# Meadow Commerce | Refinance Financing Memorandum

Internal review memorandum — not a legal opinion or credit commitment

| | |
|---|---|
| **Property** | Meadow Commerce — 6100 Meadow Bench Parkway, Richmond, VA 23234 (fictional) |
| **Asset / market** | Industrial / Richmond, VA |
| **Sponsor** | Meadow Commerce Owner LLC (fictional single-property owner) |
| **Purpose** | First-mortgage refinance; cash-out if proceeds permit |
| **As of** | August 31, 2026 |
| **Prepared** | September 1, 2026 |
| **Currency** | USD |

## 1. Financing decision

**Recommend advancing to term sheet** at a maximum first-mortgage principal of **$6,155,634**, sized by the **LTV** constraint. At this principal, the loan clears the lender's DSCR floor at **1.40x** (vs. 1.30x minimum) and debt-yield floor at **10.60%** (vs. 9.50% minimum). The refinance repays the **$3,600,000** existing balance, funds a 1% origination fee (**$61,556**) and **$55,000** of fixed closing costs, and delivers net **cash-out to the borrower of $2,439,078**. First-year contractual debt service is **$375,494** (12-month IO at the 6.10% contract rate).

Under the specified combined downside (EGI –5% AND sizing rate +100 bps, cap rate unchanged), the maximum loan compresses to **$5,575,432** with the binding constraint shifting to **DSCR** — a reduction of **$580,202** (**9.4%**) from base case. A separate cap-rate +50 bps sensitivity produces a maximum loan of **$5,715,946**, again LTV-bound. Both downside cases still exceed the $3,600,000 payoff, so the transaction remains executable — with reduced or zero cash-out — even under stress.

## 2. Transaction summary

| Metric | Base case | Combined downside | Cap rate +50 bps |
|---|---|---|---|
| Maximum loan | $6,155,634 | $5,575,432 | $5,715,946 |
| Binding constraint | LTV | DSCR | LTV |
| Indicative value | $10,259,391 | $9,577,754 | $9,526,577 |
| Underwritten NOI (before reserves) | $666,860.40 | $622,554.00 | $666,860.40 |
| Underwritten NCF (after reserves) | $652,460.40 | $608,154.00 | $652,460.40 |
| Sizing rate | 6.5000% | 7.5000% | 6.5000% |
| Sizing DSCR | 1.3974x | 1.3000x (floor) | |
| Sizing debt yield | 10.5990% | 10.9077% | |
| Cash to (from) borrower | $2,439,078.12 | $1,864,677.87 | $2,003,786.83 |

## 3. Property, rent roll and tenant discussion

Meadow Commerce is a three-tenant industrial property totaling **72,000 rentable SF**, **100% occupied by count and by area** as of the August 31, 2026 rent roll. Aggregate contractual monthly base rent is **$62,000** (annualized $744,000, matching T12 GPR). Contractual rent equals market rent for every unit on the delivered rent roll, suggesting rents are at market as of the as-of date; no in-place mark-to-market opportunity is embedded in the underwriting.

| Unit | Tenant | Area SF | Status | Monthly rent | Lease 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 tenants** | **72,000** | **100%** | **$62,000** | |

### Subject-lease review — Unit 101 (Tenant A LLC)

The executed lease dated August 15, 2025 confirms base rent of **$12,800/month** as of the as-of date, an initial term expiring **2028-08-31**, and a security deposit of **$25,600**. The lease contains **one conditional renewal option** requiring at least 180 days' written notice and no uncured default. **The delivered packet contains no exercise notice, landlord acknowledgment or amendment** effecting the option; consistent with the drafting instruction in §5, the current expiry is not extended based on the option's existence alone. Rent roll and lease reconcile without conflict.

## 4. Historical, underwritten and reconciliation

| Line item | T12 actual (Sep-25 to Aug-26) | Underwriting scenario | Note |
|---|---|---|---|
| GPR | $744,000 | $756,000 | UW is supplied scenario |
| Revenue loss (vac/conc/bad debt) | $-20,400 | $-22,680 | UW = 3% of UW GPR |
| Other income / recoveries | $158,400 | $162,000 | UW supplied |
| **EGI** | **$882,000** | **$895,320** | |
| Real estate taxes | $102,000 | $108,000 | UW normalized |
| Insurance | $26,400 | $36,000 | UW provisional — no binder delivered |
| Utilities | $9,600 | $9,600 | T12 actual |
| Repairs & maintenance | $19,200 | $19,200 | T12 actual |
| Payroll | $12,000 | $12,000 | T12 actual |
| Admin & legal | $16,800 | $16,800 | T12 actual |
| Management fee | $26,400 | $26,859.60 | UW = greater of T12 or 3% × EGI |
| **Operating expenses (before reserves)** | **$212,400** | **$228,459.60** | |
| **NOI (before reserves)** | **$669,600** | **$666,860.40** | |
| Replacement reserves | $14,400 | $14,400 | UW = $0.20/SF × 72,000 SF |
| **NCF (after reserves)** | **$655,200** | **$652,460.40** | |
| **Indicative value at 6.50% cap** | | **$10,259,391** | **UW NOI ÷ 6.50%** |

**Reconciliation note.** T12 EGI of $882,000 = $744,000 GPR + $158,400 other income – $20,400 combined revenue loss (concessions $18,000 + bad debt $2,400; zero vacancy in the T12). UW EGI of $895,320 is **higher** than T12 EGI because the underwriting scenario applies a higher GPR ($756,000) and higher other income ($162,000) as supplied by the property plan. UW NOI of $666,860.40 is **lower** than T12 NOI of $669,600 because UW opex load is higher (management fee stepped to greater-of; taxes stepped from $102,000 to $108,000; insurance placeholder at $36,000 vs. $26,400 T12 actual). Replacement reserves round-trip to the same $14,400 by coincidence ($0.20/SF × 72,000 SF = $14,400 matches T12 as reported).

## 5. Loan sizing under each lender constraint

Per the lender term sheet, the loan ceiling is the lowest of the LTV, DSCR and debt-yield constraints. The LTV constraint uses NOI **before** reserves capitalized at 6.50%. The DSCR and debt-yield constraints use NCF **after** reserves. DSCR uses amortizing debt service at the sizing rate — the greater of the 6.10% contract rate and 6.50% floor, which equals **6.50%**. The 12-month interest-only period does not affect DSCR sizing per the term sheet.

| Constraint | Definition | Maximum principal |
|---|---|---|
| LTV | 60% × UW value ($10,259,391) | $6,155,634 |
| DSCR | NCF $652,460.40 ÷ (1.30 × ADC 0.075848) | $6,617,070 |
| Debt yield | NCF $652,460.40 ÷ 9.50% | $6,868,004 |
| **MAXIMUM LOAN** | **MIN of the three (binding = LTV)** | **$6,155,634** |

### Debt service and sources & uses

| Item | Value | Note |
|---|---|---|
| Sizing annual debt service | $466,893.56 | Max loan × ADC (amortizing, sizing rate) |
| Sizing DSCR | 1.3974x | NCF ÷ sizing DS (min 1.30x) |
| Sizing debt yield | 10.5990% | NCF ÷ max loan (min 9.50%) |
| First-year contractual debt service | $375,493.70 | 12 months IO × 6.10% contract rate |
| First-year DSCR (contractual) | 1.7376x | Materially higher due to IO period |
| | | |
| Sources: new first mortgage | $6,155,634 | |
| Uses: existing debt payoff | $3,600,000 | Property-and-Plan.pdf p.1 |
| Uses: origination fee (1% × loan) | $61,556.34 | Lender term sheet |
| Uses: fixed closing costs | $55,000 | Property-and-Plan.pdf p.1 |
| Total uses | $3,716,556.34 | |
| **Cash to borrower** | **$2,439,078.12** | **Positive = cash-out** |

## 6. Sensitivities

**Combined downside** — EGI –5% AND sizing rate +100 bps; cap rate unchanged; management recalculated:

| Line | Base case | Combined downside |
|---|---|---|
| EGI | $895,320 | $850,554 |
| Management fee | $26,859.60 | $26,400 |
| Other opex (unchanged) | $201,600.00 | $201,600 |
| NOI (before reserves) | $666,860.40 | $622,554 |
| NCF (after reserves) | $652,460.40 | $608,154 |
| Sizing rate | 6.5000% | 7.5000% |
| Indicative value (6.50% cap) | $10,259,391 | $9,577,754 |
| LTV limit | $6,155,634 | $5,746,652 |
| DSCR limit | $6,617,070 | $5,575,432 |

| Line | Base case | Combined downside |
| --- | --- | --- |
| Debt-yield limit | $6,868,004 | $6,401,621 |
| **Maximum loan** | **$6,155,634** | **$5,575,432** |
| **Binding constraint** | **LTV** | **DSCR** |

**Cap rate +50 bps (separate sensitivity)** — base NOI/NCF and base sizing rate:

| Line | Value |
| --- | --- |
| Adjusted cap rate | 7.0000% |
| Adjusted value | $9,526,577 |
| Adjusted LTV limit | $5,715,946 |
| DSCR limit (base) | $6,617,070 |
| Debt-yield limit (base) | $6,868,004 |
| **Maximum loan** | **$5,715,946** |
| **Binding constraint** | **LTV** |

## 7. Assumptions

• Historical T12 covers September 2025 through August 2026 on a cash-accounting basis.

• Underwriting scenario per Property-and-Plan.pdf, held constant per user instruction; no substitutions.

• EGI = GPR + vacancy loss + concessions + bad debt + other income/recoveries.

• Operating expenses exclude reserves, capital improvements, principal & interest and depreciation.

• Underwritten management fee = greater of T12 actual ($26,400) or 3.00% of underwritten EGI.

• Replacement reserves are deducted after NOI at $0.20/SF/year × 72,000 SF = $14,400.

• Indicative value = underwritten NOI before reserves ÷ 6.50% cap rate.

• LTV constraint uses NOI before reserves; DSCR and Debt Yield constraints use NCF after reserves.

• Sizing rate = greater of the 6.10% contract rate and the 6.50% underwriting floor = 6.50%.

• Annual debt constant computed from monthly-payment amortization over 360 months at the sizing rate.

• 12-month interest-only period recognized in first-year contractual debt service only; DSCR sizing still uses amortizing debt service per lender convention.

• Origination fee is 1.00% of actual initial principal; fixed closing costs are $55,000.

• Combined downside: EGI × 95% and sizing rate + 100 bps; cap rate unchanged; management fee recalculated.

• Cap rate +50 bps is a separate sensitivity holding all other inputs at base case.

• No fee capitalization, interest reserve, cash sweep, earn-out or additional holdback assumed.

• No swap is contemplated; prepayment friction is limited to the stated 1% in years 1–2.

## 8. Limitations and unresolved evidence

• **No verified insurance renewal.** The $36,000 underwriting insurance figure is a provisional allowance permitted by the property plan, not a verified renewal quote or binder. T12 actual insurance was $26,400. Verified renewal insurance premium is **unknown**.

• **No appraisal.** Value is a capitalized-income indication only, sized off underwritten NOI at the lender's 6.50% cap rate. No third-party appraisal is supplied or implied.

• **No environmental report** is supplied.

• **No sponsor track record, financial statement or guarantor credit** is supplied. Recourse and guaranty structure are not addressed by the delivered packet.

• **No market comparables** (rent, sale or debt) are supplied. This memo makes no market claims and does not opine on rent trend, absorption or exit valuation.

• **No completed credit approval.** Lender terms are described as nonbinding indicative terms.

• **Unit 101 renewal option:** not exercised by any evidence in the packet. Current expiry held at 2028-08-31 in accordance with the property-plan drafting instruction.

• **Fictional scenario disclosure:** all property, borrower, tenant, address and lender details are fictional evaluation material.

## 9. Key risks

• **Lease rollover concentration:** Tenants A (16,000 SF) and B (24,000 SF) — 40,000 SF, or 55.6% of rentable area — both roll on 2028-08-31, roughly the loan's 60-month maturity. Refinance exit is exposed to leasing conditions at that horizon.

• **Interest-only step-up:** First-year contractual debt service of $375,494 (12 months IO) steps up to the ~$466,894 amortizing constant in month 13. Coverage remains comfortable at UW NCF (~1.40x DSCR) but this is a live cash-flow event to monitor.

• **Insurance premium risk:** Actual renewal premium may exceed the $36,000 placeholder. A $10,000 shortfall against the placeholder would reduce UW NOI by $10,000, NCF by $10,000, and — because LTV is binding — reduce indicative value by ~$153,846 and loan capacity by ~$92,308 at 60% LTV.

• **Downside sizing gap:** Combined downside cuts maximum principal by ~9.4% and flips the binding constraint to DSCR. Adverse move in either EGI or rates individually would still test coverage.

• **No sponsor / market diligence:** Sponsor credit, market fundamentals and comparable sales are outside the packet. Credit committee should require independent verification before commitment.

• **Single-property, three-tenant risk:** No diversification; any single-tenant default materially impairs coverage.

## 10. Source references

| Document | Used for |
|---|---|
| Property-and-Plan.pdf (2 pages) | Property description, transaction context, existing payoff, closing costs, underwriting scenario, ins |
| Rent-Roll.xlsx (as of 2026-08-31) | Unit count, rentable SF, occupancy, contractual monthly rents, market rents, lease expiries |
| Lease-File.pdf (Unit 101) | Base rent, initial term/expiry, security deposit, renewal option (no exercise evidence) |
| T12-Statement.pdf (2 pages) | Historical monthly and annual GPR, revenue loss, other income, all operating expense lines, belo |
| Lender-Terms.pdf | Cap rate, LTV/DSCR/DY constraints, contract rate, sizing floor, amortization, IO, maturity, originat |

## 11. Unresolved / unknown fields

| Field ID | Value | Reason |
|---|---|---|
| verified_renewal_insurance | unknown | No renewal binder or verified quote delivered in packet |
| renewal_option_exercised | FALSE | No exercise notice, landlord acknowledgment or amendment |
| prepayment_friction | 1% of outstanding principal, years 1–2; none thereafter | Stated term sheet; no swap assumed |