Stonebridge Logistics — Internal Refinance Financing Memorandum

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

1. Financing decision and recommendation

Recommendation: proceed to full credit screening for an indicative first-mortgage refinance of $6,595,637, sized under the lender's indicative terms dated 2026-09-01 (Lender-Terms.pdf p1). The binding constraint is the 1.30x DSCR test on underwritten net cash flow after replacement reserves; LTV ($6,761,867) and debt yield ($7,437,100) are less restrictive.

At that principal the transaction is a cash-out refinance: proceeds retire the $4,200,000 existing debt payoff, fund the 1.25% origination fee ($82,445) and $70,000 of fixed closing costs, and distribute approximately $2,243,192 of net cash to the borrower.

This memorandum is an internal underwriting analysis of a fictional evaluation packet. No appraisal, environmental report, market comparables, sponsor track record or completed credit approval was provided, and none is assumed. Nothing here constitutes a commitment, a valuation opinion or legal advice.

2. Property and rent roll summary (as of 2026-08-31)

Stonebridge Logistics is a fictional single-owner industrial asset in Indianapolis, IN with 85,000 rentable SF across four suites (Rent-Roll.xlsx rows 7-10). Three suites totaling 70,000 SF are occupied; suite 104 (15,000 SF) is vacant and carries market rent for context only, with no contractual base rent.

Physical occupancy is 75.00% by suite count and 82.35% by area. Printed monthly base rent totals $60,700, which reconciles exactly to the executed lease evidence for premises 101; effective contractual monthly base rent is therefore also $60,700 (annualized $728,400 for context only, not an underwriting input). Market monthly rent aggregates $73,200 including $12,500 for vacant suite 104, which is not collected income.

Unit	Tenant	Area SF	Status	Monthly base rent	Expiry
101	Tenant A LLC	18,000	Occupied	$15,000	2030-08-31
102	Tenant B LLC	22,000	Occupied	$18,700	2028-08-31
103	Tenant C LLC	30,000	Occupied	$27,000	2029-08-31
104	Vacant	15,000	Vacant	none	n/a
Total	3 of 4 occupied	85,000	75.00% by count / 82.35% by area	$60,700	n/a

3. Tenant and lease discussion — premises 101

The executed lease extract for premises 101 (Lease-File.pdf p1, signed 2025-08-15) governs. Base rent is $15,000 per month as of 2026-08-31, with no base-rent increase applying before 2027-09-01; the initial term commenced 2025-09-01 and expires 2030-08-31. The security deposit is $30,000 and is expressly not prepaid rent or recurring income, so it is excluded from income.

The lease grants one conditional renewal option requiring no uncured default and written notice at least 180 days before expiration. No exercise notice, landlord acknowledgment or amendment is included in the packet, and the rent roll note confirms the same. Accordingly the authoritative current expiry remains 2030-08-31 and the option is treated as unexercised; the term is not extended on the basis of the option's existence alone.

The rent roll and the executed lease agree on rent, area and expiry for premises 101, so no amendment-driven adjustment to effective contractual rent is required. Rollover exposure is modest during the 36-month loan term: suite 102 (22,000 SF, $18,700 per month) expires 2028-08-31, within roughly two years of closing, while suites 101 and 103 expire after maturity. No tenant credit, financial statement or guaranty information was supplied for any tenant, so tenant credit quality is unassessed.

4. Historical T12 versus underwritten scenario

Historical results cover September 2025 through August 2026 on an actual cash basis (T12-Statement.pdf pp1-2). Reserves, capital improvements, loan principal and interest, and depreciation sit below operating income and are excluded from operating expenses. The underwritten column is the supplied plan scenario for September 2026 forward (Property-and-Plan.pdf p2); it is not a lender-approved forecast and is deliberately not reconciled to an annualized rent roll.

The underwritten scenario is materially above the T12: EGI of $1,023,000 against $846,000, and NOI before reserves of $760,710 against $592,800 (a $167,910 or 28.3% increase), driven by higher gross potential rent ($900,000 versus $852,000), lower assumed revenue loss (8.00% of potential versus 22.5% in the T12) and higher other income ($195,000 versus $186,000), partly offset by higher taxes, insurance and the normalized management fee. This variance is the central underwriting risk in the file.

Line	T12 actual (Sep-2025 to Aug-2026)	Underwritten (Sep-2026 forward)
Gross potential base rent	$852,000	$900,000
Revenue loss (vacancy / concessions / bad debt)	($192,000)	($72,000) = 8.00% of GPR
Other income / recoveries	$186,000	$195,000
Effective gross income	$846,000	$1,023,000
Real estate taxes	$126,000	$132,000
Property insurance	$30,000	$33,600
Utilities	$12,000	$12,000
Repairs and maintenance	$24,000	$18,000 (less $6,000 one-time casualty)

Line	T12 actual (Sep-2025 to Aug-2026)	Underwritten (Sep-2026 forward)
Payroll / contract labor	$18,000	$18,000
Administrative / legal	$18,000	$18,000
Management fee	$25,200	$30,690 = 3.00% of EGI
Operating expenses before reserves	$253,200	$262,290
NOI before replacement reserves	$592,800	$760,710
Replacement reserves	$17,000 (actual)	$17,000 = $0.20/SF x 85,000 SF
NCF after replacement reserves	$575,800	$743,710

5. Valuation and loan sizing

Indicative value is underwritten NOI before reserves capitalized at 6.75%: $760,710 / 0.0675 = $11,269,778. The contract rate is MAX(3.25% index, 4.00% index floor) + 2.75% spread = 6.75%. The sizing rate is the greater of the contract rate and the 7.25% underwriting floor, i.e. 7.25%. The annual debt constant at 7.25% over a 300-month amortization, taken as 12 monthly payments, is 0.08673682 per dollar of principal.

Sizing is DSCR-bound at $6,595,637. At that principal, sizing annual amortizing debt service is $572,085, sizing DSCR is exactly 1.300x and the debt yield on underwritten NCF is 11.28% (above the 10.00% minimum). Loan per rentable SF is $77.60, and the loan equals 58.53% of indicative value.

Constraint	Definition (Lender-Terms.pdf p1)	Maximum principal
LTV	60.00% x $11,269,778 indicative value	$6,761,867
DSCR	$743,710 UW NCF / (1.30 x 0.08673682)	$6,595,637 (binding)
Debt yield	$743,710 UW NCF / 10.00%	$7,437,100
Maximum loan	Lowest of the three constraints	$6,595,637

6. Debt service, sources and uses

Actual first-year debt service differs from sizing debt service. The loan carries a 12-month interest-only period at the 6.75% contract rate, so contractual first-year debt service is $6,595,637 x 6.75% = $445,205, versus $572,085 of sizing debt service computed on the 7.25% amortizing convention, a difference of $126,879. Underwritten NCF covers first-year contractual debt service at 1.670x. Underwriting DSCR nevertheless uses amortizing debt service per the term sheet. After the interest-only year, payments at the 6.75% contract rate on a 300-month amortization would be approximately $546,840 per year, an increase of about $101,635 over first-year interest-only debt service.

Net cash to the borrower is $6,595,637 less the $4,200,000 payoff, the $82,445 origination fee (1.25% of actual initial principal) and $70,000 of fixed closing costs, equal to $2,243,192 of cash out. No fee capitalization, interest reserve, cash sweep, earn-out or holdback is assumed.

Sources and uses	Amount
Sources: new first-mortgage loan	$6,595,637
Total sources	$6,595,637
Uses: existing debt payoff	$4,200,000
Uses: origination fee (1.25% of principal)	$82,445
Uses: fixed closing costs	$70,000
Total uses before distribution	$4,352,445
Net cash to borrower (negative equals cash in)	$2,243,192

7. Sensitivities and specified downside

Per the plan's sensitivity instruction, reducing total underwritten EGI by 5% to $971,850 recomputes the management minimum to $29,156 (3.00% of the reduced EGI, still above the $25,200 T12 actual) and holds all other operating expenses and reserves constant. Stress NOI before reserves falls to $711,095 and NCF to $694,095.

In the combined downside, EGI -5% together with a sizing rate 100 bps higher at 8.25% and the cap rate unchanged at 6.75%, the annual debt constant rises to 0.09461402 and the maximum loan falls to $5,643,127, again DSCR-bound. That is $952,510 (14.4%) below base sizing and would reduce net cash to the borrower to approximately $1,302,587, still a cash-out outcome rather than a cash-in requirement.

A separate cap-rate sensitivity of +50 bps (7.25% cap applied to unchanged base NOI) reduces indicative value to $10,492,552 and the LTV limit to $6,295,531, which then becomes the binding constraint and reduces proceeds by about $300,106.

Scenario	NOI before reserves	NCF	Binding constraint	Maximum loan
Base case (6.75% cap, 7.25% sizing)	$760,710	$743,710	DSCR	$6,595,637
EGI -5% only (sizing rate 7.25%)	$711,095	$694,095	DSCR	$6,155,619
EGI -5% and sizing rate 8.25% (specified downside)	$711,095	$694,095	DSCR	$5,643,127

Scenario	NOI before reserves	NCF	Binding constraint	Maximum loan
Cap rate +50 bps (base NOI, 7.25% sizing)	$760,710	$743,710	LTV	$6,295,531

8. Assumptions, limitations and unresolved evidence

Assumptions used exactly as supplied: 6.75% valuation cap rate; 60.00% LTV; 1.30x minimum DSCR on NCF after reserves; 10.00% minimum debt yield on NCF after reserves; contract rate of 6.75% (index floor applied before spread); 7.25% sizing floor; 300-month amortization with 12 monthly payments per year; 12-month interest-only; 36-month maturity; 1.25% origination fee; $4,200,000 payoff; $70,000 fixed closing costs; $900,000 gross potential rent; 8.00% combined revenue loss; $195,000 other income added after loss; management fee equal to the greater of the $25,200 T12 actual and 3.00% of underwritten EGI; replacement reserves of $0.20/SF on 85,000 SF.

Insurance evidence: the plan states a fictional insurer renewal confirmation dated 2026-08-25 with an annual premium of $33,600 and directs its use in underwriting, so $33,600 is underwritten. The underlying certificate or binder is not itself included in the packet, so the premium is supported only by the plan's summary reference and should be confirmed against the renewal document before credit approval.

Renewal option and prepayment: no exercise notice or amendment is in the packet, so the renewal option is not credited and the 2030-08-31 expiry stands. Prepayment friction is 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 scenario, so there is no swap termination or breakage exposure. Within a 36-month maturity, a year-3 prepayment or payoff at maturity carries no stated penalty.

Limitations: the packet contains no appraisal, environmental or engineering report, tenant credit information, sponsor financials or track record, market rent or sale comparables, insurance certificate, tax bill, title report, or executed leases for suites 102, 103 and 104. Occupancy is measured solely from the dated rent roll. The historical statement is cash-basis and unaudited. Indicative value is a direct-capitalization calculation using a supplied cap rate and is not an appraisal or opinion of value. Where the historical accounting package describes cash flow after reserves as property NOI, this memorandum reports NOI before reserves and NCF after reserves separately, as instructed.

Risks: (i) the 28.3% gap between underwritten and T12 NOI depends on leasing the 15,000 SF vacancy and on the assumed reduction in revenue loss, neither supported by a signed lease or letter of intent in the packet; (ii) sizing is DSCR-bound at exactly 1.300x, so any NCF shortfall reduces proceeds roughly proportionally; (iii) payment shock after the interest-only year increases annual debt service by roughly $102,000 at the contract rate, and more if the loan is refinanced at a higher rate; (iv) the 36-month maturity creates refinancing risk, and suite 102's 2028-08-31 expiry falls inside the term; (v) tax and insurance underwriting rests on a $132,000 plan figure and a quoted $33,600 premium rather than a bill and bound policy; (vi) a 50 bps cap-rate expansion alone shifts the binding test to LTV and cuts proceeds by about $300,000.

9. Source references and companion workbook

Lender-Terms.pdf p1: purpose, loan ceiling, LTV, valuation convention, DSCR, debt yield, contract-rate construction, sizing-rate floor, amortization, interest-only period, maturity, origination fee, prepayment terms and the no-swap statement.

Property-and-Plan.pdf p1: as-of date 2026-08-31, existing debt payoff $4,200,000, fixed closing costs $70,000, transaction context and reporting-line instructions. Property-and-Plan.pdf p2: gross potential rent, revenue loss, other income, management fee test, reserves per SF, insurance renewal evidence, expense-by-expense underwriting treatment and the sensitivity instruction.

T12-Statement.pdf pp1-2: monthly detail and the Annual column for September 2025 through August 2026, including below-the-line reserves ($17,000), capital improvements ($220,000), loan principal and interest ($294,000) and depreciation ($180,000).

Rent-Roll.xlsx, worksheet 'Rent Roll', rows 6-15: suite, tenant, area, status, monthly base rent, market rent and expiry, plus the notes on vacant premises and on premises 101 lease evidence.

Lease-File.pdf p1: parties and premises, term and expiry, base rent, security deposit, conditional renewal option and the authority/amendment clause for premises 101.

Companion workbook artifacts/underwriting-v2.xlsx contains sheets Assumptions, Historical T12, Rent Roll, Underwriting, Loan Sizing, Sources Uses, Sensitivity and Input Output Map, with live Excel formulas driven by editable inputs: cap rate (Assumptions!B5), sizing rate increment (Assumptions!B11), gross potential rent (Assumptions!B15), other income (Assumptions!B17) and EGI multiplier (Assumptions!B18). Key outputs are mapped on the Input Output Map sheet.