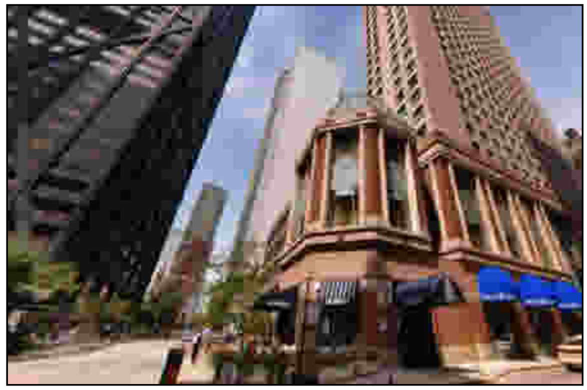
## Hilton Suites Chicago Magnificent Mile

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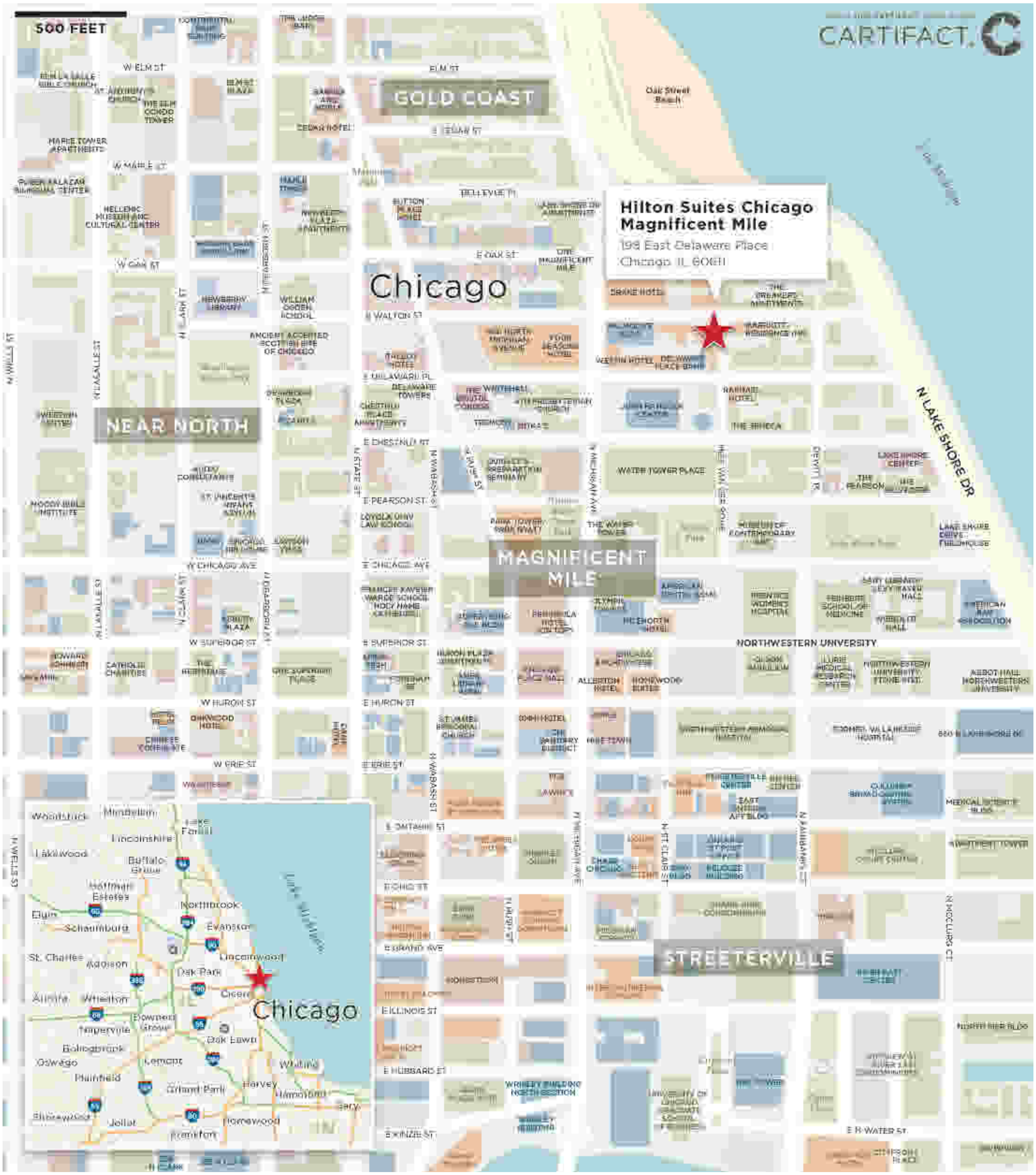

# Hilton Suites Chicago Magnificent Mile

| Mortgage Loan Information | |
|---|---|
| **Mortgage Loan Seller:** | JPMCB |
| **Original Principal Balance:** | $77,260,000 |
| **Cut-off Date Principal Balance:** | $77,260,000 |
| **% of Pool by IPB:** | 6.7% |
| **Loan Purpose:** | Refinance |
| **Borrower:** | PIL II, L.P. |
| **Sponsor:** | CMS/Procaccianti Hospitality Holdings III, L.P. |
| **Interest Rate:** | 4.80600% |
| **Note Date:** | 9/11/2015 |
| **Maturity Date:** | 10/1/2020 |
| **Interest-only Period:** | None |
| **Original Term:** | 60 months |
| **Original Amortization:** | 360 months |
| **Amortization Type:** | Balloon |
| **Call Protection:** | L(25),Grtr1%orYM(31),O(4) |
| **Lockbox:** | CMA |
| **Additional Debt:** | Yes |
| **Additional Debt Balance[(2)]:** | $3,000,000 |
| **Additional Debt Type:** | Unsecured |

| Property Information | |
|---|---|
| **Single Asset / Portfolio:** | Single Asset |
| **Title:** | Fee |
| **Property Type - Subtype:** | Hotel - Full Service |
| **Net Rentable Area (Rooms):** | 345 |
| **Location:** | Chicago, IL |
| **Year Built / Renovated:** | 1989 / 2014 |
| **Occupancy / ADR / RevPAR:** | 84.0% / $198.28 / $166.63 |
| **Occupancy / ADR / RevPAR Date:** | 7/31/2015 |
| **Number of Tenants:** | N/A |
| **2012 NOI:** | $6,768,969 |
| **2013 NOI:** | $6,949,628 |
| **2014 NOI[(1)]:** | $7,025,736 |
| **TTM NOI (as of 7/2015)[(1)]:** | $7,520,355 |
| **UW Occupancy / ADR / RevPAR:** | 84.0% / $198.28 / $166.63 |
| **UW Revenues:** | $25,257,459 |
| **UW Expenses:** | $17,746,588 |
| **UW NOI:** | $7,510,871 |
| **UW NCF:** | $7,510,871 |
| **Appraised Value / Per Room[(3)]:** | $112,400,000 / $325,797 |
| **Appraisal Date:** | 7/7/2015 |

**Escrows and Reserves[(4)]**

| | Initial | Monthly | Initial Cap |
|---|---|---|---|
| **Taxes:** | $370,863 | $123,621 | N/A |
| **Insurance:** | $8,563 | Springing | N/A |
| **FF&E Reserves[(5)]:** | $63,144 | 3% of Gross Revenues | N/A |
| **TI/LC:** | $0 | $0 | N/A |
| **Other:** | $11,377,951 | Springing | N/A |

| Financial Information | |
|---|---|
| **Cut-off Date Loan / Room:** | $223,942 |
| **Maturity Date Loan / Room:** | $205,948 |
| **Cut-off Date LTV[(3)]:** | 68.7% |
| **Maturity Date LTV[(3)]:** | 63.2% |
| **UW NCF DSCR:** | 1.54x |
| **UW NOI Debt Yield:** | 9.7% |

**Sources and Uses**

| Sources | Proceeds | % of Total | Uses | Proceeds | % of Total |
|---|---|---|---|---|---|
| Mortgage Loan | $77,260,000 | 100.0% | Payoff Existing Debt | $50,089,028 | 64.8% |
| | | | Return of Equity | 14,801,776 | 19.2 |
| | | | Upfront Reserves | 11,820,521 | 15.3 |
| | | | Closing Costs | 548,675 | 0.7 |
| **Total Sources** | **$77,260,000** | **100.0%** | **Total Uses** | **$77,260,000** | **100.0%** |

(1) The increase in TTM NOI from 2014 NOI is primarily due to an increase in ADR.
(2) The Additional Debt Balance refers to the original balance of the unsecured debt. See "*Additional Debt*" below for additional details.
(3) The Appraised Value / Per Room, Cut-off Date LTV and Maturity Date LTV are calculated based on the "as if complete" value, which assumes that the proposed renovations to the property have been completed. At closing, the borrower reserved $10,158,748 for the renovations. The "as-is" value as of July 7, 2015 is $102.1 million, which results in a Cut-off Date LTV and Maturity Date LTV of 75.7% and 69.6%, respectively.
(4) For a full description of Escrows and Reserves, please refer to *"Escrows and Reserves"* below.
(5) Monthly FF&E Reserves are in the amount of 3.0% of gross revenues for the first two years after closing and 4.0% of gross revenues thereafter.

***The Loan.*** The Hilton Suites Chicago Magnificent Mile loan has an outstanding principal balance of $77.26 million and is secured by a first mortgage lien on the fee interest in a 345-room full service hotel located in Chicago, Illinois. The loan has a five-year term and will amortize on a 30-year schedule. The previously existing debt was securitized in 2006 as part of the WBCMT 2006-C23 transaction.

***The Borrower.*** The borrowing entity for the loan is PIL II, L.P., a Delaware limited partnership and special purpose entity.

## Hilton Suites Chicago Magnificent Mile

***The Sponsor.*** The loan sponsor and nonrecourse carve-out guarantor is CMS/Procaccianti Hospitality Holdings III, L.P. The Procaccianti Group serves as general partner for the loan sponsor. Founded in 1964, The Procaccianti Group is a second generation privately-held real estate investment and management company. Since 1964, The Procaccianti Group has owned or managed real estate assets totaling more than 50 million square feet with a value exceeding $5 billion. As of September 2015, The Procaccianti Group's portfolio included 63 hotel properties located in 25 states totaling 17,554 rooms.

The Hilton Suites Chicago Magnificent Mile property was acquired in a larger transaction by a partnership between The Procaccianti Group (2.0%) and CMS/Och-Ziff (98.0%) in June 2005. Och-Ziff held a preferred equity interest in the property, which was paid off with this financing. Since acquisition, the loan sponsor has invested over $15.7 million ($45,491 per room) in capital improvements, of which approximately $6.0 million was completed at the property between 2011 and May 2015. According to the loan sponsor, capital improvements in 2011 alone totaled $3.6 million, which included renovations to the guest rooms, general area, lobby, ballroom and conference room renovations. At origination, approximately $10.2 million ($29,446 per room) was reserved to complete renovations related to a property improvement plan ("PIP"). The PIP renovations are expected to include a full renovation of guest rooms and suites, exterior façade project, full lobby upgrade, full renovation of public restrooms, renovation of a private dining room, fitness center and pool facilities, modernized elevator system and roof replacement. According to the loan sponsor, renovations are projected to result in minimal revenue displacement as the work is expected to be completed during the lower occupancy months of December through April.

***The Property.*** Hilton Suites Chicago Magnificent Mile is a 30-story, 345-room, all-suite full service hotel located in Chicago, Illinois. Originally developed in 1989, the hotel is located on the Magnificent Mile, a shopping district on North Michigan Avenue which offers hundreds of designer retail shops and products from around the world.

The Hilton Suites Chicago Magnificent Mile property features three food and beverage options: The Local Chicago, Mirai Sushi and Blenz Coffee Shop, with seating capacities of 70, 26 and 15 seats, respectively. The hotel also provides 104 parking spaces and 10,502 square feet of meeting space across one 2,910 square foot ballroom and nine smaller meeting rooms. Additional amenities at the property include a business center, rooftop fitness center, heated indoor pool, gift shop, valet parking, laundry, in-room dining and complimentary wireless high-speed internet in the lobby.

The property has 345 rooms, including 231 king rooms, 110 double-double rooms, three king executive suites and one presidential suite. All suites feature high-speed internet access, two-line telephones, in-room complimentary coffee/tea, microwave, mini-refrigerator, sleeper sofa and a 47-inch high definition television. The executive level suites provide access to an executive lounge where guests receive complimentary breakfast in the morning and private bar service in the evening.

The hotel is located on Chicago's Magnificent Mile, which is notable for its shopping, dining, arts and entertainment. The hotel is within walking distance of many of the city's largest corporate offices and tourism and cultural attractions, and is less than two blocks to the Lake Michigan lakefront and Oak Street Beach. Chicago's lakefront is a popular destination offering tourists abundant leisure activities. The Magnificent Mile has over 44 million square feet of office space, and companies within a two-mile radius of the Hilton Suites Chicago Magnificent Mile property include Accenture, Aon Corporation, AT&T, Best Buy, Boeing, Blue Cross & Blue Shield, Mesirow Financial, United Continental Holdings Inc. and Winston & Strawn, LLP. The property is in close proximity to the Northwestern Memorial Hospital, a two million square foot academic medical center, and many of Chicago's most popular tourist destinations which include the John Hancock Building, Water Tower Place, Navy Pier, Millennium Park, The Art Institute of Chicago and the Shedd Aquarium. The property is located 18 miles from O'Hare International Airport and 13 miles from Midway International Airport, both of which are connected to downtown Chicago via the Chicago Transit Authority's "L" train rapid transit system. As of May 2015, the "L" had an average weekday passenger boarding of 779,134. Access to the "L" transit system is located a half mile from the hotel. According to the appraisal, as of 2014, the population within a three-mile and five-mile radius contained 307,357 and 710,179 people, respectively, with an average household income of $104,260 and $87,721, respectively.

# Hilton Suites Chicago Magnificent Mile

The appraisal identified one hotel under construction and one proposed hotel as competitive with the Hilton Suites Chicago Magnificent Mile. The 452-room Curio by Hilton is expected to open in 2016 and the 196-room Marriott Autograph Collection Streeterville hotel is projected to open in 2017. According to the appraisal, both hotels are projected to operate at a higher price point, and are therefore considered secondary competitors.

**Historical Occupancy, ADR, RevPAR**

| | Competitive Set(1) | | | Hilton Suites Chicago Magnificent Mile(2) | | | Penetration Factor(3) | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR |
| 2012 | 78.2% | $175.01 | $136.86 | 83.2% | $171.59 | $142.75 | 106.4% | 98.0% | 104.3% |
| 2013 | 78.0% | $179.61 | $140.05 | 83.6% | $180.37 | $150.75 | 107.2% | 100.4% | 107.6% |
| 2014 | 77.0% | $187.03 | $144.02 | 82.0% | $188.86 | $154.93 | 106.5% | 101.0% | 107.6% |
| TTM(4) | 79.0% | $197.07 | $155.66 | 84.0% | $198.28 | $166.63 | 106.3% | 100.6% | 107.1% |

(1) Data provided by a third party data provider. The competitive set contains the following properties: Millennium Knickerbocker, Westin Michigan Avenue Chicago, Warwick Allerton Hotel Chicago, Omni Chicago Hotel, Embassy Suites Chicago Downtown and Hyatt Chicago Magnificent Mile.
(2) Based on operating statements provided by the borrower.
(3) Penetration Factor is calculated based on data provided by a third party data provider for the competitive set and borrower-provided operating statements for the mortgaged property.
(4) TTM represents the trailing 12-month period ending on July 31, 2015.

**Competitive Hotels Profile(1)**

| | | | | 2014 Market Mix | | | 2014 Operating Statistics | | |
|---|---|---|---|---|---|---|---|---|---|
| Property | Rooms | Year Opened | Meeting Space (SF) | Commercial | Leisure | Meeting and Group | Occupancy | ADR | RevPAR |
| **Hilton Suites Chicago Magnificent Mile** | **345** | **1989** | **10,502** | **40%** | **35%** | **25%** | **82.0%** | **$188.86** | **$154.93** |
| Hyatt Chicago Magnificent Mile | 419 | 1991 | 17,900 | 35% | 25% | 40% | 74.0% | $204.00 | $150.96 |
| Omni Chicago Suites | 347 | 1990 | 8,000 | 40% | 20% | 40% | 81.0% | $227.00 | $183.87 |
| DoubleTree by Hilton Chicago Magnificent Mile | 500 | 1975 | 16,000 | 40% | 40% | 20% | 78.0% | $159.00 | $124.02 |
| Embassy Suites Downtown | 368 | 1991 | 6,000 | 40% | 40% | 20% | 79.0% | $212.00 | $167.48 |
| Westin Michigan Avenue | 752 | 1963 | 37,000 | 50% | 40% | 10% | 74.0% | $196.00 | $145.04 |
| **Total(2)** | **2,386** | | | | | | | | |

(1) Based on the appraisal.
(2) Excludes the Hilton Suites Chicago Magnificent Mile property.

## Hilton Suites Chicago Magnificent Mile

| Operating History and Underwritten Net Cash Flow | 2012 | 2013 | 2014 | TTM[1] | Underwritten | Per Room[2] | % of Total Revenue[3] |
|---|---|---|---|---|---|---|---|
| Occupancy | 83.2% | 83.6% | 82.0% | 84.0% | 84.0% | | |
| ADR | $171.59 | $180.37 | $188.86 | $198.28 | $198.28 | | |
| RevPAR[4] | $142.75 | $150.75 | $154.93 | $166.63 | $166.63 | | |
| Room Revenue | $17,976,527 | $18,982,599 | $19,509,281 | $20,983,502 | $20,983,502 | $60,822 | 83.1% |
| Food and Beverage Revenue | 2,387,735 | 2,517,203 | 2,645,729 | 2,346,169 | 2,346,169 | 6,800 | 9.3 |
| Other Departmental Revenue | 1,810,947 | 2,000,263 | 1,840,891 | 1,927,788 | 1,927,788 | 5,588 | 7.6 |
| **Total Revenue** | **$22,175,209** | **$23,500,065** | **$23,995,901** | **$25,257,459** | **$25,257,459** | **$73,210** | **100.0%** |
| Room Expense | $4,082,225 | $4,551,332 | $4,475,334 | $4,745,455 | $4,745,455 | $13,755 | 22.6% |
| Food and Beverage Expense | 1,439,874 | 1,477,856 | 1,431,961 | 1,401,452 | 1,401,452 | 4,062 | 59.7 |
| Other Departmental Expenses | 1,041,813 | 1,093,150 | 1,037,596 | 1,087,963 | 1,087,963 | 3,154 | 56.4 |
| **Departmental Expenses** | **$6,563,912** | **$7,122,338** | **$6,944,891** | **$7,234,870** | **$7,234,870** | **$20,971** | **28.6%** |
| **Departmental Profit** | **$15,611,297** | **$16,377,727** | **$17,051,010** | **$18,022,589** | **$18,022,589** | **$52,239** | **71.4%** |
| **Operating Expenses** | **$5,832,251** | **$6,066,204** | **$6,729,230** | **$7,134,634** | **$7,128,798** | **$20,663** | **28.2%** |
| **Gross Operating Profit** | **$9,779,046** | **$10,311,523** | **$10,321,780** | **$10,887,955** | **$10,893,791** | **$31,576** | **43.1%** |
| Management Fees | $665,249 | $701,220 | $723,601 | $755,542 | $757,724 | $2,196 | 3.0% |
| Property Taxes | 1,301,685 | 1,551,308 | 1,431,596 | 1,420,339 | 1,440,242 | 4,175 | 5.7 |
| Property Insurance | 156,135 | 169,364 | 181,011 | 181,421 | 174,656 | 506 | 0.7 |
| FF&E | 887,008 | 940,003 | 959,836 | 1,010,298 | 1,010,298 | 2,928 | 4.0 |
| **Total Other Expenses** | **$3,010,077** | **$3,361,895** | **$3,296,044** | **$3,367,600** | **$3,382,920** | **$9,806** | **13.4%** |
| **Net Operating Income[4][5]** | **$6,768,969** | **$6,949,628** | **$7,025,736** | **$7,520,355** | **$7,510,871** | **$21,771** | **29.7%** |
| **Net Cash Flow[4]** | **$6,768,969** | **$6,949,628** | **$7,025,736** | **$7,520,355** | **$7,510,871** | **$21,771** | **29.7%** |

(1) TTM column represents the trailing 12-month period ending on July 31, 2015.
(2) Per Room values based on 345 guest rooms.
(3) % of Total Revenue for Room Expense, Food and Beverage Expense and Other Departmental Expenses is based on their corresponding revenue line item.
(4) Historical RevPAR for 2007, 2008, 2009, 2010 and 2011 was $154.59, $150.18, $119.26, $122.15 and $127.30, respectively, and Net Cash Flow was approximately $6.6 million, $7.0 million, $4.9 million, $5.8 million and $5.7 million, respectively.
(5) The increase in TTM Net Operating Income from 2014 Net Operating Income is primarily due to an increase in ADR.

***Property Management.*** The property is managed by TPG Hospitality, Inc., which is an affiliate of the borrower and The Procaccianti Group. The Procaccianti Group and its principals have over 25 years of experience managing hotels. TPG Hospitality, Inc. has managed over 100 hotels surpassing 20,000 guest rooms throughout major submarkets within 25 states. The senior management team at TPG Hospitality, Inc. has an average of 25 years of experience in all aspects of hotel operations. The current management agreement commenced on June 30, 2005, and was amended and extended on June 30, 2015 for a term of 10 years and six months and provides for a contractual management fee of 3.0% of gross revenues and other amounts collected from tenants plus an incentive management fee of 1.0% of gross revenues if the return on equity has equaled or exceeded 10.0%. The management fees are subordinate to the liens and interests of the loan.

***Franchise Agreement.*** The property has a franchise agreement with HLT Existing Franchise Holding LLC. The current franchise agreement commenced on June 30, 2005 for a term of 20 years and provides for a 4.0% program fee based on room revenue on a monthly basis and a 5.0% royalty fee based on room revenue on a monthly basis.

***Escrows and Reserves.*** At origination, the borrower deposited into escrow approximately $10.2 million for renovation reserves associated with the PIP, approximately $1.2 million for seasonality reserves, $370,863 for real estate taxes, $63,144 for FF&E reserves and $8,563 for insurance premiums.

*Tax Escrows* – On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated tax payments, which currently equates to $123,621.

## Hilton Suites Chicago Magnificent Mile

*Insurance Escrows* – The requirement for the borrower to make monthly deposits to the insurance escrow is waived as long as (i) no event of default has occurred and is continuing and the borrower provides satisfactory evidence that the property is insured as part of a blanket policy in accordance with the loan documents, or (ii) no event of default has occurred and is continuing and the borrower provides evidence to the lender that it is paying insurance premiums in accordance with the loan documents and deposits into escrow an amount equal to 115% of a regularly scheduled monthly installment due under the lender premium financing agreement.

*FF&E Reserves* – On a monthly basis, the borrower is required to deposit an amount equal to (i) 3.0% of gross revenues from the closing date to the second anniversary of the origination date and (ii) thereafter 4.0% of gross revenues, in each case for the two calendar months prior to such payment date for FF&E.

*Seasonality Reserve* – On the payment dates in May through October of each calendar year, commencing on the payment date in May 2016, the borrower is required to deposit an amount equal to 1/6 of the amount which, when added to net operating income, would cause the debt service coverage ratio as calculated in the loan documents for the immediately preceding disbursement period (the months of December through March) to equal 1.00x. The amount of the deposit for each year is determined by the lender in February of that year, commencing in 2016, based on the borrower's revenues during the previous months.

***Lockbox / Cash Management.*** The loan is structured with a CMA lockbox. The borrower was required to deliver tenant direction letters and written instructions to credit card companies to deposit all revenues into a restricted account controlled by the lender. The funds are then returned to an account controlled by the borrower until the commencement of a Trigger Event (as defined below). During the continuance of a Trigger Event, all funds in the lockbox account are swept to a segregated cash management account under the control of the lender. To the extent that a Trigger Event is continuing, all excess cash flow after payment of the mortgage debt service, required reserves and operating expenses will be held as additional collateral for the loan. The lender has a first priority security interest in the cash management account.

A "Trigger Event" means (i) the occurrence of an event of default, (ii) the bankruptcy or insolvency action of the borrower or property manager or (iii) the debt service coverage ratio as calculated in the loan documents based on the trailing 12-month period being less than 1.25x at the end of a calendar quarter.

***Additional Debt.*** The borrower entered into an agreement with the franchisor, HLT Existing Franchise Holding LLC, to receive $3.0 million for renovations of the Hilton Suites Chicago Magnificent Mile property. The franchisor will provide the renovation funds incrementally as requested. For each requested incremental advance of funds, the borrower will deliver a disbursement request to the franchisor. There is no obligation to repay this amount unless the franchise agreement is terminated prior to its stated expiration date or the borrower fails to complete the renovation work on the terms set forth in the franchise agreement. The borrower's obligations to repay these funds, if any, are unsecured. If the franchise agreement is terminated prior to the expiration date, the unamortized portion of this key money financing will be payable to the franchisor. The amortization is calculated on a straight line basis over the 20 year term of the franchise agreement. The loan documents include a nonrecourse carve-out to the borrower and guarantor for any losses associated with this financing.