in the amount of \$45,519, (iii) a tax reserve in an amount equal to one-twelfth of the amount that the lender estimates will be payable during the next ensuing 12-month period, and (iv) an insurance reserve in an amount equal to one-twelfth of the amount that the lender estimates will be payable during the ensuing 12-month period, unless the insurance is being maintained under a blanket policy in accordance with the related loan documents.

In addition, on each due date during the continuance of a Simon Premium Outlets Trigger Period, the related loan documents require an excess cash flow reserve as discussed under “*—Lockbox and Cash Management*” below.

A “**Simon Premium Outlets Trigger Period**” means any period: (i) commencing on the date of determination on which the debt service coverage ratio (as calculated under the related loan documents) for the trailing four calendar quarter period, is less than 1.60x and ending on the date of determination on which the debt service coverage ratio for the trailing four calendar quarter period equals or exceeds 1.60x for two consecutive calendar quarters (ii) during the continuance of an event of default or (iii) during any period when the assets of Simon Management Associates, LLC, Simon Property Group, L.P. or an affiliate, of Simon Property Group, L.P. are subject to a bankruptcy action, unless replaced within 60 days within a qualified manager, pursuant to the related loan documents.

- **Lockbox and Cash Management.** The Simon Premium Outlets Loan is structured with a hard lockbox and springing cash management. The related loan documents require the borrowers to direct tenants to pay rent directly to a lender-controlled lockbox account, and require that all cash revenues relating to the Simon Premium Outlets Properties and all other money received by the borrowers or the property manager with respect to the Simon Premium Outlets Properties be deposited into such lockbox account or a lender-controlled cash management account within two business days following receipt. If no Simon Premium Outlets Trigger Period or event of default under the loan agreement is continuing, all funds in the lockbox account are required to be swept into a borrower-controlled operating account weekly. No less frequently than weekly during the continuance of a Simon Premium Outlets Trigger Period, all funds in the lockbox account are required to be swept into a lender-controlled cash management account and if a Simon Premium Outlets Trigger Period is continuing (or, at the lender’s discretion, during the continuance of an event of default under the related loan documents), be used to pay debt service, required reserves and operating expenses, with all remaining amounts reserved in an excess cash flow reserve account.

- **Property Management.** The Simon Premium Outlets Properties are managed by Simon Management Associates, LLC, an affiliate of the borrowers, pursuant to management agreements. Under the related loan documents, the Simon Premium Outlets Properties are required to remain managed by Simon Management Associates, LLC, Simon Property Group, L.P. or an affiliate of Simon Property Group, L.P, provided, that so long as no event of default exists, the borrowers may replace the property manager with a replacement manager that satisfies the requirements for a qualified manager and otherwise satisfies certain conditions contained in the loan documents. The lender has the right to replace, or require the borrowers to replace, the property manager with a property manager selected by the lender (i) if the property manager becomes insolvent or a debtor in a bankruptcy, insolvency or similar action, (ii) during the continuance of an event of default under the Simon Premium Outlets Loan after the expiration of all applicable notice and cure periods, or (iii) during the continuance of an event of default by the property manager under the management agreement after the expiration of any applicable notice and cure periods.
- **Release, Substitution and Addition of Collateral.** Provided no event of default under the Simon Premium Outlets Loan has occurred and is continuing, at any time after the earlier to occur of (i) October 6, 2019 and (ii) the second anniversary of the closing date of the securitization into which the last piece of the Simon Premium Outlets Whole Loan is deposited, the borrowers may obtain the release of one or both of the Simon Premium Outlets Properties from the lien of the Simon Premium Outlets Loan, subject to the satisfaction of certain conditions, including, among others: (i) delivery of defeasance collateral in an amount not less than (x) with respect to the release of Pismo Beach Premium Outlets Property, 125% of its allocated loan amount, and with respect to the release of the Queenstown Premium Outlets Property, 115% of its allocated loan amount, (ii) except in the case of a full defeasance, the debt yield calculated to include only income and expense attributable to the portion of the Simon Premium Outlets Properties remaining after the contemplated release and to exclude the interest expense on the aggregate amount defeased in connection with such release, is not less than the greater of (x) 13% and (y) the debt yield calculated to include income and expense for the Simon Premium Outlets Properties immediately prior to such partial defeasance, (iii) delivery of a REMIC opinion and (iv) receipt of a Rating Agency Confirmation.
- **Mezzanine or Secured Subordinate Indebtedness.** Not permitted.
- **Terrorism Insurance.** The insurance policies required under the loan documents may not contain an exclusion for acts of terrorism or if TRIPRA is not in effect and the insurance policies do contain an exclusion for acts of terrorism, the borrowers will obtain a stand-alone policy for each property that provides the same coverage as the insurance policies would have if the exclusion for acts of terrorism did not exist, except that the borrowers will not be required to spend more than two times the then current annual insurance premiums payable by the borrowers for the insurance policies insuring the properties (excluding the wind and flood components of the insurance premiums) and the stand-alone terrorism policies may have a deductible that is reasonable for stand-alone policies, so long the deductible does not exceed \$5,000,000. The required terrorism insurance may be included in a blanket policy, provided that the borrowers provide evidence satisfactory to the lender that the insurance coverage for each property provides the protections required under the loan documents. See “*Risk Factors—Terrorism Insurance May Not Be Available for All Mortgaged Properties*” in the Prospectus.