

Mortgage Loan No. 8 — 777 East 10th Street



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Mortgage Loan Information

Mortgage Loan Seller:	MC-Five Mile
Original Principal Balance:	\$32,000,000
Cut-off Date Principal Balance:	\$31,949,268
% of Pool by IPB:	2.6%
Loan Purpose:	Refinance
Borrowers:	One Tocker, LLC; One Towne Corners, LLC; One Towne & Crocker Investments, LLC
Sponsors:	Saeed Farkhondehpour; Sion Neman; Eshagh M. Kermani
Interest Rate:	4.4000%
Note Date:	1/15/2015
Maturity Date:	2/6/2025
Interest-only Period:	0 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	Balloon
Call Protection:	L(25),Def(91),O(4)
Lockbox ⁽¹⁾ :	Soft
Additional Debt:	No
Additional Debt Balance:	N/A
Additional Debt Type:	N/A
Additional Future Debt Permitted:	No

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Mixed Use – Retail/Office
Net Rentable Area (SF):	89,444
Location:	Los Angeles, CA
Year Built / Renovated:	2009 / N/A
Occupancy:	99.2%
Occupancy Date:	1/6/2015
Number of Tenants:	49
2011 NOI:	\$1,979,051
2012 NOI:	\$2,487,164
2013 NOI:	\$2,937,395
2014 NOI:	\$3,243,621
UW Economic Occupancy:	95.0%
UW Revenues:	\$3,966,464
UW Expenses:	\$629,966
UW NOI:	\$3,336,498
UW NCF:	\$3,230,145
Appraised Value / PSF:	\$47,700,000 / \$533
Appraisal Date:	8/8/2014

Escrows and Reserves⁽²⁾

	Initial	Monthly	Initial Cap
Taxes:	\$137,642	\$27,528	N/A
Insurance:	\$15,308	\$2,187	N/A
Replacement Reserves:	\$0	\$1,870	\$112,200
TI/LC:	\$0	\$6,433	\$385,972

Financial Information

Cut-off Date Loan / SF:	\$357
Maturity Date Loan / SF:	\$288
Cut-off Date LTV:	67.0%
Maturity Date LTV:	54.0%
UW NCF DSCR:	1.68x
UW NOI Debt Yield:	10.4%

Sources and Uses

Sources	Proceeds	% of Total
Mortgage Loan	\$32,000,000	100.0%
Total Sources	\$32,000,000	100.0%

Uses	Proceeds	% of Total
Payoff Existing Debt	\$25,334,102	79.2%
Return of Equity	6,123,105	19.1
Closing Costs	389,843	1.2
Upfront Reserves	152,950	0.5
Total Uses	\$32,000,000	100.0%

(1) For a more detailed description of Lockbox, please refer to "Lockbox / Cash Management" below.

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

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The Loan. The 777 East 10th Street loan is evidenced by a note in the original principal amount of \$32,000,000 and is secured by a first mortgage lien encumbering the borrowers' fee simple interest in a mixed-use retail and office building located in Los Angeles, California. The loan has a 10-year term, and will amortize on a 30-year schedule. The loan has an interest rate of 4.4000% per annum. The proceeds of the loan were used to refinance existing debt on the property, to pay closing costs, to fund reserves and to return equity to the borrowers.

The Borrowers. The borrowers are One Tocker, LLC, One Towne Corners, LLC and One Towne & Crocker Investments, LLC, each of which is a single-purpose entity. Each of the borrowers is a single-member Delaware limited liability company and has an independent director. The borrowers own the property as tenants-in-common.

The Sponsors. The loan sponsors and nonrecourse carve-out guarantors are Saeed Farkhondehpour, Sion Neman and Eshagh M. Kermani.

The Property. The property is a four-story, retail and office building located in the Fashion District of downtown Los Angeles, California. The property has direct frontage on three heavily trafficked streets (East 10th Street to the south, Crocker Street to the west, and Town Avenue to the east). The property was constructed in 2009 and contains net rentable area of 89,444 SF in addition to a two-level subterranean parking garage with 140 spaces. As of January 6, 2015, the owned occupancy and total occupancy at the property was 99.2%. The property is occupied by 49 distinct tenants, with no tenant occupying more than 6.5% of the net rentable area or representing more than 8.7% of the underwritten rental income. The street-level tenants occupy space totaling 26,581 SF and in aggregate represent 69.2% of underwritten rental income. The upper floors are comprised of office, storage and wholesale showroom space that total 62,863 SF and in aggregate, represent approximately 30.8% of the underwritten rental income. The two-level, 140 space underground parking garage contains 52,580 SF and contributes approximately 3.0% of effective gross income.

The Fashion District consists of approximately 100 blocks in downtown Los Angeles, averages \$10 billion in annual business volume, and employs approximately 53,000 people. The Fashion District also attracts more than 1.5 million annual visitors and has become a destination for retail shoppers. The subject neighborhood represents the center for women's fashion within the Fashion District. The appraiser identified four competing properties with a weighted average occupancy rate of 98.0%.

The following table presents certain information relating to certain first floor lease comparables provided in the appraisal for the property:

First Floor Lease Comparables⁽¹⁾

Property	Year Built	Net Rentable Area (SF)	Total Occupancy	Quoted Rental Rate PSF	Expense Basis
777 East 10 th Street	2009	26,581 ⁽²⁾	100.0% ⁽²⁾	\$102.94 ⁽³⁾	Modified Gross
1001 Towne Avenue	2005	1,300	100.0%	\$96.96 ⁽⁴⁾	Not Available ⁽⁵⁾
951 Crocker Street	2009	1,581	81.0%	\$55.02 ⁽⁴⁾	Triple Net
Stanford Wholesale Mart	2008	1,100	99.0%	\$98.16 ⁽⁴⁾	Triple Net
Newmark Wholesale Mart	2009	4,300	100.0%	\$78.14 ⁽⁴⁾	Triple Net

(1) Source: Appraisal.

(2) Based on the underwritten rent roll.

(3) Amount represents weighted average of actual in place leases for the first floor of the property.

(4) Quoted Rental Rate PSF represents a weighted average of the appraiser's comparable leases.

(5) Expense Basis for 1001 Towne Avenue not available.

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The following table presents certain information relating to certain upper floor lease comparables provided in the appraisal for the property:

Upper Floor Lease Comparables⁽¹⁾

Property	Year Built	Net Rentable Area (SF)	Total Occupancy	Quoted Rental Rate PSF	Expense Basis
777 East 10 th Street	2009	62,863 ⁽²⁾	98.8% ⁽²⁾	\$19.48 ⁽²⁾⁽³⁾	Modified Gross
1001 Towne Avenue	2005	750	100.0%	\$19.20	Not Available ⁽⁴⁾
Newmark Wholesale Mart	2009	650	100.0%	\$27.72	Triple Net

(1) Source: Appraisal.

(2) Based on the underwritten rent roll.

(3) Amount represents weighted average of actual in place leases for the second, third and fourth floor of the property.

(4) Expense Basis for 1001 Towne Avenue not available.

The following table presents certain information relating to certain retail sales comparables provided in the appraisal for the property:

Retail Sales Comparables⁽¹⁾

Property Name	City, State	Sale Date	Year Built	GLA (SF)	Sale Price	Sale Price PSF	Occupancy
Weller Court	Los Angeles, CA	May 2014	1981	69,405	\$28,400,000	\$409	90%
The Shops at the Mercury	Los Angeles, CA	January 2014	2007	23,328	\$15,750,000	\$675	100%
Market Lofts Retail Component	Los Angeles, CA	February 2013	2007	54,948	\$18,950,000	\$345	100%
Multi-Tenant Wholesale Building	Los Angeles, CA	December 2012	1924	115,541	\$23,500,000	\$203	100%
Weller Court	Los Angeles, CA	October 2011	1980	69,405	\$20,400,000	\$294	95%

(1) Source: Appraisal.

The following table presents certain information relating to certain fashion district commercial condominium sales comparables provided in the appraisal for the property:

Fashion District Condominium Sales Comparables⁽¹⁾

Property Name	City, State	Sale Date	Year Built	GLA (SF)	Sale Price	Sale Price PSF	Occupancy
730-734 E. 10 th , #107	Los Angeles, CA	January 2014	2010	2,320	\$2,300,000	\$991	Not Available
730-734 E. 10 th , #107	Los Angeles, CA	October 2013	2010	2,320	\$2,270,000	\$978	Not Available
730-734 E. 10 th , #104	Los Angeles, CA	August 2013	2010	1,500	\$3,000,000	\$2,000	Not Available
Buyer's Mart	Los Angeles, CA	February 2012	2009	11,579	\$16,154,000	\$1,395	Not Available
SPWM Annex #503	Los Angeles, CA	May 2011	2003	1,026	\$800,000	\$780	Not Available
Three-Tenant Fashion Showroom	Los Angeles, CA	May 2011	2005	4,880	\$8,000,000	\$1,639	Not Available
SPWM Annex #R17	Los Angeles, CA	May 2011	2003	629	\$630,000	\$1,002	Not Available
SPWM #C6	Los Angeles, CA	February 2011	1995	1,596	\$2,900,000	\$1,817	Not Available

(1) Source: Appraisal.

Historical and Current Occupancy⁽¹⁾

2011	2012	2013	Current ⁽²⁾
90.0%	95.0%	95.0%	99.2%

(1) Historical Occupancies reflect the average occupancy for the indicated year as provided by the borrowers.

(2) Current Occupancy is as of January 6, 2015.

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Tenant Summary⁽¹⁾

Tenant ⁽²⁾	Ratings Moody's/Fitch/S&P	Net Rentable Area (SF)	% of Total NRA	Base Rent PSF	Lease Expiration Date
Andrea & Paulo Corporations	NR / NR / NR	5,846	6.5%	\$18.30	Various ⁽³⁾
Vanilla Monkey	NR / NR / NR	5,096	5.7%	\$21.72	10/31/2015
Miss Avenue Clothing	NR / NR / NR	5,056	5.7%	\$69.01	12/31/2015
Art Box Jewel	NR / NR / NR	4,453	5.0%	\$42.31	Various ⁽⁴⁾
Fashionomics	NR / NR / NR	4,347	4.9%	\$19.86	Various ⁽⁵⁾
Tyche Donca	NR / NR / NR	4,019	4.5%	\$42.72	Various ⁽⁶⁾
Fashion Icon Inc.	NR / NR / NR	3,595	4.0%	\$17.04	Various ⁽⁷⁾
Miracle	NR / NR / NR	3,468	3.9%	\$50.61	Various ⁽⁸⁾
Natural Life	NR / NR / NR	2,669	3.0%	\$60.13	Various ⁽⁹⁾
A. Peach Clothing	NR / NR / NR	2,402	2.7%	\$54.80	Various ⁽¹⁰⁾

- (1) Based on the ten largest tenants by SF on underwritten rent roll.
- (2) Tenant names represent the business or brand name of the respective tenant. In the case of tenants that occupy more than one space at the property, the tenant may operate a different brand name in each space.
- (3) Andrea & Paulo Corporations is subject to three leases that expire on various dates. Units 301 & 302 contain 2,917 SF and have a lease expiration of September 30, 2015. Unit 407 contains 2,149 SF and has a lease expiration of June 30, 2015. Unit 314 contains 780 SF and has a lease expiration of January 31, 2015.
- (4) Art Box Jewel is subject to three leases that expire on various dates. Unit 115 contains 1,931 SF and has a lease expiration of November 30, 2016. Unit 304 contains 1,261 SF and has an expiration date of September 30, 2015. Unit 306 contains 1,261 SF and has an expiration date of March 31, 2015.
- (5) Fashionomics is subject to three leases that expire on various dates. Units 214 & 215 contain 1,840 and have a lease expiration of February 28, 2016. Unit 213 contains 1,278 and has a lease expiration of March 31, 2017. Unit 222 contains 1,229 SF and has a lease expiration of March 31, 2015.
- (6) Tyche Donca is subject to four leases that expire on various dates. Units 210 and 220 contain a total of 2,077 SF and are subject to leases that expire on April 30, 2015. Unit 209 contains 1,274 SF and is subject to a lease that expires on November 30, 2015. Unit 106 contains 668 SF and is subject to a lease that expires on October 31, 2015.
- (7) Fashion Icon Inc. is subject to two leases that expire on various dates. Unit 310 contains 1,905 SF and has a lease that expires on February 28, 2015. Unit 309 contains 1,690 SF and has a lease that expires on April 30, 2015.
- (8) Miracle is subject to two leases that expire on various dates. Unit 212 contains 1,892 SF and is currently subject to a month to month lease. Unit 117 contains 1,576 SF and is subject to a lease that expires on February 28, 2016.
- (9) Natural Life is subject to two leases that expire on various dates. Unit 114 contains 1,914 SF and is subject to a lease that expires on July 31, 2016. Unit 405 contains 755 SF and is subject to a lease that expires on September 30, 2015.
- (10) A. Peach Clothing is subject to three leases that expire on various dates. Units 105 & 206 contain 1,703 SF and have leases that expire on December 31, 2015. Unit 201 contains 699 SF and has a lease that expires on December 31, 2016.

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Lease Rollover Schedule⁽¹⁾

Year	Number of Leases Expiring	Net Rentable Area Expiring	% of NRA Expiring	Base Rent Expiring ⁽²⁾	% of Base Rent Expiring ⁽²⁾	Cumulative Net Rentable Area Expiring	Cumulative % of NRA Expiring	Cumulative Base Rent Expiring ⁽²⁾	Cumulative % of Base Rent Expiring ⁽²⁾
Vacant	NAP	754	0.8%	NAP	NAP	754	0.8%	NAP	NAP
MTM	6	7,955	8.9	\$143,488	3.6%	8,709	9.7%	\$143,488	3.6%
2015	40	53,749	60.1	1,916,175	47.7	62,458	69.8%	\$2,059,663	51.3%
2016	20	23,633	26.4	1,885,985	46.9	86,091	96.3%	\$3,945,648	98.2%
2017	3	3,353	3.7	71,606	1.8	89,444	100.0%	\$4,017,254	100.0%
2018	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2019	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2020	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2021	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2022	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2023	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2024	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
2025 & Beyond	0	0	0.0	0	0.0	89,444	100.0%	\$4,017,254	100.0%
Total	69	89,444	100.0%	\$4,017,254	100.0%				

(1) Based on the underwritten rent roll.

(2) Includes rent steps through June 30, 2015.

Operating History and Underwritten Net Cash Flow⁽¹⁾

	2012	2013	2014 ⁽²⁾	Underwritten	PSF	% ⁽³⁾
Rents in Place ⁽⁴⁾	\$2,947,218	\$3,443,118	\$3,789,883	\$4,017,254	\$44.91	99.6%
Vacant Income	0	0	0	14,477	0.16	0.4%
Gross Potential Rent	\$2,947,218	\$3,443,118	\$3,789,883	\$4,031,730	\$45.08	100.0%
Total Reimbursements	0	0	0	0	0.00	0.0%
Net Rental Income	\$2,947,218	\$3,443,118	\$3,789,883	\$4,031,730	\$45.08	100.0%
(Vacancy/Credit Loss)	0	0	0	(201,587)	(2.25)	(5.0%)
Other Income ⁽⁵⁾	96,000	102,000	125,536	136,320	1.52	3.4%
Effective Gross Income	\$3,043,218	\$3,545,118	\$3,915,420	\$3,966,464	\$44.35	98.4%
Total Expenses	\$556,054	\$607,723	\$671,799	\$629,966	\$7.04	15.9%
Net Operating Income	\$2,487,164	\$2,937,395	\$3,243,621	\$3,336,498	\$37.30	84.1%
Total TI/LC, Capex/RR	0	0	0	106,353	1.19	2.7%
Net Cash Flow	\$2,487,164	\$2,937,395	\$3,243,621	\$3,230,145	\$36.11	81.4%

(1) Certain items such as straight line rent, interest expense, interest 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) The 2014 figures do not include new leases and renewals signed after December 31, 2014 or rent steps through June 30, 2015.

(3) Percentage column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.

(4) Underwritten Rents in Place are based on the January 6, 2015 rent roll with \$71,165 of rent steps through June 30, 2015.

(5) Other Income includes \$120,000 from an in-place parking garage contract to a third party operator.

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Property Management. The property is managed by 10 Crowne, LLC, an affiliate of the borrowers, pursuant to a management agreement. The lender has the right to require the borrowers to replace the property manager upon an event of default.

Escrows and Reserves. At origination, the borrowers funded aggregate reserves of \$152,950 with respect to the loan, comprised of (i) \$137,642 for real estate taxes and (ii) \$15,308 for insurance premiums.

Tax Escrows – On a monthly basis, the borrowers are required to escrow a tax reserve in an amount equal to one-twelfth of the amount that the lender estimates will be necessary to pay taxes over the succeeding twelve-month period, currently equal to \$27,528.

Insurance Escrows – On a monthly basis, the borrowers are required to escrow an insurance reserve in an amount equal to one-twelfth of the amount that the lender estimates will be necessary to pay insurance premiums over the succeeding twelve-month period, currently equal to \$2,187.

Replacement Reserves – On a monthly basis, the borrowers are required to escrow a replacement reserve in an amount equal to \$1,870, subject to a cap of \$112,200.

TI/LC Reserves – On a monthly basis, the borrowers are required to escrow a TI/LC reserve in an amount equal to \$6,433, subject to a cap of \$385,972.

Lockbox / Cash Management. The loan is structured with a soft lockbox and springing cash management. The mortgage loan documents require the borrowers to set up a lockbox account for the sole and exclusive benefit of the lender into which the borrowers are required to deposit or cause to be deposited by the property manager all revenue generated by the property within three business days of receipt of such revenue. Upon a Trigger Period (as defined below) the lender may require that all funds be transferred on each business day to the cash management account under the control of the lender. On each due date during the continuance of a Trigger Period, the mortgage loan documents require that all amounts on deposit in the cash management account, after payment of debt service and funding of required monthly reserves and approved operating expenses shall be held as additional collateral for the loan. During the continuance of an event of default under the loan, the lender may apply any funds in the cash management account to amounts payable under the loan and/or toward the payment of expenses of the property, in such order of priority as the lender may determine.

A “Trigger Period” means a period (a) commencing upon the earliest of (i) the occurrence and continuance of an event of default under the loan, (ii) the debt service coverage ratio (as calculated under the mortgage loan documents) being less than 1.25x for two consecutive calendar quarters, and (iii) the debt yield (as calculated under the mortgage loan documents) being less than 8.25% for two consecutive calendar quarters, and (b) expiring, as applicable, upon (i) the cure of such event of default, (ii) the debt service coverage ratio being equal to or greater than 1.25x for four consecutive calendar quarters and (iii) the debt yield being equal to or greater than 8.25% for four consecutive calendar quarters.