

# LOAN #4: MEDICAL CENTRE OF SANTA MONICA

## MEDICAL CENTRE OF SANTA MONICA – WEST

12	Karyn L. Grossman, M.D. 3,487 SF – 6/2026	William F. Skinner, M.D. 1,938 SF – 3/2023	Joanne E. Low, M.D. 691 SF – 6/2022	Vacant 1,070 SF	The Regents of the University of California 1,851 SF – 9/2021	John R. Moreland, M.D. 2,166 SF – 1/2017	Sean Cheong F. Lai, M.D. 1,203 SF – 3/2021	
11	Dermatology Institute & Skin Care Center 3,444 SF – 5/2025		Milton Krisloff, M.D. 1,616 SF – 5/2019	N. Robert Elson, M.D., et al 1,380 SF – 6/2024	Reza Nabavian, M.D. 2,504 SF – 9/2018	Dermatology Institute & Skin Care Center 1,225 SF – 5/2025	Alliancee, Inc. 2,237 SF – 9/2022	
10	The Regents of the University of California 12,405 SF – 9/2018							
9	Matsunaga, Daly, Ross, Thordarson, Vogel & Klevens, MDs 6,453 SF – 9/2020			William K. Christian, M.D., Inc. 1,603 SF – 6/2017		Lauren L. Reager, M.D. 4,349 SF – 8/2017		
8	Billie Madelyn Phelps, M.D., Inc. 1,471 SF – 6/2017	The Regents of the University of California 2,404 SF – 2/2021	Aziz Nourmand, M.D. 705 SF – 12/2018	Stephen Patt, M.D. 676 SF – 8/2021	Sheldon N. Klausner, M.D., Inc. 1,363 SF – 4/2018	David Kudrow, M.D. 2,465 SF – 9/2020	Wenchao Wu, M.D. 842 SF – 6/2017	Michael Zarrabi, M.D., Inc. 2,481 SF – 11/2022
7	Providence Health System - Southern California 9,178 SF – 8/2023					Nasimeh Yazdani, M.D. 2,077 SF – 12/2021		Sandra Fallon, M.D., Inc. 1,159 SF – MTM
6	Alan Szeftel, M.D., F.C.C.P. 2,288 SF – 8/2018	Axline, Haviv, & Winters, MD 2,252 SF – 4/2020	Metropolitan Heart Associates Med. Group 1,759 SF – 11/2018	Providence Health System - Southern California 2,240 SF – 5/2021	Stephen L. Kuchenbecker, M.D., F.A.C.S. 1,184 SF – 2/2019	Steven J. Levine, M.D. 1,220 SF – MTM	Vacant 1,462 SF	
5	Cedars-Sinai Medical Center 9,834 SF – 2/2020					Mark Kelly, M.D. & Peter Loisides, M.D. 2,571 SF – 7/2018		
4	Vacant 1,832 SF	F. Monte Purcelli, M.D. 1,071 SF 3/2017	Plaza Towers Obstetrics & Gynecology 1,373 SF 9/2018	Cedars-Sinai Medical Care Foundation 1,375 SF MTM	Parrish Sadeghi, M.D. 2,205 SF – 8/2021	Pacific Pediatric Cardiology Medical Group 820 SF – 6/2020	Vacant 2,531 SF	Michael J. Levi, D.P.M. 1,200 SF – 1/2021
3	Cedars-Sinai Medical Care Foundation 3,838 SF – MTM		The Regents of the University of California 6,082 SF – 3/2021			Gerald A. Levine, M.D., et al 2,485 SF – 7/2021		
2	Providence Health System - Southern California 12,218 SF – 2/2022							
1	Gavin Herbert Company dba Horton & Converse Pharmacy 4,685 SF – 5/2017							

VACANT	MTM	2017	2018-2019	2020-2021	2022+
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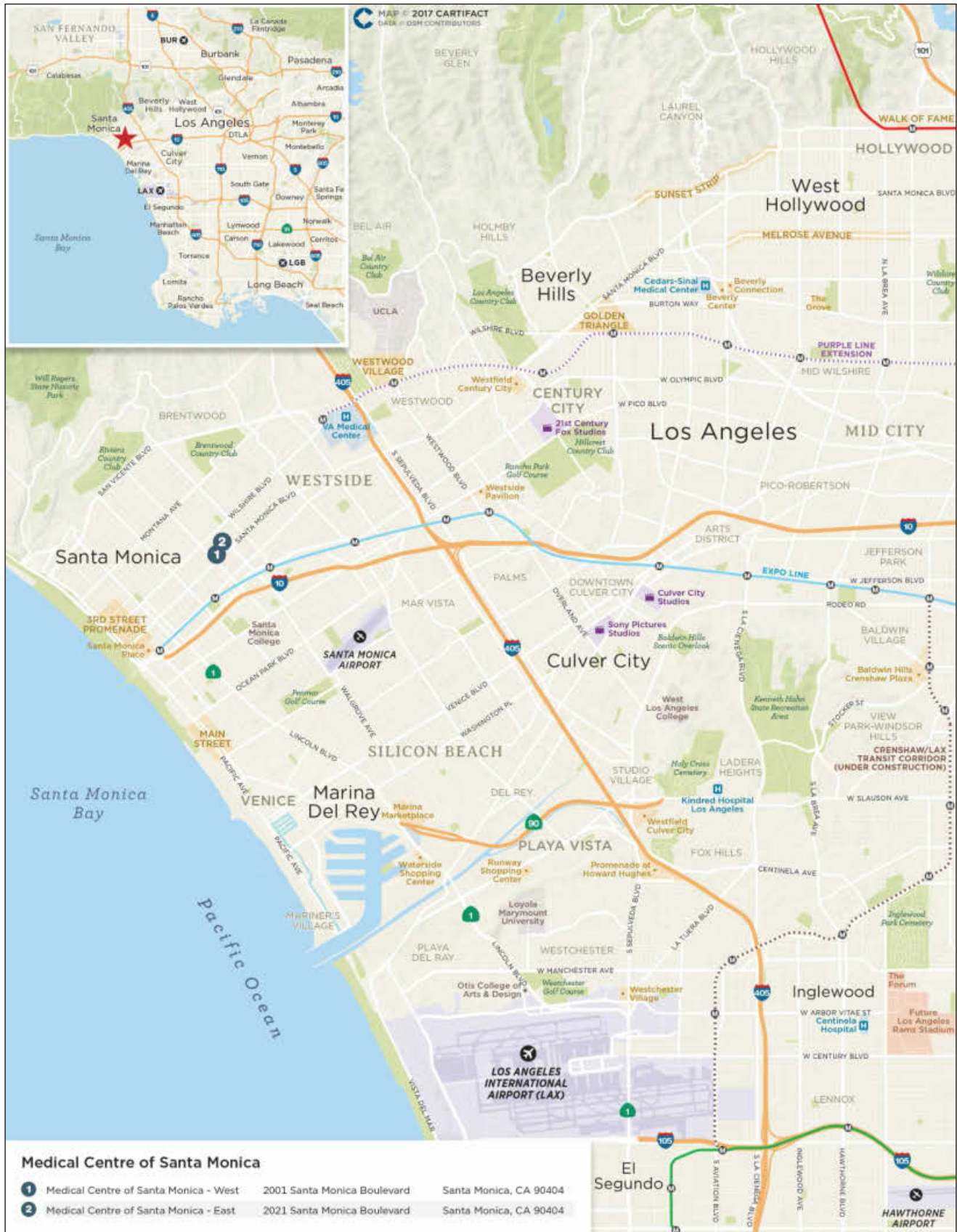
### MEDICAL CENTRE OF SANTA MONICA – EAST

7	Cynthia Boxrud, M.D. & Scott Powell, M.D. 1,903 SF – 2/2021	Carol E. Follette, D.D.S. 868 SF – 6/2024	Fawad Zafar-Khan, M.D. 1,638 SF – 4/2021	The Retina Partners 2,173 SF – 9/2021	Cynthia A. Boxrud, M.D. 841 SF – 2/2021	Providence Health System - Southern California 1,379 SF – 1/2021	Ellie J. C. Goldstein, M.D., Inc. 733 SF – 11/2020		
6	Ava T. Shamban, M.D., Inc. 6,053 SF – 1/2024					Vacant 632 SF	Emily Iker, M.D. 962 SF – 6/2022	Vacant 1,922 SF	
5	Bella Doshi, D.D.S. 1,588 SF – 2/2025	Akbar Jamali, M.D. 514 SF – 7/2021	Leslie Kaplan, M.D. et al 3,256 SF – 2/2021	Amos, Gold & Woo, M.D. 1,711 SF – 2/2017	Patricia Murray, M.D. 639 SF – 6/2021	Amornchit Srikureja, M.D. 684 SF – 6/2019	Douglas M. Freedman, M.D. 1,205 SF – 5/2022		
4	Providence Health System - Southern California 5,577 SF – 11/2020			Vivanti N. Jain, M.D., Inc. 1,069 SF – 9/2019	Marna L. Geisler, M.D. 1,077 SF – 12/2023	Providence Health System - Southern California 881 SF – 1/2021	Alex Gold, M.D. 1,015 SF – 5/2021		
3	Gerald M. Sacks, M.D., Inc. 1,109 SF – 12/2019	Caroline M. Colin, M.D., P.C. 1,073 SF – 9/2017	Diana Zinberg, D.D.S., Inc. 960 SF – 3/2020	Hyman Gross, M.D., Inc. 868 SF – 7/2020	Cynthia A. Boxrud, M.D. (Storage) 346 SF – 9/2021	Shahrad Radi Shamsi, M.D., Inc. 931 SF – 11/2022	Terri L. Rock and Providence 1,930 SF – 10/2018	Harvey L. Deutsch, M.D. & Niloufar Ilani, M.D. 1,128 SF – 9/2020	Natasha Shojania, D.D.S. 1,306 SF – 8/2025
2	Thomas M. Susko, M.D., Inc. 896 SF – 3/2022	Steven H. Silvers, D.P.M. 996 SF – 3/2022	SM Preventative Cardiology Med. Group 1,957 SF – 10/2020		Kessler Long Iacampo & Ottavi 3,810 SF – 10/2017		Providence Health System - Southern California 1,753 SF – 3/2021		
1	Alex J. Messina, M.D., Inc. 1,099 SF – 8/2018		Providence Health System - Southern California 1,250 SF – 10/2018		LJS Products, Inc. 1,426 SF – 2/2026		Ortho-Pros, Inc. 2,288 SF – 4/2017		

VACANT	2017	2018-2019	2020-2021	2022+
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Sources and Uses					
Sources	\$	%	Uses	\$	%
Loan Amount	\$71,000,000	99.9%	Loan Payoff	\$62,288,955	87.6%
Other Sources	100,000	0.1	Principal Equity Distribution	7,885,045	11.1
			Closing Costs	926,000	1.3
Total Sources	\$71,100,000	100.0%	Total Uses	\$71,100,000	100.0%

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(1) See “Escrows” below.

(2) The West Building was built in 1976 and the East Building was built in 1964 and renovated in 1976.

- **The Mortgage Loan.** The mortgage loan (the “**Medical Centre of Santa Monica Loan**”) is evidenced by two notes in the respective original principal amounts of \$31,000,000 and \$40,000,000 and is secured by a first mortgage encumbering the borrower’s leasehold interest in two office buildings and a parking deck, in each case located in Santa Monica, California (the “**Medical Centre of Santa Monica Property**”). The Medical Centre of Santa Monica Loan was originated by Citigroup Global Markets Realty Corp. on December 8, 2016 and represents approximately 5.3% of the Initial Pool Balance. The notes evidencing the Medical Centre of Santa Monica Loan have an aggregate outstanding principal balance as of the Cut-off Date of \$71,000,000 and an interest rate of 4.06000% *per annum*. The proceeds of the Medical Centre of Santa Monica Loan were primarily used to retire the existing debt of the Medical Centre of Santa Monica Property, return equity to the borrower sponsors and pay origination costs.

The Medical Centre of Santa Monica Loan had an initial term of 120 months and has a remaining term of 119 months as of the Cut-off Date. The Medical Centre of Santa Monica Loan requires monthly payments of interest only through maturity. The scheduled maturity date of the Medical Centre of Santa Monica Loan is the due date in January 2027. At any time after the second anniversary of the securitization Closing Date, the Medical Centre of Santa Monica Loan may be prepaid provided a yield maintenance premium specified in the Medical Centre of Santa Monica Loan documents is included with such prepayment. Voluntary prepayment of the Medical Centre of Santa Monica Loan is permitted on or after the due date occurring in July 2026 without payment of any prepayment premium (including, without limitation, the aforementioned yield maintenance premium). Defeasance of the Medical Centre of Santa Monica Loan is not permitted.

- **The Mortgaged Property.** The Medical Centre of Santa Monica Property consists of two adjacent Class A medical office buildings located at 2001 Santa Monica Boulevard (the “**West Building**”) and 2021 Santa Monica Boulevard (the “**East Building**”), totaling 204,414 rentable SF, as well as a 814 bay six-level parking structure, located in the Mid-City district of Santa Monica. The West Building was constructed in 1976 and the East Building in 1964 and renovated in 1976. The Medical Centre of Santa Monica Property is currently 95.4% occupied and subject to a long-term ground lease through 2075 with Providence Health System – Southern California as the ground lessor. Providence Health System – Southern California is owned and operated by Providence Health & Services. Providence Health & Services is an investment grade rated company (AA/Aa3/AA- by Fitch/Moody’s/S&P) that is also a tenant at the Medical Centre of Santa Monica Property. The Medical Centre of Santa Monica Property is immediately adjacent to Providence St. John’s Health Center which has been recognized as one of the 50 Best Hospitals in America for eight consecutive years. Providence St. John’s Health Center has been serving the Santa Monica and Westside Los Angeles communities since 1942. It is a nationally renowned, 266-bed hospital that provides diagnostic technology and specialty care with core service lines of heart and vascular care, oncology,

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orthopedics and women's health. Providence St. John's Health Center also is home to the world-renowned John Wayne Cancer Institute. Providence St. John's Health Center has continually achieved top ratings and distinguished hospital awards for clinical excellence and patient safety by the nation's leading accreditation organizations, such as Healthgrades, The Joint Commission and the Leapfrog Group. Since 2007 the average historical occupancy at the Medical Centre of Santa Monica Property has been 97.0% and the average occupancy term of the in-place tenants approximately 15 years.

The following table presents certain information relating to the ten largest tenants at the Medical Centre of Santa Monica Property:

### Ten Largest Tenants Based on Underwritten Base Rent

Tenant Name	Credit Rating (Fitch/MIS/S&P) <sup>(1)</sup>	Tenant GLA	% of GLA	UW Base Rent	% of Total UW Base Rent	UW Base Rent \$ per SF	Lease Expiration	Renewal / Extension Options
Providence Health System – Southern California <sup>(2)</sup>	AA / Aa3 / AA-	34,476	16.9%	\$1,885,777	17.4%	\$54.70	Various	Various
The Regents of the University of California <sup>(3)</sup>	AA- / Aa3 / AA-	22,742	11.1	1,288,855	11.9	\$56.67	Various	1, 5-year option
Cedars-Sinai Medical Center	AA- / Aa3 / NR	9,834	4.8	534,812	4.9	\$54.38	2/29/2020	1, 5-year option
Matsunaga, Daly, Ross, Thordarson, Vogel & Klevens, MDs	NR / NR / NR	6,453	3.2	402,679	3.7	\$62.40	9/30/2020	1, 5-year option
Ava T. Shamban, M.D., Inc.	NR / NR / NR	6,053	3.0	323,650	3.0	\$53.47	1/31/2024	2, 5-year options
Cedars-Sinai Medical Care Foundation <sup>(4)</sup>	AA- / Aa3 / NR	5,213	2.6	302,054	2.8	\$57.94	MTM <sup>(4)</sup>	1, 5-year option
Gavin Herbert Company dba Horton & Converse Pharmacy	NR / NR / NR	4,685	2.3	268,923	2.5	\$57.40	5/31/2017	2, 5-year options
Dermatology Institute & Skin Care Center	NR / NR / NR	4,669	2.3	268,745	2.5	\$57.56	5/31/2025	2, 5-year options
Lauren L. Reager, M.D.	NR / NR / NR	4,349	2.1	246,700	2.3	\$56.73	8/31/2017	1, 5-year option
Kessler Long Iacampo & Ottavi	NR / NR / NR	3,810	1.9	199,838	1.8	\$52.45	10/31/2017	NA
<b>Ten Largest Tenants</b>		<b>102,284</b>	<b>50.0%</b>	<b>\$5,722,034</b>	<b>52.7%</b>	<b>\$55.94</b>		
Remaining Tenants		92,681	45.3	5,140,815	47.3	\$55.47		
Vacant		9,449	4.6	0	0.0	\$0.00		
<b>Total / Wtd. Avg. All Tenants</b>		<b>204,414</b>	<b>100.0%</b>	<b>\$10,862,849</b>	<b>100.0%</b>	<b>\$55.72</b>		

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

(2) Providence Health System – Southern California leases 23,636 SF across 3 spaces in the West Building with 2, 5-year renewal options and 10,840 SF across 6 spaces in the East Building with 2, 5-year renewal options attributable to 7,837 SF and 1, 5-year renewal option attributable to the remaining 3,003 SF. 1,250 SF expires in 2018, 5,577 SF expires in 2020, 6,253 SF expires in 2021, 12,218 SF expires in 2022 and 9,178 SF expires in 2023.

(3) The Regents of the University of California leases 22,742 SF across 4 spaces in the West Building. 12,405 SF expires in 2018 and 10,337 SF expires in 2021.

(4) Cedars-Sinai Medical Care Foundation has executed a renewal lease for 3,838 SF expiring on October 31, 2021. A renewal lease for the remaining 1,375 SF has been negotiated and is awaiting signature.

The following table presents the lease rollover schedule at the Medical Centre of Santa Monica Property, based on initial lease expiration dates:

### Lease Expiration Schedule<sup>(1)(2)</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 Tenants
MTM	7,592	3.7%	3.7%	\$442,331	4.1%	\$58.26	4
2017	25,069	12.3	16.0%	1,400,461	12.9	\$55.86	12
2018	29,247	14.3	30.3%	1,707,711	15.7	\$58.39	11
2019	5,662	2.8	33.1%	309,879	2.9	\$54.73	5
2020	33,047	16.2	49.2%	1,846,461	17.0	\$55.87	11
2021	38,761	19.0	68.2%	2,122,524	19.5	\$54.76	16
2022	22,617	11.1	79.2%	1,219,663	11.2	\$53.93	9
2023	12,193	6.0	85.2%	688,942	6.3	\$56.50	3
2024	8,301	4.1	89.3%	443,444	4.1	\$53.42	3
2025	7,563	3.7	93.0%	427,689	3.9	\$56.55	3
2026	4,913	2.4	95.4%	253,744	2.3	\$51.65	2
2027	0	0.0	95.4%	0	0.0	\$0.00	0
2028 & Thereafter	0	0.0	95.4%	0	0.0	\$0.00	0
Vacant	9,449	4.6	100.0%	0	0.0	\$0.00	0
<b>Total / Wtd. Avg.</b>	<b>204,414</b>	<b>100.0%</b>		<b>\$10,862,849</b>	<b>100.0%</b>	<b>\$55.72</b>	<b>79</b>

(1) Calculated based on approximate square footage occupied by each owned tenant unless otherwise specified.

(2) Certain tenants may have lease termination options that are exercisable prior to the originally stated expiration date of the applicable lease and that are not considered in the Lease Expiration Schedule.

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The following table presents certain information relating to historical leasing at the Medical Centre of Santa Monica Property:

### Historical Leased %<sup>(1)</sup>

Property		2013	2014	2015	As of 10/31/2016 <sup>(2)</sup>
East Building	Owned Space	95.3%	97.1%	95.8%	96.0%
West Building	Owned Space	95.0%	94.3%	91.1%	95.1%

(1) As provided by the borrower and which represents occupancy as of December 31 for the specified year unless otherwise specified.

(2) Based on the underwritten rent roll dated October 31, 2016.

- **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 Medical Centre of Santa Monica Property:

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

	2013	2014	2015	TTM 8/31/2016	Underwritten	Underwritten \$ per SF
Base Rent	\$9,470,826	\$10,047,107	\$10,168,544	\$10,406,658	\$10,862,849	\$53.14
Contractual Rent Steps <sup>(2)</sup>	0	0	0	0	520,230	2.54
Potential Income from Vacant Space	0	0	0	0	551,004	2.70
Total Rent	\$9,470,826	\$10,047,107	\$10,168,544	\$10,406,658	\$11,934,083	\$58.38
Reimbursements	125,058	163,497	273,809	121,808	152,135	0.74
Parking <sup>(3)</sup>	1,463,467	1,505,333	1,539,589	1,606,457	1,606,457	7.86
Other Income	47,876	13,930	12,106	10,946	10,946	0.05
Vacancy and Credit Loss	0	0	0	0	(577,341)	(2.82)
<b>Effective Gross Income</b>	<b>\$11,107,228</b>	<b>\$11,729,867</b>	<b>\$11,994,048</b>	<b>\$12,145,869</b>	<b>\$13,126,280</b>	<b>\$64.21</b>
Real Estate Taxes	\$550,876	\$558,037	\$563,260	\$566,177	\$567,332	\$2.78
Insurance	184,779	185,039	188,074	194,850	197,371	0.97
Management Fee	443,811	465,021	462,803	471,585	525,051	2.57
Ground Rent <sup>(4)</sup>	197,682	224,801	186,974	149,230	239,478	1.17
Other Expenses	2,010,796	2,133,217	2,295,521	2,166,531	2,177,511	10.65
<b>Total Operating Expenses</b>	<b>\$3,387,945</b>	<b>\$3,566,114</b>	<b>\$3,696,632</b>	<b>\$3,548,374</b>	<b>\$3,706,743</b>	<b>\$18.13</b>
<b>Net Operating Income</b>	<b>\$7,719,283</b>	<b>\$8,163,752</b>	<b>\$8,297,416</b>	<b>\$8,597,495</b>	<b>\$9,419,537</b>	<b>\$46.08</b>
Normalized TI/LC	0	0	0	0	505,814	2.47
Replacement Reserves	0	0	0	0	20,441	0.10
<b>Net Cash Flow</b>	<b>\$7,719,283</b>	<b>\$8,163,752</b>	<b>\$8,297,416</b>	<b>\$8,597,495</b>	<b>\$8,893,281</b>	<b>\$43.51</b>
<b>Occupancy</b>	<b>95.1%</b>	<b>95.2%</b>	<b>92.6%</b>	<b>95.4%<sup>(5)</sup></b>	<b>95.2%</b>	
<b>NOI Debt Yield</b>	<b>10.9%</b>	<b>11.5%</b>	<b>11.7%</b>	<b>12.1%</b>	<b>13.3%</b>	
<b>NCF DSCR</b>	<b>2.64x</b>	<b>2.79x</b>	<b>2.84x</b>	<b>2.94x</b>	<b>3.04x</b>	

(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) Contractual Rent Steps are underwritten based upon the actual scheduled rent increases (totaling \$81,044) through April 2017 and the present value of scheduled rent increases (totaling \$439,186) through the end of the lease terms for credit tenants.

(3) The two buildings that comprise the Santa Monica Medical Centre Property share a 814 space parking garage located on the Santa Monica Medical Centre Property.

(4) The annual ground lease payment is equal to the base annual rent of \$70,000 plus 5.0% of all gross receipts received during any lease year in excess of the applicable floor amount.

(5) Based on the underwritten rent roll dated October 31, 2016.

- **Appraisal.** According to the appraisal, the Medical Centre of Santa Monica Property had an “as-is” appraised value of \$150,000,000 as of October 5, 2016.

Appraisal Approach	Value	Discount Rate	Capitalization Rate
Direct Capitalization Approach	\$151,000,000	N/A	5.75%
Discounted Cash Flow Approach	\$149,500,000	7.25%	6.25% <sup>(1)</sup>

(1) Represents the terminal capitalization rate.

- **Environmental Matters.** Based on a Phase I environmental report dated October 7, 2016, the environmental consultant reported no recognized environmental conditions and recommended no further action for the Medical Centre of Santa Monica Property except for the continued implementation of the existing asbestos O&M plan.



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- Market Overview and Competition.** The Medical Centre of Santa Monica Property is located in Santa Monica, California, which is a coastal city in West Los Angeles. The city is approximately 16 miles west of the Los Angeles Central Business District. It is bounded by Pacific Palisades to the north, Brentwood and West Los Angeles to the east, Venice to the south and the Pacific Ocean to the west. Established tech companies such as Facebook, Google and Yahoo have moved to offices in Santa Monica and the city has also attracted burgeoning startups such as Snapchat, Hulu, Fullscreen and Frequency, earning Santa Monica the "Silicon Beach" moniker. Since Silicon Beach is a less mature scene than Silicon Valley, labor pressures have not had time to develop and therefore, the average tech wage in Los Angeles is \$115,000 compared with \$226,000 in Silicon Valley. Furthermore, Silicon Beach's comparatively low labor costs ensures strong wage growth for the foreseeable future. Moreover, Los Angeles is in the middle of a major transportation project, the Regional Connector, which will improve efficiency and relieve congestion. According to a third party report, the 2016 population within a 1-, 3- and 5-mile radius of the Medical Centre of Santa Monica Property is 39,994, 227,695 and 465,979, respectively. The 2016 average household income within a 1-, 3- and 5-mile radius is \$105,630, \$123,346 and \$125,682, respectively.

According to a third party report, as of 2015 the Los Angeles County Office market was comprised of 183,491,000 SF with a 14.4% vacancy and an average rental rate of \$28.80 per SF. The Los Angeles County Office market's net absorption has been positive since 2011, and during 2015 absorption was a positive 2,502,000 SF, with completions totaling 1,398,000 SF. According to the appraisal, the Medical Centre of Santa Monica Property is located within the Santa Monica submarket. As of the second quarter of 2016, the submarket consisted of 87 office buildings totaling 9,526,221 SF with a direct vacancy of 11.0% and asking rent of \$64.08/SF. Net absorption in the submarket as of the second quarter of 2016 was a positive 48,444 SF.

The following table presents certain information relating to the primary competition for the Medical Centre of Santa Monica Property:

**Medical Centre of Santa Monica Property Competitive Set<sup>(1)</sup>**

	Medical Centre of Santa Monica Property	Santa Monica Medical Plaza	The 1919 Building	Santa Monica Physicians Center
Year Built	Various	1973 / 2006	1991	1972
SF	204,414	87,386	47,000	37,109
Total Occupancy	95.4% <sup>(2)</sup>	96.0%	98.0%	92.0%
Base Rent	\$32.14 – \$63.98 <sup>(2)</sup>	\$56.40 - \$58.20	\$60.00	\$58.80

	St. John's Medical Plaza	Parkside Medical Center	2825 Santa Monica	Wilshire Harvard Plaza
Year Built	1987	1923	1984	1985
SF	90,056	65,610	52,676	58,369
Total Occupancy	100.0%	100.0%	98.0%	99.0%
Base Rent	\$55.80	\$48.00	\$51.00	\$48.00 – \$57.00

(1) Source: Appraisal.

(2) Based on the underwritten rent roll dated October 31, 2016.

- The Borrower.** The borrower is Medical Associates, a California limited partnership, and is a single purpose entity that is structured to be bankruptcy-remote. The borrower's general partner, Held Group / MCSM, L.L.C., is a Delaware limited liability company and a single-purpose entity that is structured to be bankruptcy-remote, with two independent directors. Legal counsel to the borrower delivered a non-consolidation opinion in connection with the origination of the Medical Centre of Santa Monica Loan. The non-recourse carveout guarantor is HFP Group, LLC. The borrower sponsors' operating entity for asset and property management is Held Properties, Inc. Held Properties Inc. is 100% owned by the Held family. Through Held Properties, Inc., the borrower sponsors are the developer, owner and operator of premier office and medical office buildings in Southern California's most desirable submarkets. Founded in 1946, Held Properties, Inc. provides services in property management, construction and project management, development, marketing and leasing and parking services.

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- **Escrows.** The borrower of the Medical Centre of Santa Monica Loan was not required to make initial deposits to the tax, insurance, replacements reserves or tenant improvements and leasing commissions reserves. On each due date during a Medical Centre of Santa Monica Trigger Period (as defined below), the borrower is required to deposit (i) \$1,703 into a replacement reserve and (ii) \$42,229 into a leasing reserve. In the event that the Waiver Condition (as defined below) does not exist, the borrower is required to pay to the lender (a) one-twelfth of the amount sufficient to pay taxes payable (or estimated to be payable) during the following twelve months, to be held in a tax reserve and (b) at the option of the lender, if the liability or casualty policy maintained by the borrower is not an approved blanket or umbrella policy under the Medical Centre of Santa Monica Loan documents, one-twelfth of an amount sufficient to pay insurance premiums for the renewal of such policies upon the expiration thereof, to be held in an insurance reserve.

A “**Waiver Condition**” means a condition that will be deemed to exist to the extent that each of the following are true: (i) no event of default has occurred and is continuing under the Medical Centre of Santa Monica Loan documents, (ii) with respect to the tax reserve, the borrower pays all applicable taxes directly to the applicable imposing governmental authority prior to the date they become delinquent and evidence of the payment is delivered to the lender by no later than the dates required in the Medical Centre of Santa Monica Loan documents and (iii) with respect to the insurance reserve, all policies required under the Medical Centre of Santa Monica Loan documents are maintained and all insurance premiums due are paid directly to the applicable insurers and evidence of the payment is delivered to the lender as required by the Medical Centre of Santa Monica Loan documents.

- **Lockbox and Cash Management.** The Medical Centre of Santa Monica Loan provides for a springing lockbox and springing cash management. The lockbox account is not established at origination but a deposit account control agreement was fully executed at closing. Upon the occurrence of a Medical Centre of Santa Monica Trigger Period, the lockbox account will be established and tenants will begin depositing all rents directly into the lockbox account, provided that, following the termination of the first Medical Centre of Santa Monica Trigger Period, the borrower may close the lockbox account and notify tenants to pay rents to a different account until such time as a new Medical Centre of Santa Monica Trigger Period occurs. Funds in the lockbox account are used to pay debt service and fund reserves and any excess (i) during a Medical Centre of Santa Monica Trigger Period is held by the lender and (ii) when no Medical Centre of Santa Monica Trigger Period is continuing is disbursed to the borrower. Following an event of default under the Medical Centre of Santa Monica Loan documents, the lender may apply funds in any manner and priority it determines.

A “**Medical Centre of Santa Monica Trigger Period**” means a period (A) commencing upon the earliest of (i) the occurrence and continuance of an event of default and (ii) the debt service coverage ratio being less than 1.50x; and (B) expiring upon (y) with regard to any Medical Centre of Santa Monica Trigger Period commenced in connection with clause (i) above, the cure (if applicable) of such event of default and (z) with regard to any Medical Centre of Santa Monica Trigger Period commenced in connection with clause (ii) above, the date that the debt service coverage ratio is equal to or greater than 1.55x for two consecutive calendar quarters.

- **Property Management.** The Medical Centre of Santa Monica Property is managed by Held Properties, Inc., a borrower-affiliated manager. The lender has the right to direct the borrower to terminate the property management agreement and replace the property manager if (i) the property manager becomes a debtor in any voluntary bankruptcy or insolvency action or a debtor in any involuntary bankruptcy or insolvency action not dismissed within 90 days; (ii) an event of default has occurred and is continuing under the Medical Centre of Santa Monica Loan documents; (iii) the property manager has engaged in gross negligence, fraud, willful misconduct or misappropriation of funds; or (iv) a default by the property manager has occurred and is continuing under the property management agreement after the expiration of all applicable notice and cure periods. The borrower has the right to replace the property manager, provided no event of default is continuing under the Medical Centre of Santa Monica Loan documents and such replacement will not cause a termination right, right of first refusal, termination fee, a similar right or a material adverse effect, with a property manager approved by the lender in writing (which may be conditioned upon receipt of a rating agency confirmation). Additionally, the borrower has contracted with an affiliated parking manager, Parking Plus, Inc., a California corporation, with respect to the management of the parking portions of the Medical Centre of Santa Monica Property. The lender has the same kickout rights with respect to the parking manager as it does with the property manager.
- **Mezzanine or Subordinate Indebtedness.** Not permitted.

## LOAN #4: MEDICAL CENTRE OF SANTA MONICA

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- **Ground Lease.** The borrower's interest in the land comprising the Medical Centre of Santa Monica Property is derived pursuant to a ground lease between the borrower, as ground lessee, and Providence Health System – Southern California, as ground lessor. The term of the ground lease expires on December 31, 2075. Base ground rent is a \$70,000 annual payment plus an additional payment of 5% of gross receipts over a floor amount which increases annually (in each case, as more particularly described in the ground lease).
- **Release of Collateral.** Not permitted.
- **Terrorism Insurance.** The borrower is required to maintain an “all-risk” insurance policy that provides coverage for terrorism in an amount equal to 100% of the full replacement cost of the Medical Centre of Santa Monica Property, plus a business interruption insurance policy that provides 24 months of business interruption coverage with an additional 12-month extended period of indemnity with no deductible in excess of \$10,000 (except with respect to earthquake and windstorm coverage). See “*Risk Factors—Terrorism Insurance May Not Be Available for All Mortgaged Properties*” in the Prospectus.