Meadow Commerce | Refinance Financing Memorandum

Internal review draft (v2, corrected) | As of August 31, 2026 | Fictional evaluation material — not a credit commitment or legal opinion

Purpose and Recommendation

This memorandum presents an internal-review underwriting of a proposed first-mortgage refinance of Meadow Commerce, a 72,000 SF industrial property described in the packet as located at 6100 Meadow Bench Parkway, Richmond, VA (fictional address; no geocoding or external data was used). All information is drawn solely from the five supplied documents. This is not a credit approval, appraisal, or legal opinion.

Recommendation: proceed to full credit diligence on an indicative loan of approximately $6,155,634, sized by the 60% LTV constraint against an indicative capitalization value of $10,259,391. The proposed loan clears the DSCR test with cushion (1.397x versus the 1.30x minimum on amortizing debt service at the 6.50% sizing rate) and the debt yield test (10.60% versus 9.50% minimum). Proceeds retire the $3,600,000 existing debt payoff, fund a 1.00% origination fee and $55,000 of fixed closing costs, and leave approximately $2,439,078 of net cash to the borrower, satisfying the sponsor's stated cash-out objective.

Approval should be conditioned on receipt of a verified insurance renewal quote or binder, since the underwriting carries a provisional $36,000 allowance against $26,400 of T12 actual premium and no verified premium exists in the packet.

Item	Amount / value
Indicative capitalization value (UW NOI before reserves ÷ 6.50%)	$10,259,391
Maximum loan (binding: LTV)	$6,155,634
Implied LTV	60.00%
Sizing DSCR (UW NCF ÷ amortizing DS at 6.50%)	1.397x
Sizing debt yield (UW NCF ÷ loan)	10.60%
First-year contractual debt service (12 months IO at 6.10%)	$375,494
Net cash to borrower	$2,439,078

Property, Tenancy and Lease Discussion

The rent roll dated August 31, 2026 (Rent-Roll.xlsx, worksheet 'Rent Roll', rows 7–9) shows three suites totaling 72,000 rentable SF, all occupied: 100.00% occupancy by both count (3 of 3) and area (72,000 of 72,000 SF). Printed monthly base rent totals $62,000 ($744,000 annualized), and printed market monthly rent equals contractual rent for each suite. No vacant space is shown, so the packet's note that vacant premises carry market rent for context only has no current dollar effect.

Premises 101 (Tenant A LLC, 16,000 SF) is covered by an executed lease extract (Lease-File.pdf p.1, signed August 15, 2025). The lease confirms base rent of $12,800 per month as of August 31, 2026, an initial term commencing September 1, 2025 and expiring 2028-08-31, and a security deposit of $25,600, which is expressly not prepaid rent or recurring income. No base-rent increase applies before September 1, 2027, so current contractual rent is unchanged for underwriting purposes. Because no signed amendment conflicts with the rent roll, effective monthly contractual base rent equals the printed $62,000.

Renewal option: the lease grants Tenant A one conditional renewal option requiring no uncured default and written notice at least 180 days before expiration. The packet contains no exercise notice, landlord acknowledgment or amendment, and the rent roll note confirms none is included. The option has therefore NOT been evidenced as exercised, and the authoritative current expiry for suite 101 remains 2028-08-31. Extending term on the existence of the option alone would be unsupported.

Rollover concentration is a credit consideration: suites 101 and 102 (40,000 SF, 53.5% of base rent) expire 2028-08-31, within the 60-month loan term, and suite 103 expires 2029-08-31 — also inside the term. All three leases roll before maturity.

Suite	Tenant	Area SF	Status	Monthly base rent	Expiry
101	Tenant A LLC	16,000	Occupied	$12,800	2028-08-31
102	Tenant B LLC	24,000	Occupied	$20,400	2028-08-31
103	Tenant C LLC	32,000	Occupied	$28,800	2029-08-31
Total	3 suites	72,000	100% occupied	$62,000	—

Historical Operations (T12: September 2025 – August 2026)

Historical results are actual cash accounting per T12-Statement.pdf pp.1–2 (annual column). T12 EGI of $882,000 comprises $744,000 gross potential base rent, no vacancy loss, $(18,000) concessions, $(2,400) bad debt and $158,400 other income/recoveries. Operating expenses excluding reserves, capital improvements, debt service and depreciation total $212,400 (24.1% of EGI), producing NOI before replacement reserves of $669,600. After $14,400 of replacement reserves shown below NOI, historical NCF is $655,200.

The accounting package may describe the after-reserve figure as 'property NOI'; consistent with the plan's instruction, the reported line is preserved but NOI before reserves ($669,600) and NCF after reserves ($655,200) are separately identified. Capital improvements ($112,000), existing loan principal and interest ($294,000) and depreciation ($180,000) are below cash flow and are excluded from operating expense.

Historical income is not forced to equal an annualized point-in-time rent roll: T12 gross potential rent of $744,000 coincidentally equals annualized current contractual rent, but monthly amounts ramp across the period and the two measures remain conceptually distinct.

T12 line (Sep-2025 – Aug-2026)	Amount
Effective gross income	$882,000

T12 line (Sep-2025 – Aug-2026)	Amount
Operating expenses (excl. reserves/capex/debt/depreciation)	$212,400
NOI before replacement reserves	$669,600
Replacement reserves	$14,400
NCF after replacement reserves	$655,200

Underwriting Scenario (September 2026 forward)

The underwriting reflects the supplied operating plan (Property-and-Plan.pdf p.2), which is a scenario rather than a lender-approved forecast. Underwritten gross potential base rent of $756,000 is a supplied figure, not derived from the T12. A 3.00% combined revenue loss ($22,680) covering vacancy, concessions and bad debt is deducted, and $162,000 of other income/recoveries is added after the loss, giving underwritten EGI of $895,320.

Expenses follow the plan line by line: taxes stepped up to $108,000; insurance at the $36,000 provisional allowance; utilities $9,600, repairs and maintenance $19,200 (with $0 of one-time casualty cleanup removed), payroll $12,000 and administrative/legal $16,800 all at T12 actual. The management fee is lender-normalized to the greater of T12 actual ($26,400) and 3.00% of underwritten EGI ($26,859.60), i.e. $26,859.60. Total underwritten operating expenses before reserves are $228,459.60 (25.5% of EGI), yielding underwritten NOI before reserves of $666,860.40. Replacement reserves of $14,400 ($0.20/SF × 72,000 SF) are deducted after NOI for underwritten NCF of $652,460.40.

Underwritten NOI before reserves is $2,739.60 below T12 NOI before reserves, principally because higher taxes and the insurance allowance offset the higher supplied revenue base.

Underwritten line (annual)	Amount
Gross potential base rent	$756,000.00
Combined revenue loss (3.00% of GPR)	$(22,680.00)
Other income / recoveries	$162,000.00
Underwritten EGI	$895,320.00
Management fee (greater of T12 actual / 3.00% EGI)	$26,859.60
Total operating expenses before reserves	$228,459.60
Underwritten NOI before reserves	$666,860.40
Replacement reserves ($0.20/SF)	$14,400.00
Underwritten NCF after reserves	$652,460.40

Loan Sizing and Debt Service

Per Lender-Terms.pdf p.1, the loan ceiling is the lowest of three constraints, with no separate dollar cap. Value is underwritten NOI BEFORE reserves capitalized at 6.50%: $666,860.40 ÷ 0.065 = $10,259,390.77. The LTV constraint is 60.00% of that value = $6,155,634.46.

The sizing rate is the greater of the 6.10% contractual rate and the 6.50% underwriting floor, i.e. 6.50%. On 30-year monthly amortization, the monthly payment per $1 of principal is 0.00632068 and the annual debt constant is 0.07584816 (12 monthly payments). The DSCR constraint is underwritten NCF ÷ 1.30x ÷ 0.07584816 = $6,617,070.17. The debt yield constraint uses underwritten NCF after reserves as numerator: $652,460.40 ÷ 9.50% = $6,868,004.21.

LTV is therefore the binding constraint at $6,155,634. At that principal, amortizing sizing debt service is $466,894 ($6,155,634.46 × 0.07584816), giving a sizing DSCR of 1.397x and a sizing debt yield of 10.60%.

First-year contractual debt service differs from sizing debt service because the loan carries a 12-month interest-only period at the 6.10% contract rate: $6,155,634.46 × 6.10% = $375,494 in year one, $91,400 below the $466,894 sizing debt service. Underwriting DSCR still uses amortizing debt service per the term sheet. When amortization begins at the 6.10% contract rate (annual constant 0.07271937), annual debt service becomes approximately $447,634 — $72,140 more than the first-year IO payment, and still $19,260 below the sizing debt service. The year-one cash-flow benefit of the IO period should not be treated as recurring.

Sizing constraint	Maximum principal
LTV — 60.00% × $10,259,391	$6,155,634
DSCR — NCF $652,460.40 ÷ 1.30 ÷ 0.07584816	$6,617,070
Debt yield — NCF $652,460.40 ÷ 9.50%	$6,868,004
Maximum loan (minimum of three) — binding: LTV	$6,155,634
Sizing annual debt service (6.50%, amortizing)	$466,894
First-year contractual debt service (6.10%, IO)	$375,494
Post-IO annual debt service (6.10%, amortizing)	$447,634

Sources, Uses and Net Cash

Net cash to the borrower is the loan less the existing payoff, the loan-based origination fee and fixed closing costs. No fee capitalization, interest reserve, cash sweep, earn-out or holdback is assumed. The result is a cash-out refinance of approximately $2,439,078; no cash-in requirement arises at the indicative loan amount.

Sources / uses	Amount
New first-mortgage loan	$6,155,634

Sources / uses	Amount
Less: existing debt payoff	$(3,600,000)
Less: origination fee (1.00% of principal)	$(61,556)
Less: fixed closing costs	$(55,000)
Net cash to borrower (negative = cash in)	$2,439,078

Downside Sensitivities

Case 1 — EGI 5% lower, management fee recomputed, all other expense and reserve assumptions held constant: EGI falls to $850,554; the management minimum reverts to the T12 actual $26,400 (3.00% of stressed EGI is $25,516.62, which is lower), total operating expenses are $228,000 and stressed NOI before reserves is $622,554 (a 6.6% decline). Stressed NCF is $608,154.

Case 2 — combined downside, EGI -5% AND sizing rate +100 bps to 7.50%, valuation cap rate unchanged at 6.50%: stressed value is $9,577,754, the LTV constraint is $5,746,652, the annual debt constant rises to 0.08390574 so the DSCR constraint falls to $5,575,432, and the debt yield constraint is $6,401,621. The binding constraint shifts to DSCR and the maximum loan falls to $5,575,432, a reduction of $580,202 (9.4%). Proceeds would still exceed the $3,600,000 payoff plus fees, leaving roughly $1,864,678 of net cash on the same fee structure, so a cash-out refinance remains feasible in the combined downside.

Case 3 — separate cap rate sensitivity of +50 bps to 7.00% with EGI and sizing rate unchanged: value falls to $9,526,577 and the LTV constraint to $5,715,946, which remains binding versus the unchanged DSCR ($6,617,070) and debt yield ($6,868,004) constraints. The accompanying workbook recalculates all three cases from editable inputs.

Case	NOI before reserves	Maximum loan	Binding constraint
Base underwriting	$666,860	$6,155,634	LTV
EGI -5% only (rates unchanged)	$622,554	$5,746,652	LTV
Combined: EGI -5% and sizing rate +100 bps	$622,554	$5,575,432	DSCR
Cap rate +50 bps only	$666,860	$5,715,946	LTV

Assumptions, Limitations and Unresolved Evidence

Provisional assumption, explicitly permitted: property insurance is carried at the $36,000 allowance stated in Property-and-Plan.pdf p.2 solely for calculation. No renewal quote or binder was delivered, so the verified annual renewal premium remains UNKNOWN and is reported as null. If the verified premium differs from $36,000, NOI, value and all three constraints move; each $1,000 of additional premium reduces indicative value by about $15,385 and LTV capacity by about $9,231.

Not supplied and therefore not assessed: appraisal, environmental report, property condition report, sponsor financials or track record, market rent or sale comparables, tenant credit information, estoppels, title, survey and completed credit approval. No market, sponsor or lender claim beyond the packet is made here. The underwriting plan is a supplied scenario, not a lender-approved forecast.

Prepayment friction: 1% of outstanding principal if prepaid in years 1–2, with no stated bank penalty thereafter. The term sheet states no swap is assumed in this fictional scenario, so no swap breakage or termination payment applies. Maturity is 60 months.

Key risks: (i) all three leases expire before the 60-month maturity, with 53.5% of base rent rolling on 2028-08-31 and the balance in 2029, and no renewal has been evidenced; (ii) the renewal option for suite 101 is conditional and unexercised, so no term extension or rent step may be underwritten; (iii) insurance cost is unverified; (iv) underwritten gross potential revenue ($756,000) exceeds both T12 gross potential rent ($744,000) and annualized contractual rent ($744,000), so the supplied plan is not corroborated by historical data; (v) DSCR becomes the binding constraint under a 100 bps rate stress, so proceeds are rate-sensitive; (vi) the 12-month interest-only period defers amortization, with roughly $72,140 of annual payment step-up at first amortization.

Reconciliation note: the executed lease and the rent roll agree on suite 101 rent ($12,800/month), area (16,000 SF) and expiry (2028-08-31); no conflict required resolution and no unsigned proposal was relied upon. The only unresolved evidence items are the missing insurance renewal quote/binder and the absent renewal-exercise documentation. All five source files were readable; nothing was blocked.

Source References

Lender-Terms.pdf p.1 — LTV 60.00%, 6.50% valuation cap rate, 1.30x DSCR on NCF after reserves, 9.50% minimum debt yield on NCF after reserves, 6.10% contract rate, sizing rate as greater of contract rate and 6.50% floor, 30-year monthly amortization, 12-month interest-only period, 60-month maturity, 1.00% origination fee, prepayment terms and no-swap statement.

Property-and-Plan.pdf p.1 — as-of date 2026-08-31, $3,600,000 existing debt payoff, $55,000 fixed closing costs, cash-out/cash-in context, NOI-versus-NCF presentation instruction. Page 2 — $756,000 gross potential rent, 3.00% revenue loss, $162,000 other income, management fee convention, $0.20/SF reserves, insurance evidence note, expense treatment table and sensitivity instructions.

T12-Statement.pdf pp.1–2 — monthly and annual actuals for September 2025 through August 2026, including below-the-line reserves, capital improvements, existing debt service and depreciation.

Rent-Roll.xlsx, worksheet 'Rent Roll', rows 6–14 — suite, tenant, area, status, monthly base rent, market rent, expiry, and notes on vacant-space rent and lease-evidence review.

Lease-File.pdf p.1 — parties and premises, term and expiry, $12,800 monthly base rent, $25,600 security deposit, conditional renewal option with no exercise notice, and amendment-authority clause.

Companion workbook (underwriting-v1.xlsx) — editable Assumptions sheet with cap rate (B7), sizing rate (B8), gross potential rent (B4) and other income (B6); RentRoll, T12, Underwriting, Sizing, SourcesUses, Sensitivity and Map sheets with live formulas.