Market Row | Internal Financing Memorandum

Refinance analysis as of 2026-08-31 (fictional)

Executive summary

Recommendation: size to the binding DSCR constraint at the sizing rate, per term sheet. Resulting maximum proceeds $5,327,928; indicative value $8,372,588 at a 6.50% cap; LTV 63.6% on proceeds; DSCR 1.25x; debt yield 10.22%. First-year contractual debt service at the note rate totals $421,760, below sizing debt service $431,695.

Use of proceeds: refinance existing $3,400,000 debt; pay $48,000 fixed closing costs and 1.00% origination; estimated net cash to borrower $1,826,648.

Occupancy: 7 of 8 suites occupied (87.5% by count; 87.83% by area). Premises 101 rent is $7,500/month per executed amendment effective 2026-08-01; rent roll shows $7,000/month and must be reconciled to the amendment.

Downside: Combined downside (EGI -5% and sizing rate +100 bps) reduces maximum proceeds to approximately $4,535,438 (-14.8% vs. base).

Metric	Value
Maximum loan (binding DSCR)	$5,327,928
Indicative value (NOI / 6.50%)	$8,372,588
Proceeds LTV	63.6%
Sizing DSCR (NCF / sizing DS)	1.25x
Debt yield (NOI / loan)	10.21%
First-year DS @ contract rate 6.25%	$421,760
Sizing DS @ sizing rate 6.50%	$431,695
Net cash to borrower (est.)	$1,826,648

Sources and evidence

Historical T12 (Sep 2025–Aug 2026): T12-Statement.pdf pp.1–2. EGI $723,600; operating expenses $216,000; NOI before reserves $507,600; replacement reserves $9,200; NCF after reserves $498,400.

Rent roll as of 2026-08-31: Rent-Roll.xlsx sheet Rent Roll rows 7–14. Eight suites totaling 23,000 SF; 7 occupied totaling 20,200 SF. Monthly base rent printed $48,600. Note on need to reconcile suite 101 to amendment.

Lease evidence suite 101: Lease-File.pdf p.1 (base rent $7,000/month through 2026-07; deposit $15,000; expiry 2031-08-31). Lease-File.pdf p.2 executed first amendment effective 2026-08-01 changing base rent to $7,500/month; unsigned broker proposal not binding.

Underwriting plan: Property-and-Plan.pdf p.2. GPR $657,600; combined revenue loss 6%; other income $150,000; management fee greater of T12 actual ($24,000) and 4% of EGI; reserves $0.20/SF; taxes $90,000; insurance $27,600 renewal evidence; utilities $19,200; R&M $24,000 (net of $4,800 casualty cleanup); payroll $18,000; admin/legal $14,400.

Lender terms: Lender-Terms.pdf p.1. LTV 65% of value (NOI/cap at 6.50%); DSCR min 1.25x using NCF/annual amortizing debt service at sizing rate; debt yield min 9.00% using NOI before reserves; contract rate 6.25%; sizing rate greater of contract rate and 6.50% floor; amortization 25 years; IO 0; origination 1.00%; prepayment 1% in years 1–2.

Document	Key data point	Source ref
T12-Statement.pdf	Annual EGI $723,600; NOI before reserves $507,600; Reserves $9,200; NCF $498,400	pp.1–2 totals
Rent-Roll.xlsx	23,000 SF; 7 of 8 occupied; printed monthly base $48,600	Rent Roll sheet rows 7–14
Lease-File.pdf	Suite 101 rent now $7,500/month; expiry 2031-08-31; deposit $15,000; renewal not exercised	pp.1–2
Property-and-Plan.pdf	UW income/expense assumptions and stress instructions	p.2
Lender-Terms.pdf	Sizing constraints and rates	p.1

Detailed underwriting

Underwritten EGI = $657,600 GPR - 6% loss + $150,000 other = $768,144. Management fee = greater of $24,000 or 4% of EGI = $30,725.76. UW operating expenses before reserves = taxes $90,000 + insurance $27,600 + utilities $19,200 + R&M $24,000 + payroll $18,000 + admin $14,400 + management $30,725.76 = $223,925.76. NOI before reserves = $768,144 - $223,925.76 = $544,218.24. Reserves = $0.20/SF x 23,000 SF = $4,600. NCF = $544,218.24 - $4,600 = $539,618.24.

Valuation: Value = NOI before reserves / 6.50% = $8,372,588. LTV limit = 65% = $5,442,182.

Debt sizing: Sizing rate = 6.50% (higher of 6.25% contract and 6.50% floor). 25-year amortization. Annual debt constant = 0.08102486. DSCR limit = NCF / (1.25 x constant) = $5,327,928. Debt yield limit = NOI / 9% = $6,046,869. Maximum loan is the minimum: $5,327,928 (DSCR binds). Sizing annual debt service = constant x loan = $431,695. Sizing DSCR = 1.25x. Sizing debt yield = NOI/loan = 10.21%.

First-year contractual debt service at 6.25% with 25-year amortization on the sized loan = $421,760 (no IO).

Item	Amount / rate
Underwritten EGI	$768,144
UW opex before reserves	$223,925.76
UW NOI before reserves	$544,218.24
UW reserves	$4,600
UW NCF	$539,618.24
Cap rate	6.50%
Indicative value	$8,372,588
LTV limit (65%)	$5,442,182
Debt yield limit (9%)	$6,046,869
Annual debt constant (6.50%, 25y)	0.08102486
DSCR limit (1.25x)	$5,327,928
Maximum loan (binding DSCR)	$5,327,928

Tenancy and leases

Rent roll (as of 2026-08-31) lists eight suites totaling 23,000 SF; seven are occupied totaling 20,200 SF. Printed monthly base rent is $48,600. Suite 101 is shown at $7,000/month but an executed first amendment effective 2026-08-01 increases base rent to $7,500/month; use $7,500 for current contractual rent. No rent increases prior to 2027-09-01 per the executed lease. Security deposit for 101 is $15,000. The renewal option for 101 requires written exercise; no evidence of exercise is provided; do not extend the expiry beyond 2031-08-31.

No other suite leases are included in the packet beyond the rent roll; therefore, market rents on vacant space are not underwritten as income.

Suite	Tenant	SF	Status	Monthly base	Expiry
101	Tenant A LLC	1,800	Occupied	$7,500 (amended)	2031-08-31
102	Tenant B LLC	2,200	Occupied	$5,500	2028-08-31
103	Tenant C LLC	2,500	Occupied	$6,000	2029-08-31
104	Tenant D LLC	3,200	Occupied	$7,200	2030-08-31
105	Tenant E LLC	4,000	Occupied	$9,000	2031-08-31

Suite	Tenant	SF	Status	Monthly base	Expiry
106	Tenant F LLC	5,000	Occupied	$10,500	2027-08-31
107	Tenant G LLC	1,500	Occupied	$3,400	2028-08-31
108	Vacant	2,800	Vacant	$0 (no current rent)	—

Sensitivity and risks

Combined downside per instructions (EGI -5%, recalc management, hold other opex/reserves, and size at sizing rate +100 bps) results in NOI before reserves of $507,347 and NCF of $502,747. With cap rate unchanged at 6.50%, value $7,805,344; LTV limit $5,073,473; DSCR limit at 7.50% sizing rate and 25-year amortization is $4,535,438; debt yield limit $5,637,193. Maximum loan under combined downside is therefore $4,535,438, DSCR-constrained.

Cap-rate sensitivity (separate) at +50 bps with base NOI gives value $7,774,308 for context.

Key risks: lease rollover concentrations in 2027–2031; vacancy exposure in suite 108; reliance on other income/recoveries ($150,000 UW vs. $142,800 T12); management fee minimum can increase if EGI changes; no appraisal or third-party reports in the packet; internal-only underwriting assumptions.

Scenario	Max loan	Binding
Base (6.50% size rate)	$5,327,928	DSCR
Downside (EGI -5%, +100 bps)	$4,535,438	DSCR

Prepayment and fees

Origination fee 1.00% of initial principal. Prepayment friction per term sheet: 1% of outstanding principal if prepaid in years 1–2; no other bank penalty thereafter. No swap is assumed. There is no IO; underwriting uses amortizing debt service.

Cash to borrower at maximum sizing: loan $5,327,928 less 1% origination, less $3,400,000 payoff and $48,000 fixed closing costs yields approximately $1,826,648 to the borrower.

Item	Amount
Loan amount	$5,327,928
Origination fee (1%)	($53,279)
Existing payoff	($3,400,000)
Fixed closing costs	($48,000)

Item	Amount
Net cash to borrower	$1,826,648

Limitations and disclaimers

All information is from the attached fictional packet. No external verification, market data, sponsor diligence or appraisal was used. Financials are as of 2026-08-31. Legal review is out of scope. Figures may differ upon updated rent rolls and executed lease changes. Historical and underwritten results are shown separately and should not be conflated. This memorandum is for internal analytical discussion only and is not a commitment to lend.

Note