

Stevens Center Business Park



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Stevens Center Business Park

Mortgage Loan Information

Mortgage Loan Seller:	JPMCB
Original Principal Balance:	\$59,000,000
Cut-off Date Principal Balance:	\$59,000,000
% of Pool by IPB:	4.4%
Loan Purpose:	Refinance
Borrower:	Extended Legacy, LLC
Sponsor:	George Garlick
Interest Rate:	4.63700%
Note Date:	8/21/2014
Maturity Date:	9/1/2024
Interest-only Period:	None
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	Balloon
Call Protection:	L(24),Def(93),O(3)
Lockbox:	Hard
Additional Debt:	N/A
Additional Debt Balance:	N/A
Additional Debt Type:	N/A

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee / Leasehold
Property Type - Subtype:	Office - CBD
Net Rentable Area (SF):	468,373
Location:	Richland, WA
Year Built / Renovated:	1967 / N/A
Occupancy:	100.0%
Occupancy Date:	1/23/2014
Number of Tenants:	6
2011 NOI:	\$6,129,314
2012 NOI:	\$6,218,345
2013 NOI:	\$6,149,371
UW Economic Occupancy:	98.0%
UW Revenues:	\$8,705,703
UW Expenses:	\$2,701,985
UW NOI:	\$6,003,718
UW NCF:	\$5,578,188
Appraised Value / Per SF:	\$79,000,000 / \$169
Appraisal Date:	5/15/2014

Escrows and Reserves⁽¹⁾

	Initial	Monthly	Initial Cap
Taxes:	\$0	\$62,124	N/A
Insurance:	\$0	Springing	N/A
Replacement Reserves:	\$5,855	\$5,855	N/A
TI/LC:	\$500,000	\$41,667	\$2,000,000
Other:	\$4,124	Springing	N/A

Financial Information

Cut-off Date Loan / SF:	\$126
Maturity Date Loan / SF:	\$102
Cut-off Date LTV:	74.7%
Maturity Date LTV:	60.7%
UW NCF DSCR:	1.53x
UW NOI Debt Yield:	10.2%

Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$59,000,000	100.0%	Payoff Existing Debt	\$54,986,667	93.2%
			Return of Equity	2,407,351	4.1
			Closing Costs	1,096,003	1.9
			Upfront Reserves	509,979	0.9
Total Sources	\$59,000,000	100.0%	Total Uses	\$59,000,000	100.0%

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

The Loan. The Stevens Center Business Park loan has an outstanding balance of \$59.0 million and is secured by a first mortgage lien on a property consisting of six office buildings and a warehouse totaling 468,373 square feet located in Richland, Washington. Five of the buildings are owned fee simple by the borrower and one of the buildings is subject to a ground lease with the Port of Benton, a public port district and economic development agency. The loan has a 10-year term and will amortize on a 30-year schedule. The existing debt was previously securitized in the JPMCC 2006-LDP8 transaction.

The Borrower. The borrowing entity for the Stevens Center Business Park loan is Extended Legacy, LLC, a Washington limited liability company and special purpose entity.

The Sponsor. The loan sponsor and nonrecourse carve-out guarantor is George Garlick, founder and CEO of Garlick Enterprises. Garlick Enterprises has developed more than a dozen office, office-research and warehouse properties in the Tri-City Science and Technology Park since 1967, including the six office buildings and warehouse comprising Stevens Center Business Park. The sponsor's current basis in the property is approximately \$65 million.

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The Property. Stevens Center Business Park is a 468,373 square foot office property consisting of six office buildings and one warehouse located across 28.9 acres in the Tri-Cities Research District in northern Richland, Washington, just south of the Department of Energy's Hanford Nuclear Reservation. Stevens Center Business Park was built between 1967 and 2006 and is currently 100.0% occupied by six tenants. Of the total net rentable area, 21.3% is leased to an investment grade tenant rated Aaa / AA+ / AAA by Moody's, S&P and Fitch, respectively.

Stevens Center Business Park's largest tenant is Bechtel National, Inc. ("Bechtel"), which leases 36.3% of the net rentable area through January 2017 with three, three-year extension options remaining. Bechtel has been in occupancy since September 2002 and executed its third extension option in 2013. Bechtel, founded in 1898, is one of the largest construction and engineering companies in the United States. Bechtel has offices around the world and employs approximately 53,000 people. Bechtel holds numerous contracts related to the Hanford project, including an approximately \$12.3 billion contract to build a vitrification plant, which will be used to convert approximately 53 million gallons of radioactive waste into stable glass form for storage/disposal. The project is anticipated to be completed between 2025 and 2030 at which time Bechtel will become the facility's operator. The second largest tenant, Battelle Memorial Institute ("Battelle"), leases 21.7% of the net rentable area through September 2016. Battelle has been a tenant at the property since 1967 and executed its eighth extension option in 2013. Battelle is the world's largest nonprofit research and development organization, with over 22,000 employees at more than 60 locations globally. Battelle operates the nearby Pacific Northwest National Laboratory for the U.S. Department of Energy where testing is done related to the Hanford project. The third largest tenant, the GSA (U.S. Department of Energy) ("DOE"), leases 21.3% of the net rentable area through October 2022 and has been in occupancy since October 1994. The DOE Office of River Protection, which was established to oversee and control the entire Hanford project, is headquartered at the property. The office controls the approximately \$115.0 billion of funds remaining for the Hanford project.

Stevens Center Business Park is located near the main entrance to the DOE's Hanford Site. The Hanford Site, home to nine nuclear reactors that were used to produce plutonium during World War II and the Cold War, is currently the most contaminated nuclear site in the United States and is the focus of the country's largest environmental cleanup effort. On May 15, 1989, the Washington Department of Ecology, the Environmental Protection Agency and the DOE entered into a tri-party agreement which provided the legal framework for environmental remediation at the Hanford Site and shortly thereafter, the DOE began the cleanup of the site. Currently, the federal government spends approximately \$2 billion annually on the Hanford project and employs 11,000 people related to the project. The project is expected to continue for another 50 to 60 years. All tenants at Stevens Center Business Park are involved in various aspects of the multi-layered Hanford Site remediation.

The Tri-Cities Research District, created in 1990, is designated as an Innovation Partnership Zone by the governor of Washington and is home to the Pacific Northwest National Laboratory (the "PNNL"), a national center for energy and environmental research. The PNNL is operated by Battelle and the Tri-Cities campus of Washington State University. The Tri-Cities Research District currently comprises 3.4 million square feet of office, laboratory and light manufacturing space across approximately 1,700 acres. According to the appraisal, the property is part of the Tri-Cities Metropolitan Statistical Area. As of the first quarter of 2014, the Tri-Cities Metropolitan Statistical Area contains approximately 5.7 million square feet of office space and reported a vacancy rate of 14.1% with asking rents of \$18.19 per square foot.

Historical and Current Occupancy ⁽¹⁾			
2011	2012	2013	Current ⁽²⁾
99.7%	100.0%	100.0%	100.0%

(1) Historical Occupancies are as of December 31 of each respective year.

(2) Current Occupancy is as of January 23, 2014.

Tenant	Tenant Summary ⁽¹⁾				
	Ratings ⁽²⁾ Moody's/S&P/Fitch	Net Rentable Area (SF)	% of Total NRA	Base Rent PSF	Lease Expiration Date
Bechtel National, Inc. ⁽³⁾	NA / NA / NA	169,880	36.3%	\$18.25	1/1/2017
Battelle Memorial Institute ⁽⁴⁾	NA / NA / NA	101,414	21.7%	\$15.89	9/1/2016
GSA (U.S. Department of Energy) ⁽⁵⁾	Aaa / AA+ / AAA	99,822	21.3%	\$18.39	10/1/2022
Washington Closure Hanford ⁽⁶⁾	NA / NA / NA	51,548	11.0%	\$16.00	6/1/2016
Washington River Protection Solutions	NA / NA / NA	44,197	9.4%	\$20.00	9/1/2016
Advanced Imaging Technologies, Inc.	NA / NA / NA	1,512	0.3%	\$18.67	MTM

(1) Based on the underwritten rent roll.

(2) Ratings provided are for the parent company of the entity listed in the "Tenant" field whether or not the parent company guarantees the lease.

(3) Bechtel may terminate its lease at any time with 180 days' notice.

(4) Battelle may terminate its lease in whole or in part at any time with 180 days' notice.

(5) The DOE may terminate its lease at any time after October 26, 2022 with 120 days' notice.

(6) Washington Closure Hanford may terminate its lease with 120 days' notice if the U.S. Department of Energy terminates the River Corridor Closure Contract.

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Lease Rollover Schedule ⁽¹⁾									
Year	Number of Leases Expiring	Net Rentable Area Expiring	% of NRA Expiring	Base Rent Expiring	% of Base Rent Expiring	Cumulative Net Rentable Area Expiring	Cumulative % of NRA Expiring	Cumulative Base Rent Expiring	Cumulative % of Base Rent Expiring
Vacant	NAP	0	0.0%	NAP	NAP	0	0.0%	NAP	NAP
2014 & MTM	1	1,512	0.3	\$28,236	0.3%	1,512	0.3%	\$28,236	0.3%
2015	0	0	0.0	0	0.0	1,512	0.3%	\$28,236	0.3%
2016	3	197,159	42.1	3,320,176	40.1	198,671	42.4%	\$3,348,412	40.4%
2017	1	169,880	36.3	3,100,310	37.4	368,551	78.7%	\$6,448,722	77.8%
2018	0	0	0.0	0	0.0	368,551	78.7%	\$6,448,722	77.8%
2019	0	0	0.0	0	0.0	368,551	78.7%	\$6,448,722	77.8%
2020	0	0	0.0	0	0.0	368,551	78.7%	\$6,448,722	77.8%
2021	0	0	0.0	0	0.0	368,551	78.7%	\$6,448,722	77.8%
2022	1	99,822	21.3	1,835,806	22.2	468,373	100.0%	\$8,284,529	100.0%
2023	0	0	0.0	0	0.0	468,373	100.0%	\$8,284,529	100.0%
2024	0	0	0.0	0	0.0	468,373	100.0%	\$8,284,529	100.0%
2025 & Beyond	0	0	0.0	0	0.0	468,373	100.0%	\$8,284,529	100.0%
Total	6	468,373	100.0%	\$8,284,529	100.0%				

(1) Based on the underwritten rent roll.

Operating History and Underwritten Net Cash Flow						
	2011	2012	2013	Underwritten	Per Square Foot	% ⁽¹⁾
Rents in Place	\$7,979,903	\$8,083,944	\$8,221,180	\$8,284,529	\$17.69	93.3%
Vacant Income	0	0	0	0	0.00	0.0
Gross Potential Rent	\$7,979,903	\$8,083,944	\$8,221,180	\$8,284,529	\$17.69	93.3%
Total Reimbursements	601,757	708,849	577,951	598,842	1.28	6.7
Net Rental Income	\$8,581,661	\$8,792,793	\$8,799,131	\$8,883,371	\$18.97	100.0%
(Vacancy/Credit Loss)	0	0	0	(177,667)	(0.38)	(2.0)
Other Income	182,498	74,845	14,204	0	0.00	0.0
Effective Gross Income	\$8,764,158	\$8,867,638	\$8,813,335	\$8,705,703	\$18.59	98.0%
Total Expenses	\$2,634,845	\$2,649,293	\$2,663,964	\$2,701,985	\$5.77	31.0%
Net Operating Income	\$6,129,314	\$6,218,345	\$6,149,371	\$6,003,718	\$12.82	69.0%
Total TI/LC, Capex/RR	0	0	0	425,529	0.91	4.9
Net Cash Flow	\$6,129,314	\$6,218,345	\$6,149,371	\$5,578,188	\$11.91	64.1%

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

Property Management. The property is managed by Stevens Center Management Company, an affiliate of the borrower.

Ground Lease. One of the six buildings in the park, 2620 Fermi Drive, is subject to a ground lease with the Port of Benton, an autonomous public port district and economic development agency. The ground lease commenced on February 1, 2006 and expires on January 31, 2056. The current ground lease payment is \$16,495 per year, with rent escalations every five years based on the Consumer Price Index.

Escrows and Reserves. At origination, the borrower deposited into escrow \$500,000 for future tenant improvements and leasing commissions, \$5,855 for replacement reserves and \$4,124 for ground lease payments.

Tax Escrows - On a monthly basis, the borrower is required to escrow 1/12 of the annual estimated tax payments, which currently equates to \$62,124.

Insurance Escrows - The requirement for the borrower to make monthly deposits to the insurance escrow is waived so long as no event of default exists and the borrower provides satisfactory evidence that the property is insured as part of a blanket policy in accordance with the loan documents.

Replacement Reserves - On a monthly basis, the borrower is required to escrow \$5,855 (approximately \$0.15 per square foot annually) for replacement reserves.

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TI/LC Reserves - On a monthly basis, the borrower is required to escrow \$41,667 (approximately \$1.07 per square foot annually) for future tenant improvements and leasing commissions. The reserve is subject to a cap of \$2.0 million (approximately \$4.27 per square foot).

Ground Lease Reserve - The requirement for the borrower to make monthly deposits to the ground lease reserve is waived so long as the amount on deposit for ground rent is equal to at least three months of rents and other charges due under the ground lease.

Lockbox / Cash Management. The loan is structured with a hard lockbox and in-place cash management. The borrower was required to send tenant direction letters to all tenants instructing them to deposit all rents and payments into the lockbox account controlled by the lender. All funds in the lockbox account are swept daily to a cash management account under the control of the lender and disbursed during each interest period of the term of the loan in accordance with the loan documents. To the extent that (i) the debt service coverage ratio (as calculated in the loan documents) based on the trailing three months falls below 1.10x, (ii) there is an event of default under the loan documents, (iii) the borrower, its principal or property manager becomes the subject of a bankruptcy, insolvency or similar action or (iv) there is a Tenant Trigger Event, then all excess cash flow after payment of debt service, required reserves and operating expenses will be held as additional collateral for the loan.

A “Tenant Trigger Event” means: Bechtel, Battelle or the DOE (i) vacates, surrenders or ceases to conduct its normal business operations in substantially all of its space at the property and the borrower has not found replacement tenants in accordance with the terms of the loan documents, (ii) notifies that it intends to vacate, surrender or cease to conduct its normal business operations in substantially all of its space at the property and the borrower has not found replacement tenants in accordance with the terms of the loan documents, (iii) becomes insolvent or a debtor in a bankruptcy action or (iv) fails to exercise each lease renewal option that accrues during the term of the loan and the borrower has not found replacement tenants in accordance with the terms of the loan documents.