Market Row | Internal Financing Memorandum

First-mortgage refinance | As of 2026-08-31 | Internal review only - not a credit commitment

Recommendation

Subject: Market Row, fictional retail asset, 1800 Market Bench Avenue, Columbus, OH (Property-and-Plan.pdf p.1). Sources: Rent-Roll.xlsx (2026-08-31), Lease-File.pdf, T12-Statement.pdf (Sep-2025 - Aug-2026), Property-and-Plan.pdf, Lender-Terms.pdf (nonbinding, 2026-09-01).

Proceed to full credit review at a maximum loan of $5,327,928, the DSCR-constrained ceiling. That principal repays $3,400,000 existing debt, funds a 1.00% origination fee ($53,279) and $48,000 fixed closing costs, and returns about $1,826,648 net cash to the borrower, meeting the cash-out objective. Conditional: no appraisal, environmental report, comparables, sponsor track record or credit approval is supplied, and the forward plan is a supplied scenario, not a lender-approved forecast.

Coverage is tight by design: DSCR binds exactly at 1.25x on underwritten NCF at the 6.50% sizing rate (about 1.279x on first-year contractual debt service at 6.25%). On historical T12 NCF of $498,400, coverage against sizing debt service would be about 1.15x - below the 1.25x minimum and the main credit sensitivity.

Occupancy, rent roll and suite 101 lease

Eight suites, 23,000 rentable SF; seven suites and 20,200 SF occupied - 87.50% by count, 87.83% by area. Vacant suite 108 (2,800 SF) carries $5,200 market rent for context only, not income (Rent-Roll.xlsx rows 7-14, 17). Printed monthly base rent is $48,600; reconciling suite 101 to the executed first amendment gives effective contractual monthly base rent of $49,100 ($589,200 annualized, point-in-time context only, not forced to equal T12 or the scenario). The rent roll itself directs this reconciliation (row 19).

Suite 101 (1,800 SF, Tenant A LLC): the executed lease (Lease-File.pdf p.1, signed 2025-08-15) states $7,000 per month as of 2026-08-31, expiry 2031-08-31, $15,000 deposit. The executed first amendment (p.2, signed by both parties 2026-07-20) sets $7,500 per month effective 2026-08-01 and leaves expiry and deposit unchanged. An UNSIGNED broker proposal dated 2026-08-27 ($8,000 per month, extension to 2033) does not modify the lease (Section 6) and is excluded. Authoritative: $7,500 per month, expiry 2031-08-31, deposit $15,000 (not income).

One conditional renewal option exists, requiring no uncured default and written notice at least 180 days before expiry (p.1 Section 5). No exercise notice, acknowledgment or exercising amendment is in the packet, so the option is not evidenced as exercised and expiry is not extended.

Rollover: suite 106 (5,000 SF, 21.7% of area, $10,500 per month) expires 2027-08-31, inside the 60-month term; suites 102 and 107 follow in 2028. With suite 108 vacant, about 34% of area is vacant or rolling within two loan years, and no leasing costs, downtime or tenant credit data is supplied.

Historical T12 versus underwritten scenario

T12 (Sep-2025 - Aug-2026, T12-Statement.pdf pp.1-2 Annual column): EGI $723,600 ($645,600 gross potential rent less $46,800 vacancy, $14,400 concessions, $3,600 bad debt, plus $142,800 other income); operating expenses $216,000 (31.0%) excluding reserves, capex, debt and depreciation; NOI before reserves $507,600;

reserves $9,200 below NOI; NCF $498,400. The package's label of after-reserve cash flow as 'property NOI' is not adopted (Property-and-Plan.pdf p.1); capex $98,000, existing P&I $294,000 and depreciation $180,000 are below operating income.

Underwritten scenario (Property-and-Plan.pdf p.2, Sep-2026 forward): gross potential rent $657,600 less 6.00% loss ($39,456) plus $150,000 other income = EGI $768,144. Expenses: taxes $90,000; insurance $27,600 plan allowance; utilities $19,200; R&M $24,000 (T12 $28,800 less $4,800 one-time casualty); payroll $18,000; administrative $14,400; management fee $30,725.76 (greater of T12 $24,000 and 4.00% of EGI). Total $223,925.76 (29.2%); NOI before reserves $544,218.24; reserves $0.20/SF x 23,000 = $4,600; NCF $539,618.24. Value at the 6.50% lender cap rate = $8,372,588 (about $364/SF), a sizing convention only.

Line	T12 actual	Underwritten
EGI	723,600	768,144
Operating expenses before reserves	216,000	223,926
NOI before reserves	507,600	544,218
Replacement reserves	9,200	4,600
NCF after reserves	498,400	539,618
Indicative value at 6.50% cap	n/a	8,372,588

Loan sizing, debt service and sources/uses

Sizing rate = greater of 6.25% contract rate and 6.50% floor = 6.50%, 25-year monthly amortization, annual debt service = 12 monthly payments, so the annual constant is 0.08102486 per dollar. IO is 0 months, so first-year contractual debt service amortizes at 6.25% (constant 0.07916033) = $421,760 versus $431,695 sizing debt service - a $9,934 gap from the 25 bps difference. Maximum loan $5,327,928 = 63.63% LTV, 10.21% debt yield, 1.250x sizing DSCR, about 1.279x first-year DSCR. Sources/uses: $5,327,928 loan less $3,400,000 payoff, $53,279 origination and $48,000 closing costs = $1,826,648 cash to borrower (cash-out). No fee capitalization, interest reserve, sweep, earn-out or holdback (Lender-Terms.pdf p.1).

Test	Limit (USD)	Binding
LTV 65.00% of $8,372,588	5,442,182	No
DSCR ($539,618.24 / 1.25) / 0.08102486	5,327,928	Yes
Debt yield $544,218.24 / 9.00%	6,046,869	No
Maximum loan	5,327,928	DSCR

Sensitivities

EGI -5% with the management minimum recomputed ($29,189): NOI before reserves $507,347, NCF $502,747 - within about $253 of T12 actual NOI, showing the scenario's advantage over history is essentially a revenue assumption. Combined downside (EGI -5% and sizing rate +100 bps to 7.50%, cap rate unchanged at 6.50%): constant 0.08867894; DSCR $4,535,438, LTV $5,073,473, debt yield $5,637,193, so maximum loan $4,535,438 (DSCR binding), down $792,489 or 14.9%, with cash to borrower about $1,042,084. Separately, cap rate +50 bps (7.00%) lowers value to $7,774,546 and the LTV limit to $5,053,455, but DSCR still binds so the maximum loan is unchanged at $5,327,928.

Scenario	NOI b/r	NCF	Value	Max loan	Binding
Base	544,218	539,618	8,372,588	5,327,928	DSCR
EGI -5%	507,347	502,747	7,805,344	4,963,882	DSCR
Cap +50 bps only	544,218	539,618	7,774,546	5,327,928	DSCR
EGI -5% and rate +100 bps	507,347	502,747	7,805,344	4,535,438	DSCR

Assumptions, limitations, risks and sources

Assumptions are unchanged from the packet: 6.25% contract rate, 6.50% sizing floor, 25-year monthly amortization, 0 months IO, 60-month maturity, 65% LTV, 1.25x DSCR on NCF after reserves, 9.00% debt yield on NOI before reserves, 6.50% cap rate on NOI before reserves, 1.00% origination fee, $48,000 closing costs, $3,400,000 payoff. Intermediates unrounded; displayed dollars rounded.

Unresolved evidence: (1) the plan asserts an insurer renewal confirmation dated 2026-08-25 at $27,600 and instructs its use, but no insurer document is in the packet, so $27,600 is the plan's underwriting allowance and no independently verified renewal premium is reported (T12 actual $25,200); (2) suite 101 - stale rent roll ($7,000) and unsigned proposal ($8,000) rejected in favor of the executed amendment ($7,500); (3) renewal option not evidenced as exercised; (4) no appraisal, environmental, property condition, comparables, tenant financials, sponsor/guarantor data, title or credit approval; (5) the forward plan is a scenario and the T12 is unaudited beyond stated adjustments; (6) no leasing capital or TI/downtime reserve is underwritten.

Risks: DSCR binds exactly at 1.25x, so NOI reductions cut proceeds nearly dollar-for-dollar; the scenario carries about $44,544 more EGI and $36,618 more NOI than T12, and on T12 NCF the loan would not clear 1.25x; 21.7% of area rolls in year one and 12.2% is vacant; normalization depends on the $4,800 casualty removal and the unverified insurance allowance; refinance risk at 60-month maturity with roughly 88% of principal outstanding.

Prepayment friction: 1% of outstanding principal if prepaid in years 1-2; no stated bank penalty thereafter. No swap is assumed, so no swap breakage or termination payment applies; no yield maintenance or defeasance is stated (Lender-Terms.pdf p.1). Third-party prepayment costs are not quantified.

Sources: Rent-Roll.xlsx 'Rent Roll' rows 6-19; Lease-File.pdf pp.1-2; T12-Statement.pdf pp.1-2; Property-and-Plan.pdf pp.1-2; Lender-Terms.pdf p.1. Companion workbook artifacts/underwriting-v1.xlsx (sheets: Assumptions, Rent Roll, T12 Historical, Underwriting, Loan Sizing, Sources and Uses, Sensitivity, Map). Editable inputs: cap rate Assumptions!B8, sizing rate increment B11, gross potential rent B5, other income B7, revenue loss % B6, contract rate B9, amortization B13, IO months B14, cap-rate increment B24, EGI stress factor B25; all NOI, NCF, value, sizing, sources/uses and sensitivity outputs recalculate live.

For internal review only; not a credit commitment, appraisal, legal opinion or offer. All parties and documents are fictional; no market, sponsor or lender claims beyond the packet.