

Manhattan Beach Medical Office

Mortgage Loan Information

Mortgage Loan Seller:	RCMC
Original Principal Balance:	\$17,500,000
Cut-off Date Principal Balance:	\$17,500,000
% of Pool by IPB:	2.2%
Loan Purpose:	Refinance
Borrower:	Lexham Manhattan Beach, LLC
Sponsor:	Marc K. Lewis
Interest Rate:	4.76000%
Note Date:	11/13/2015
Maturity Date:	12/5/2025
Interest-only Period:	60 months
Original Term:	120 months
Original Amortization:	360 months
Amortization Type:	IO-Balloon
Call Protection:	L(24),Def(91),O(5)
Lockbox:	Springing
Additional Debt:	N/A
Additional Debt Balance:	N/A
Additional Debt Type:	N/A

Property Information

Single Asset / Portfolio:	Single Asset
Title:	Fee
Property Type - Subtype:	Office - Medical
Net Rentable Area (SF):	39,481
Location:	Manhattan Beach, CA
Year Built / Renovated:	1986 / 2015
Occupancy:	100.0%
Occupancy Date:	10/1/2015
Number of Tenants:	6
2012 NOI:	\$985,149
2013 NOI:	\$980,609
2014 NOI:	\$1,205,805
TTM NOI (as of 8/2015)⁽¹⁾:	\$964,990
UW Economic Occupancy:	95.8%
UW Revenues:	\$1,919,533
UW Expenses:	\$575,259
UW NOI⁽¹⁾:	\$1,344,274
UW NCF:	\$1,330,851
Appraised Value / Per SF⁽²⁾:	\$24,000,000 / \$608
Appraisal Date:	10/12/2015

Escrows and Reserves

	Initial	Monthly	Initial Cap
Taxes:	\$66,113	\$13,223	N/A
Insurance:	\$8,053	\$1,342	N/A
Replacement Reserves:	\$0	\$1,119	N/A
TI/LC:	\$0	\$0	N/A
Other⁽³⁾:	\$1,468,897	\$0	N/A

Financial Information

Cut-off Date Loan / SF:	\$443
Maturity Date Loan / SF:	\$407
Cut-off Date LTV⁽²⁾:	72.9%
Maturity Date LTV⁽²⁾:	67.0%
UW NCF DSCR:	1.21x
UW NOI Debt Yield:	7.7%

Sources and Uses

Sources	Proceeds	% of Total	Uses	Proceeds	% of Total
Mortgage Loan	\$17,500,000	100.0%	Payoff Existing Debt	\$9,322,626	53.3%
			Return of Equity	6,410,826	36.6
			Upfront Reserves	1,543,063	8.8
			Closing Costs	223,485	1.3
Total Sources	\$17,500,000	100.0%	Total Uses	\$17,500,000	100.0%

(1) The increase from TTM NOI to UW NOI is primarily due to new lease signed (\$618,999) in 2015, expiration of the free rent period for Kaiser Foundation Health Plan and Beach Cities Orthopedics (\$170,374) and rent steps taken through October 1, 2016 (\$146,529).

(2) The Appraised Value / Per SF, Cut-off Date LTV and Maturity Date LTV are calculated based on the "hypothetical as stabilized market value" value of \$24,000,000 as of October 12, 2015, which is based on a hypothetical condition that the proposed construction has been completed and market occupancy and cash flow has been achieved with respect to three tenants that are currently undergoing renovations and/or build-outs of their related spaces: Beach Cities Orthopedics (with respect to 11.8% of the net rentable area), Kaiser Foundation Health Plan (with respect to 26.1% of the net rentable area) and Ashley Magovern, M.D. (with respect to 6.2% of the net rentable area). All tenants have commenced paying the full amount of their rent, except for Beach Cities Orthopedics which will be paying full rent for one of its spaces (3,500 square feet) in January 2016. \$1,190,773 has been escrowed at closing for all outstanding TI/LC obligations. The "as-is" value as of October 12, 2015 was \$22,500,000, which results in a Cut-off Date LTV of approximately 77.8% and a Maturity Date LTV of approximately 71.5%. The appraisal determined a property land value of \$12,300,000 which represents 70.3% of the loan amount.

(3) Initial Other Escrows and Reserves consists of an existing TI/LC reserve (\$1,190,773) and an immediate repair reserve (\$278,124).

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The Loan. The Manhattan Beach Medical Office loan has an outstanding principal balance of \$17.5 million and is secured by a first mortgage lien on the fee interest in a 39,481 square foot medical office building located in Manhattan Beach, California. The loan has a 10-year term and, subsequent to a five-year interest-only period, will amortize on a 30-year schedule. The existing debt was previously securitized in the LBUBS 2006-C3 transaction. The borrowing entity for the loan is Lexham Manhattan Beach, LLC a Delaware limited liability company and special purpose entity. The nonrecourse carve-out guarantor is Marc K. Lewis, a principal managing member of Lexham Private Investors, LLC. Lexham Private Investors, LLC is a private commercial real estate investment and management company based in Westport, Connecticut. The firm has over 20 years of experience in real estate acquisitions, fund management, real estate investment advisory, capital structuring and market knowledge. The firm currently owns and manages a portfolio of 20 office and retail properties in California and Connecticut.

The Property. The Manhattan Beach Medical Office is a two story, Class B, medical office building comprised of approximately 39,481 square feet located in Manhattan Beach, California. The property is located approximately 0.5 mile from the Pacific Ocean and over half the spaces enjoy ocean views. The property contains 188 parking spaces split between both surface parking and a subterranean garage with an overall parking ratio of 4.76 per 1,000 square feet. The Manhattan Beach Medical Office property was constructed in 1986 and renovated in 2015. As of October 1, 2015, the property was 100.0% occupied by six tenants and since 2012, the Manhattan Beach Medical Office has achieved an average occupancy of 97.4%.

The largest tenant, Beach Cities Orthopedics (“BCO”), leases approximately 51.5% of the net rentable area through October 31, 2030. Established in 2008 by two orthopedic surgeons, BCO is an orthopedic surgery practice specializing in sports medicine. Since first taking occupancy on July 1, 2008, BCO has extended its lease and expanded several times adding a cumulative 39.3% of the net rentable area. Most recently, the tenant is in the process of building out an additional 1,153 square feet of their space (2.9% of the net rentable area) with an estimated completion date of December 2015 and is also planning to convert a 3,500 square foot space (8.9% of the net rentable area) into a surgical center with an estimated completion date of April 2016. The borrower will provide a tenant improvement allowance of \$692,500 (\$197.86 per square foot) for the surgical center renovation which was reserved at closing. The second largest tenant, Kaiser Foundation Health Plan (“Kaiser”) (A+ by S&P), recently signed a 10 year lease (with four, five-year extension options) and is occupying approximately 26.1% of the net rentable area through May 31, 2025. Kaiser is one of the nation's largest not-for-profit health plan providers, serving more than 10.0 million people, approximately 7.9 million of which are located in California. Founded in 1945 and headquartered in Oakland, California, Kaiser has 38 hospitals, 619 medical offices, over 17,000 physicians and over 177,000 employees. For year-end 2014, Kaiser reported operating revenue of approximately \$56.4 billion. Kaiser is finalizing the build-out of its space which is anticipated to be completed in December 2015. According to the borrower, Kaiser has invested approximately \$6.0 million (\$581.62 per square foot) on the build-out. The tenant commenced paying full rent on October 1, 2015.

The Market. The Manhattan Beach Medical Office property is located in Manhattan Beach, California, a coastal city located approximately 20 miles southwest of downtown Los Angeles. The property is situated approximately less than half a mile from the Pacific Ocean on the east side of Sepulveda Boulevard, which is a component of the Pacific Coast Highway (Highway 1) and a major commercial corridor in Manhattan Beach. According to the appraisal, the immediately surrounding area is fully built-out and consists of one and two story commercial buildings, auto dealerships, storefront retail, restaurants and Mira Costa High School. According to the appraisal, the one-, three- and five-mile 2015 estimated population is 29,878, 168,592 and 416,843, respectively, while the estimated median household income is \$126,550, \$93,310 and \$70,564, respectively.

According to information provided by a third party data provider, the property is located in the South Bay office submarket. As of the third quarter of 2015, the submarket contained an inventory of approximately 63.8 million square feet of office space with a vacancy rate of 14.1%. Furthermore, the medical office submarket within a three-mile radius contained an inventory of 697,756 square feet of office space across 43 buildings with a vacancy rate of 5.5%. The appraisal identified one comparable mixed use and four comparable medical office properties built between 1962 and 1982 ranging in size from 8,924 to 65,253 square feet. The rental rate for the comparable properties ranged from \$30.00 per square foot per year, triple net terms to \$42.00 per square foot per year, modified gross terms. Taking into consideration the Manhattan Beach Medical Office property's physical characteristics, age and location, the appraisal has concluded that a market rent of \$45.00 per square foot per year, full-service gross and a vacancy and collection loss of 5.0% is appropriate for the property. The average in-place rent for the property is \$47.08 per square foot.

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Tenant	Tenant Summary ⁽¹⁾					
	Ratings ⁽²⁾ Moody's/S&P/Fitch	Net Rentable Area (SF)	% of Total NRA	Base Rent PSF	% of Total Base Rent	Lease Expiration Date
Beach Cities Orthopedics ⁽³⁾	NA / NA / NA	20,314	51.5%	\$51.34	52.4%	10/31/2030
Kaiser Foundation Health Plan ⁽⁴⁾	NA / A+ / NA	10,316	26.1%	\$48.28	25.0%	5/31/2025
Ashley Magovern, M.D. ⁽⁵⁾	NA / NA / NA	4,575	11.6%	\$48.71	11.2%	5/14/2025
Dr. Christine Curtis ⁽⁶⁾	NA / NA / NA	2,265	5.7%	\$54.02	6.2%	1/31/2018
Jim Jamshid Tehrani DDS ⁽⁷⁾	NA / NA / NA	1,094	2.8%	\$48.20	2.7%	5/31/2025
Barbara Shigekuni OD	NA / NA / NA	917	2.3%	\$55.34	2.6%	1/31/2018

(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) Beach Cities Orthopedics will have a one-time termination option starting on October 31, 2025 upon 12-months' written notice and a payment of a termination fee of \$166,667. This termination option does not include the 3,500 square foot space that will be converted into the surgical space. BCO has two five-year extension options remaining.

(4) Kaiser Foundation Health Plan Base Rent PSF represents the average contractual rent over the lease term. Kaiser Foundation Health Plan has four five-year extension options remaining.

(5) Ashley Magovern, M.D. has two five-year extension options remaining.

(6) Dr. Christine Curtis has one five-year extension option remaining.

(7) Jim Jamshid Tehrani DDS has one five-year extension option remaining.

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
2015 & MTM	0	0	0.0	\$0	0.0%	0	0.0%	\$0	0.0%
2016	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2017	0	0	0.0	0	0.0	0	0.0%	\$0	0.0%
2018	2	3,182	8.1	173,108	8.7	3,182	8.1%	\$173,108	8.7%
2019	0	0	0.0	0	0.0	3,182	8.1%	\$173,108	8.7%
2020	0	0	0.0	0	0.0	3,182	8.1%	\$173,108	8.7%
2021	0	0	0.0	0	0.0	3,182	8.1%	\$173,108	8.7%
2022	0	0	0.0	0	0.0	3,182	8.1%	\$173,108	8.7%
2023	0	0	0.0	0	0.0	3,182	8.1%	\$173,108	8.7%
2024	0	0	0.0	0	0.0	3,182	8.1%	\$173,108	8.7%
2025	3	15,985	40.5	773,657	38.9	19,167	48.5%	\$946,765	47.6%
2026 & Beyond	1	20,314	51.5	1,042,881	52.4	39,481	100.0%	\$1,989,646	100.0%
Total	6	39,481	100.0%	\$1,989,646	100.0%				

(1) Based on the underwritten rent roll.

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Operating History and Underwritten Net Cash Flow						Per Square Foot	% ⁽²⁾
	2012	2013	2014	TTM ⁽¹⁾	Underwritten		
Rents in Place ⁽³⁾	\$1,456,749	\$1,478,218	\$1,693,183	\$1,425,450	\$1,989,646	\$50.40	99.4%
Gross Potential Rent	\$1,456,749	\$1,478,218	\$1,693,183	\$1,425,450	\$1,989,646	\$50.40	99.4%
Total Reimbursements	58,437	52,251	97,492	115,607	12,702	0.32	0.6
Net Rental Income	\$1,515,186	\$1,530,469	\$1,790,675	\$1,541,057	\$2,002,348	\$50.72	100.0%
Other Income	0	0	0	1,800	1,800	0.05	0.1
(Vacancy/Credit Loss)	0	0	0	0	(84,615)	(2.14)	(4.2)
Effective Gross Income	\$1,515,186	\$1,530,469	\$1,790,675	\$1,542,857	\$1,919,533	\$48.62	95.9%
Total Expenses	\$530,037	\$549,860	\$584,870	\$577,867	\$575,259	\$14.57	30.0%
Net Operating Income⁽⁴⁾	\$985,149	\$980,609	\$1,205,805	\$964,990	\$1,344,274	\$34.05	70.0%
Total TI/LC, Capex/RR	0	0	0	0	13,424	0.34	0.7
Net Cash Flow	\$985,149	\$980,609	\$1,205,805	\$964,990	\$1,330,851	\$33.71	69.3%
Occupancy⁽⁵⁾	92.2%	100.0%	100.0%	100.0%	95.8%		

(1) TTM column represents the trailing 12-month period ending on August 31, 2015.

(2) 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.

(3) Underwritten Rents in Place consists of in-place rents as of October 1, 2015 and includes rent steps through October 1, 2016 of \$146,529. For Kaiser Foundation Health Plan, the average contractual rent over the lease term was underwritten.

(4) The increase from TTM Net Operating Income to Underwritten Net Operating Income is primarily due to the new leases signed (\$618,999), expiration of the free rent for Kaiser Foundation Health Plan and Beach Cities Orthopedics (\$170,374) and rent steps taken through October 1, 2016 (\$146,529).

(5) Historical Occupancy is as of December 31 of each respective year and October 1, 2015 for TTM. Underwritten Occupancy represents economic occupancy.