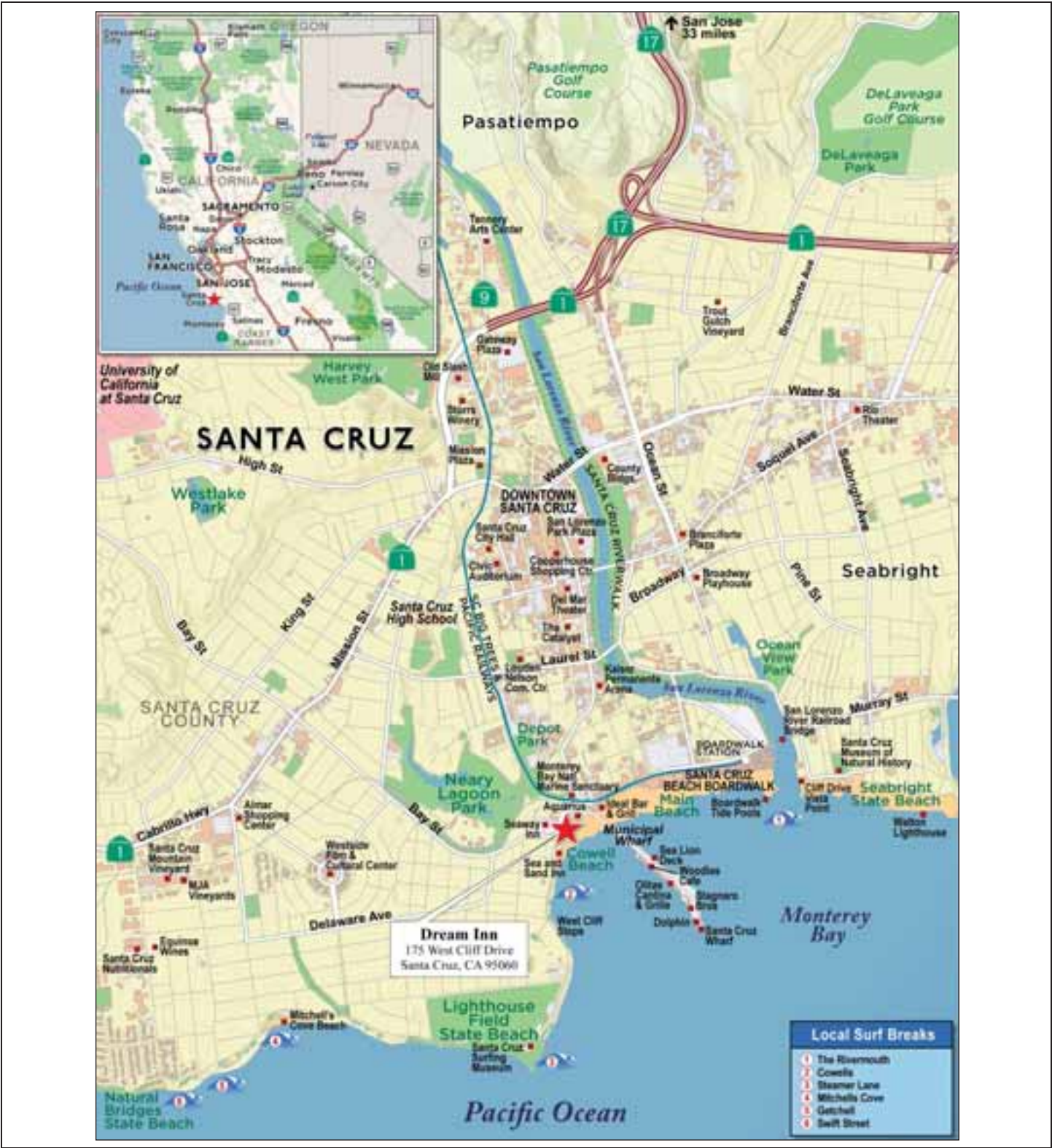


## Dream Inn



Dream Inn





## Dream Inn

### Mortgage Loan Information

<b>Mortgage Loan Seller:</b>	KeyBank
<b>Original Principal Balance:</b>	\$55,000,000
<b>Cut-off Date Principal Balance:</b>	\$55,000,000
<b>% of IPB:</b>	6.2%
<b>Loan Purpose:</b>	Refinance
<b>Borrower:</b>	S.C. Beach Holdco, LLC
<b>Sponsor:</b>	Ensemble Investments, LLC
<b>Interest Rate:</b>	5.05000%
<b>Note Date:</b>	11/13/2018
<b>Maturity Date:</b>	12/1/2028
<b>Interest-only Period:</b>	120 months
<b>Original Term:</b>	120 months
<b>Original Amortization Term:</b>	None
<b>Amortization Type:</b>	Interest Only
<b>Call Protection:</b>	L(24),Def(93),O(3)
<b>Lockbox / Cash Management:</b>	Hard / Springing
<b>Additional Debt:</b>	N/A
<b>Additional Debt Balance:</b>	N/A
<b>Additional Debt Type:</b>	N/A

### Property Information

<b>Single Asset / Portfolio:</b>	Single Asset
<b>Title:</b>	Fee
<b>Property Type – Subtype:</b>	Hotel – Full Service
<b>Net Rentable Area (Rooms):</b>	165
<b>Location:</b>	Santa Cruz, CA
<b>Year Built / Renovated:</b>	1962, 1972, 2009 / 2017
<b>Occupancy / ADR / RevPAR:</b>	83.3% / \$307.76 / \$256.24
<b>Occupancy / ADR / RevPAR Date:</b>	9/30/2018
<b>4<sup>th</sup> Most Recent NOI (As of):</b>	\$6,898,238 (12/31/2015)
<b>3<sup>rd</sup> Most Recent NOI (As of)<sup>(1)</sup>:</b>	\$5,532,918 (12/31/2016)
<b>2<sup>nd</sup> Most Recent NOI (As of)<sup>(1)</sup>:</b>	\$5,685,619 (12/31/2017)
<b>Most Recent NOI (As of):</b>	\$7,603,966 (TTM 9/30/2018)
<b>UW Occupancy / ADR / RevPAR:</b>	83.3% / \$307.76 / \$256.24
<b>UW Revenues:</b>	\$22,826,143
<b>UW Expenses:</b>	\$15,514,540
<b>UW NOI:</b>	\$7,311,603
<b>UW NCF:</b>	\$6,694,311
<b>Appraised Value / Per Room:</b>	\$100,000,000 / \$606,061
<b>Appraisal Date:</b>	10/2/2018

### Escrows and Reserves<sup>(2)</sup>

	Initial	Monthly	Initial Cap
<b>Taxes:</b>	\$149,302	\$47,453	N/A
<b>Insurance:</b>	\$0	Springing	N/A
<b>FF&amp;E Reserves:</b>	\$710,000	4% of Gross Room Revenues	N/A
<b>TI/LC:</b>	\$0	\$0	N/A
<b>Other:</b>	\$290,000	Springing	\$290,000

### Financial Information

<b>Cut-off Date Loan / Room:</b>	\$333,333
<b>Maturity Date Loan / Room:</b>	\$333,333
<b>Cut-off Date LTV:</b>	55.0%
<b>Maturity Date LTV:</b>	55.0%
<b>UW NCF DSCR:</b>	2.38x
<b>UW NOI Debt Yield:</b>	13.3%

### Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$55,000,000	100.0%	Payoff Existing Debt	\$43,609,097	79.3%
			Return of Equity	9,769,426	17.8
			Upfront Reserves	1,149,302	2.1
			Closing Costs	472,174	0.9
<b>Total Sources</b>	<b>\$55,000,000</b>	<b>100.0%</b>	<b>Total Uses</b>	<b>\$55,000,000</b>	<b>100.0%</b>

(1) 3<sup>rd</sup> Most Recent NOI and 2<sup>nd</sup> Most Recent NOI were impacted by a full room and common area renovation conducted from November 1, 2016 through March 29, 2017 which resulted in a total reported loss of 9,798 room nights and during which room rate concessions were provided to guests.

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

## Dream Inn

**The Loan.** The Dream Inn mortgage loan has an outstanding principal balance as of the Cut-off Date of \$55.0 million and is secured by a first mortgage lien on the borrower's fee interest in a full service, beach-front hotel located in Santa Cruz, California (the "**Dream Inn Mortgage Loan**"). The Dream Inn Mortgage Loan has a 10-year, interest-only term.

**The Property.** The Dream Inn property is a 165-room, four-star, full-service, beach-front hotel located in Santa Cruz, California (the "**Dream Inn Property**"). The Dream Inn Property is accessed off of West Cliff Drive and sits on Cowell Beach. It is the only beach-front hotel in Santa Cruz. First built in 1962 on the site of Jack O'Neill's first surf shop, the Dream Inn Property originally consisted of a 65-room, three to four-story low-rise but was expanded in 1972 with a 10-story tower which added 100 rooms for a total of 165 rooms, all with ocean views. The Dream Inn Property is a short walk from the Santa Cruz Municipal Wharf and the Santa Cruz Beach Boardwalk. The Dream Inn Property has 77 king rooms, 72 double-queen rooms and 16 suites. Guest room amenities include floor-to-ceiling windows with sliding glass door access to private balconies or patios with views of Monterey Bay, 42-inch flat-screen TVs, complimentary WiFi, mini-refrigerators, Keurig coffee makers with premium coffee, iPod docking stations, safes, walk-in showers, and bedside best-selling books which may be kept as souvenirs. Suite rooms offer a separate living room with queen-sized sleeper sofas. Amenities at the Dream Inn Property include an ocean-front heated outdoor pool with jacuzzi/spa, firepits and direct access to Cowell Beach, Shorebreak Drink + Dine, a poolside bar serving cocktails and beach fare, Aquarius, a second-story restaurant with ocean views, the Jack O'Neill lounge, 3,247 square feet of meeting/event space, a lobby coffee cart, surfboard, bike and luggage storage, concierge services, room service, laundry/dry cleaning services and valet and self-parking. The Dream Inn Property offers 198 surface parking spaces, resulting in a parking ratio of approximately 1.2 spaces per room.

The Dream Inn Property was purchased by the loan sponsors in 2006 for a reported price of \$40.0 million. From 2008 to 2009, the Dream Inn Property underwent a full-room renovation and the additional development of an attached building for meeting and amenity space for which the sponsors report a total investment for the period of approximately \$16.6 million (\$100,501 per room). The most recent renovations at the Dream Inn Property conducted during 2016 and 2017 include a second, full-room renovation, remodeling of common areas including the lobby, pool and deck space for which the sponsors report a total investment during the period of approximately \$9.6 million (\$58,280 per room). The most recent renovations include a new porte cochere, upgraded flooring for exterior corridors, new paint on doors and a complete re-landscaping. Common area improvements include an expansion of the lobby space with a larger sitting area and room for a café kiosk. The pool area was improved with renovated bathrooms, an expanded jacuzzi/spa, and a refresh of the pool-side bar. Interior corridors received new carpet, wall covering, doors, and locksets. Elevator walls were resurfaced with graphic prints of the beach and surf. Individual rooms received new flooring and a complete FF&E replacement and upgrade. Including the purchase price, capital improvements since acquisition, and loan closing costs, the sponsor's total cost basis equals approximately \$70.6 million (\$428,143 per room).

According to data from a third-party research report, over the trailing 12-month period ending in August 2018 the Dream Inn Property generated 83.7% of its room revenue from transient demand, which includes both commercial and leisure transient business and 16.3% from meeting and group demand. Since 2014 the Dream Inn Property has outperformed its competitive set in occupancy, ADR and RevPAR posting average annual penetration figures of 114.2%, 122.2% and 139.6%, respectively.

**Environmental.** According to a Phase I environmental assessment dated October 5, 2018, there was no evidence of any recognized environmental conditions at the Dream Inn Property.

**The Market.** The Dream Inn Property is located in Santa Cruz, Santa Cruz County, California. Santa Cruz is on the California coast on the north end of Monterey Bay approximately 75 miles south of San Francisco and approximately 45 miles north of Monterey, California. The nearest airport served by commercial airlines is the San Jose International Airport which is 35 miles north of the Dream Inn Property. Other area commercial airports are the San Francisco International Airport, the Monterey Regional Airport and the Oakland International Airport. Access to the Dream Inn Property is provided by Highways 1, 9 and 17. Santa Cruz receives between 3 to 4 million visitors per year and offers an annual average of 262 days of sun. Santa Cruz offers visitors beaches, marine life, parks and open spaces, the nearby redwood forests in the Santa Cruz mountains, the University of California – Santa Cruz, a local art scene, wine tasting, microbreweries, outdoor recreation on the land and water and agri-tourism. Nearby attractions to the Dream Inn Property include Cowell Beach which provides access to the popular surf spot, Steamer Lane, the Municipal Wharf, the Santa Cruz Boardwalk, one of only two remaining seaside amusement parks on the West Coast and West Cliff Park, a 2.5 mile multi-use pathway winding from the Dream Inn Property down the coast line to Natural Bridges State Park.

The appraisal noted only one planned hotel representing potential future competition to the Dream Inn Property, La Bahia Hotel. The La Bahia Hotel would be a result of the redevelopment of the existing La Bahia Apartment property at 215 Beach Street which is currently shuttered. The original plan approved in 2009 was abandoned after challenges from the Historical and Coastal Commissions. The latest plan was approved by the City of Santa Cruz in 2014 but no work has been completed on the project.

## Dream Inn

Historical Occupancy, ADR, RevPAR									
Competitive Set <sup>(1)</sup>				Dream Inn <sup>(2)</sup>			Penetration Factor <sup>(3)</sup>		
Year	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
2015	65.0%	\$230.43	\$149.80	77.9%	\$282.79	\$220.35	119.8%	122.7%	147.1%
2016	66.7%	\$236.50	\$157.82	71.5%	\$285.30	\$204.11	107.1%	120.6%	129.3%
2017	70.1%	\$239.24	\$167.66	74.0%	\$294.80	\$218.12	105.6%	123.2%	130.1%
TTM <sup>(4)</sup>	70.2%	\$244.80	\$171.78	83.1%	\$306.67	\$254.95	118.5%	125.3%	148.4%

(1) Data provided by a third-party research report. The competitive set contains the following properties: Joie De Vivre Monterey Tides, Autograph Collection Hotel Paradox, Chaminade Resort & Spa, Seascape Resort, Hilton Santa Cruz Scotts Valley and InterContinental The Clement Monterey.

(2) Based on operating statements provided by the borrower, with the exception of TTM, which is based on data provided by a third-party research report.

(3) Penetration Factor is calculated based on data provided by a third-party research report for the competitive set and the operating statements provided by the borrower for the Dream Inn Property, with the exception of TTM, which is based on data provided by a third-party research report.

(4) TTM represents the trailing 12-month period ending on August 31, 2018.

Competitive Hotels <sup>(1)</sup>						
Property	Rooms	Year Opened	Location	Distance from Subject (Miles)	Meeting Space (SF)	Beach Front (Y/N)
<b>Dream Inn</b>	<b>165</b>	<b>1963</b>	<b>Santa Cruz, CA</b>	<b>NAP</b>	<b>3,247</b>	<b>Yes</b>
Joie De Vivre Monterey Tides	196	1969	Monterey, CA	40.6	9,092	Yes
Autograph Collection Hotel Paradox	170	1969	Santa Cruz, CA	1.3	5,100	No
Chaminade Resort and Spa	156	1929	Santa Cruz, CA	4.5	12,030	No
Seascape Resort	228	1993	Aptos, CA	12.9	14,296	No
Hilton Santa Cruz Scotts Valley	178	1999	Santa Cruz, CA	6.3	6,111	No
InterContinental The Clement Monterey	208	2008	Monterey, CA	44.1	8,728	No
<b>Total<sup>(2)</sup></b>	<b>1,136</b>					

(1) Based on the appraisal.

(2) Excludes the Dream Inn Property.

## Dream Inn

### Operating History and Underwritten Net Cash Flow

	2015	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	TTM <sup>(2)</sup>	Underwritten	Per Room <sup>(3)</sup>	% of Total Revenue <sup>(4)</sup>
Occupancy	77.9%	71.5%	74.0%	83.3%	83.3%		
ADR	\$282.79	\$285.30	\$294.80	\$307.76	\$307.76		
RevPAR	\$220.35	\$204.11	\$218.12	\$256.24	\$256.24		
Room Revenue	\$13,270,368	\$12,325,943	\$13,136,309	\$15,432,287	\$15,432,287	\$93,529	67.6%
Food & Beverage Revenue	4,734,067	4,689,568	5,138,793	6,206,144	6,206,144	37,613	27.2
Other Departmental Revenue	819,221	798,316	916,424	1,187,712	1,187,712	7,198	5.2
<b>Total Revenue</b>	<b>\$18,823,656</b>	<b>\$17,813,827</b>	<b>\$19,191,526</b>	<b>\$22,826,143</b>	<b>\$22,826,143</b>	<b>\$138,340</b>	<b>100.0%</b>
Room Expense	\$3,438,756	\$3,565,262	\$3,810,295	\$4,007,643	\$4,007,643	\$24,289	17.6%
Food & Beverage Expense	3,888,082	3,815,095	4,275,469	5,071,952	5,071,952	30,739	22.2
Other Departmental Expenses	392,172	453,606	494,510	653,743	653,743	3,962	2.9
<b>Departmental Expenses</b>	<b>\$7,719,010</b>	<b>\$7,833,963</b>	<b>\$8,580,274</b>	<b>\$9,733,338</b>	<b>\$9,733,338</b>	<b>\$58,990</b>	<b>42.6%</b>
<b>Departmental Profit</b>	<b>\$11,104,646</b>	<b>\$9,979,864</b>	<b>\$10,611,252</b>	<b>\$13,092,805</b>	<b>\$13,092,805</b>	<b>\$79,350</b>	<b>57.4%</b>
<b>Operating Expenses</b>	<b>\$2,783,329</b>	<b>\$3,058,046</b>	<b>\$3,622,775</b>	<b>\$4,020,249</b>	<b>\$4,207,516</b>	<b>\$25,500</b>	<b>18.4%</b>
<b>Gross Operating Profit</b>	<b>\$8,321,317</b>	<b>\$6,921,818</b>	<b>\$6,988,477</b>	<b>\$9,072,556</b>	<b>\$8,885,289</b>	<b>\$53,850</b>	<b>38.9%</b>
Management Fees	\$703,699	\$669,387	\$584,728	\$712,392	\$712,392	\$4,318	3.1%
Property Taxes	491,882	500,690	509,517	532,687	615,603	3,731	2.7
Property Insurance	227,498	218,823	208,613	223,511	245,691	1,489	1.1
<b>Total Other Expenses</b>	<b>\$1,423,079</b>	<b>\$1,388,900</b>	<b>\$1,302,858</b>	<b>\$1,468,590</b>	<b>\$1,573,686</b>	<b>\$9,537</b>	<b>6.9%</b>
<b>Net Operating Income</b>	<b>\$6,898,238</b>	<b>\$5,532,918</b>	<b>\$5,685,619</b>	<b>\$7,603,966</b>	<b>\$7,311,603</b>	<b>\$44,313</b>	<b>32.0%</b>
FF&E <sup>(5)</sup>	744,281	712,554	383,831	825,927	617,291	3,741	2.7
<b>Net Cash Flow</b>	<b>\$6,153,957</b>	<b>\$4,820,364</b>	<b>\$5,301,788</b>	<b>\$6,778,039</b>	<b>\$6,694,311</b>	<b>\$40,572</b>	<b>29.3%</b>

(1) Operating results for the 2016 and 2017 periods were impacted by a full room and common area renovation conducted from November 1, 2016 through March 29, 2017 which resulted in a total reported loss of 9,798 room nights and during which room rate concessions were provided to guests.

(2) TTM reflects the trailing 12-month period ending September 30, 2018.

(3) Per Room values are based on 165 guest rooms.

(4) % of Total Revenue for Room Expense, Food & Beverage Expense and Other Departmental Expenses are based on their corresponding revenue line item.

(5) Underwritten FF&E is calculated as 4% of Underwritten Room Revenue.

**The Borrower.** The borrowing entity for the Dream Inn Mortgage Loan is S.C. Beach Holdco, LLC, a Delaware limited liability company and special purpose entity with two independent directors. Legal counsel to the borrower delivered a non-consolidation opinion in connection with the origination of the Dream Inn Mortgage Loan. Ensemble Investments, LLC is the guarantor of certain nonrecourse carve-outs under the Dream Inn Mortgage Loan.

**The Loan Sponsor.** The Dream Inn Mortgage Loan sponsor is Ensemble Investments, LLC, an entity 100% owned by the three founders of Ensemble Real Estate Solutions and Investments ("**Ensemble**"), Kambiz Babaoft, Michael Moskowitz and Randy McGrane. Ensemble is a full service real estate solutions and investments provider with real estate experience in the hospitality, healthcare, commercial, and multifamily/mixed-use sectors dating back to 1980. Headquartered in Phoenix, AZ, Ensemble maintains regional offices in Long Beach, California, and Las Vegas and Reno, Nevada.

**Property Management.** The Dream Inn Property is managed by Woodside Hotel Group Ltd. ("**Woodside**"), a California-based, family-owned hospitality developer, owner and third-party management provider for boutique hotels located in northern California. In addition to Woodside's wine country, San Francisco, and Silicon Valley properties under management, Woodside also operates two seaside hotel properties in addition to the Dream Inn Property, The Bodega Bay Lodge and the Monterey Plaza Hotel and Spa.

**Franchise Agreement.** The Dream Inn Property does not operate under a franchise agreement.

**Escrows and Reserves.** At origination, the borrower deposited into escrow \$149,302 for real estate taxes, \$710,000 for FF&E and \$290,000 for seasonality.

## Dream Inn

**Tax Escrows** – On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated tax payments, which currently equates to \$47,453.

**Insurance Escrows** – On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated insurance payments (unless the borrower maintains insurance under an acceptable blanket insurance policy, among other conditions as detailed in the Dream Inn mortgage loan documents).

**FF&E Reserves** – On a monthly basis, the borrower is required to deposit an amount equal to the greater of 1/12 of 4.0% of the greater of (i) total gross room revenues for operations at the property for the immediately preceding calendar year as determined by the lender and (ii) total projected gross room revenue set forth in the approved annual budget for the immediately following calendar year as determined by the lender. Monthly FF&E reserve payments currently equate to \$51,161.

**Seasonality Reserves** – On a monthly basis from and including May through and including the month of September, the borrower is required to pay to the lender the sum of \$58,000 (the “**Seasonality Reserve Monthly Deposit**”) for an aggregate amount of \$290,000 (the “**Fully Funded Seasonality Amount**”). The Seasonality Reserve Monthly Deposit and the Fully Funded Seasonality Amount are subject to future adjustment as provided in the related mortgage loan documents; provided that the Fully Funded Seasonality Amount may not exceed \$290,000. The lender is required to, in its reasonable discretion, determine the amount of the Seasonality Reserve Monthly Deposit and the Fully Funded Seasonality Amount for the next calendar year by taking into account the then existing balance of the seasonality reserve and the lender's reasonable estimate of the total amount of the monthly cash shortfalls that will occur during the next calendar year (multiplied by a factor of 1.10) based on the greater of (i) the aggregate monthly cash shortfalls derived from the preceding calendar year multiplied by 1.10 and (ii) the aggregate projected monthly cash shortfalls derived from the borrower's annual budget multiplied by 1.10. If the lender determines no month in the trailing 12-month period and no month in the projected 12-month period will result in a DSCR less than 1.10x, the Seasonality Reserve Monthly Deposit will be waived and any funds on deposit will be disbursed to the borrower. The Seasonality Reserve Monthly Deposit is currently suspended due to the initial deposit collected at origination which is equal to the Fully Funded Seasonality Amount.

**Lockbox / Cash Management.** The Dream Inn Mortgage Loan is structured with a hard lockbox and springing cash management. At origination, the borrower was required to deliver written instructions to credit card companies to deposit all revenues into the lockbox account controlled by the lender. In the absence of a Cash Sweep Period (as defined below), the funds in the lockbox account will be swept daily into an account controlled by the borrower. Upon the occurrence of a Cash Sweep Period, all funds on deposit in the lockbox account are swept on a daily basis into a cash management account controlled by the lender and applied on each payment date in accordance with the Dream Inn Mortgage Loan documents.

A “**Cash Sweep Period**” means the occurrence of (i) an event of default, (ii) any bankruptcy action of the borrower or property manager, or (iii) a debt service coverage ratio less than 1.35x based upon the preceding trailing 12-month period and an assumed 30-year amortization period (“**DSCR Trigger**”). A Cash Sweep Period will continue until the applicable Cash Sweep Cure (as defined below) is achieved.

A “**Cash Sweep Cure**” means (i) if a Cash Sweep Period is due to an event of default, the event of default is cured (as determined by the lender) or waived by the lender in writing, (ii) if a Cash Sweep Period is due to a bankruptcy action of the property manager, the replacement of the manager with a qualified manager under a replacement management agreement within 60 days, or (iii) if a Cash Sweep Period is due to a DSCR Trigger, the achievement for two consecutive quarters of a DSCR equal to or greater than 1.35x based upon the trailing 12-month period and an assumed 30-year amortization period, provided, however, no event of default is continuing and the Dream Inn Mortgage Loan borrower has paid the reasonable expenses of the lender incurred as a result of such Cash Sweep Cure. In no event may a bankruptcy action of the borrower be cured.

**Future Mezzanine Debt.** Future mezzanine debt is permitted provided (i) the lender consents in writing, (ii) no event of default is continuing, (iii) a combined loan-to-value ratio as determined under the Dream Inn Mortgage Loan documents is not greater than 55.0%, (iv) the combined debt service coverage ratio as determined under the Dream Inn Mortgage Loan documents is equal to or greater than 2.38x on a trailing 12-month basis, (v) delivery to the lender of all documents pertaining to the mezzanine loan and an executed intercreditor agreement satisfactory to the lender in its reasonable discretion, (vi) rating agency confirmation, (vii) the mezzanine loan is coterminous with the Dream Inn Mortgage Loan and other conditions as detailed in the Dream Inn Mortgage Loan documents.

**Partial Release.** Not Permitted.

**Ground Lease.** None.