Stonebridge Logistics — Refinance Financing Memorandum

Internal-review financing memorandum · As of August 31, 2026 · USD · Fictional evaluation material · Not a legal opinion or credit commitment.

Executive Summary

The Sponsor requests a first-mortgage refinance of the fully-fictional 85,000 SF Stonebridge Logistics industrial asset in Indianapolis, IN. Underwriting supports a maximum loan of **$6,595,637**, binding on DSCR at 1.30x. Proceeds are sufficient to retire the $4,200,000 existing payoff and cover fixed closing costs and a 1.25% origination fee, delivering **$2,243,192** of net cash to the Sponsor. The request is a cash-out refinance under these constraints.

Financing Decision	Approve indicatively — proceed to formal credit review
Product	First-mortgage refinance, 25-yr amortization, 12-mo IO, 36-mo maturity
Property	Stonebridge Logistics — Industrial — Indianapolis, IN (fictional)
Rentable SF	85,000
Occupancy (by area)	82.35% (70,000 SF of 85,000 SF); 3 of 4 units leased
Underwritten NOI (before reserves)	$760,710
Indicative Value @ 6.75% cap	$11,269,778
Maximum Loan	$6,595,637 — binding: DSCR 1.30x
First-year DS (12-mo IO @ 6.75%)	$445,206
Sizing DS (amortizing @ 7.25%)	$572,085
Sizing DSCR / Debt Yield	1.300x / 11.28%
Cash to Borrower	$2,243,192 (cash-out)

Property, Rent Roll & Tenancy

The subject is a 4-unit industrial building, 85,000 SF rentable, in Indianapolis, IN. Occupancy is measured off the dated rent roll (as of 2026-08-31): three of four units are leased (82.35% by area; 75% by count). Unit 104 (15,000 SF) is vacant; market rent of $12,500/mo is shown for context but is not contractual income.

Unit	Tenant	SF	Status	Monthly Rent	Market	Expiry
101	Tenant A LLC	18,000	Occupied	$15,000	$15,000	2030-08-31
102	Tenant B LLC	22,000	Occupied	$18,700	$18,700	2028-08-31
103	Tenant C LLC	30,000	Occupied	$27,000	$27,000	2029-08-31
104	Vacant	15,000	Vacant	—	$12,500	—
Total		**85,000**	**70,000 occ**	**$60,700**		

Subject Lease — Unit 101 (Tenant A LLC). The executed lease excerpt confirms current base rent of $15,000/month as of 2026-08-31, initial expiry of 2030-08-31, and a $30,000 security deposit (not prepaid rent). A one conditional renewal option exists, subject to timely written notice at least 180 days prior to expiration. **No exercise notice, landlord acknowledgment or amendment is in the packet**; the current expiry is not extended on the strength of the option alone. Executed lease terms match rent roll — no amendment reconciliation is required.

Historical (T12) vs Underwritten Cash Flow

Both series are reported separately per plan; the historical accounting package's reference to 'property NOI' after reserves is preserved by presenting NOI before reserves AND NCF after reserves distinctly. Debt, capital improvements, and depreciation are excluded from operating expenses.

Line	T12 (Sep-25 → Aug-26)	Underwriting (fwd)
Gross potential base rent	$852,000	$900,000
Combined revenue loss	($192,000)	($72,000) [8.00% × 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 [renewal quote]
Utilities	$12,000	$12,000
Repairs & maintenance	$24,000	$18,000 [less $6k casualty]
Payroll / contract labor	$18,000	$18,000
Administrative / legal	$18,000	$18,000
Management fee	$25,200	$30,690 [MAX: T12 vs 3% EGI]
Total operating expenses	**$253,200**	**$262,290**
NOI before replacement reserves	**$592,800**	**$760,710**
Replacement reserves	$17,000	$17,000 [$0.20/SF × 85k]
Net cash flow (after reserves)	**$575,800**	**$743,710**

Loan Sizing

The loan ceiling is the lowest of three lender constraints. Sizing uses the underwriting floor rate of 7.25% (the contract rate of 6.75% is less than the floor). The annual debt constant on a 25-year monthly amortization at 7.25% is 0.08673682.

Constraint	Formula	Maximum Loan
LTV — 60% of indicative value	0.60 × ($760,710 ÷ 6.75%) = 0.60 × $11,269,778	$6,761,867
DSCR — 1.30x on NCF ÷ amort DS	$743,710 ÷ (1.30 × 0.08673682)	$6,595,637
Debt yield — 10% on NCF	$743,710 ÷ 0.10	$7,437,100
MAXIMUM LOAN — binding: DSCR	**MIN of the three**	**$6,595,637**

Debt service comparison — first year vs sizing.

Metric	Value	Note
First-year contractual DS	$445,206	12-mo IO at contract rate 6.75%; principal × rate
Sizing (amortizing) DS	$572,085	Max loan × 0.08673682 (annual constant @ 7.25%, 25-yr)
Sizing DSCR (NCF ÷ Sizing DS)	1.300x	Binds at 1.30x by construction
Sizing debt yield (NCF ÷ loan)	11.28%	Cushion vs 10% minimum

Sources & Uses (Net Cash to Borrower)

Sources		
New first-mortgage loan		$6,595,637
Total sources		**$6,595,637**
Uses		
Existing debt payoff		$4,200,000
Origination fee (1.25% × loan)		$82,445
Fixed closing costs		$70,000
Cash to Borrower (cash-out)		**$2,243,192**
Total uses		**$6,595,637**

Downside Sensitivity

The specified combined downside re-runs sizing with EGI reduced 5% (management fee recalculated on the stressed EGI, other operating expenses unchanged) AND the sizing rate increased by 100 bps. The valuation cap rate is held constant at 6.75%.

Metric	Base	Combined Downside
EGI	$1,023,000	$971,850
Management fee	$30,690	$29,156
NOI before reserves	$760,710	$711,095
NCF after reserves	$743,710	$694,095
Sizing rate	7.25%	8.25%
Annual debt constant	0.08673682	0.09461402
Indicative value	$11,269,778	$10,534,733
LTV limit	$6,761,867	$6,320,840
DSCR limit	$6,595,637	$5,643,126
Debt yield limit	$7,437,100	$6,940,945
Maximum loan	**$6,595,637**	**$5,643,126**
Binding constraint	DSCR	DSCR

The **combined downside implies a ~$953K proceeds reduction** (from $6.60M to $5.64M), continuing to bind on DSCR. A separate cap-rate sensitivity (+50 bps → 7.25% cap) reduces value to $10,492,552 and — with unchanged cash flow — makes LTV bind at $6,295,531 (≈$300K below base).

Key Assumptions

- Underwriting scenario supplied by the sponsor's property plan is used AS-IS; it is not a lender-approved forecast.
- Combined revenue loss = 8.00% of underwritten GPR (vacancy + concessions + bad debt).
- Management fee = greater of T12 actual ($25,200) OR 3.00% of underwritten EGI.
- Insurance uses the fictional renewal quote of $33,600 supplied in the plan.
- Real-estate taxes overridden by plan to $132,000 (T12: $126,000).
- R&M; reduced $6,000 for one-time casualty cleanup.
- Reserves at $0.20/SF/year, deducted BELOW NOI.

• Value: NOI before reserves ÷ 6.75% cap rate. No appraisal implied.

• Rate: contract 6.75% = MAX(3.25% index, 4.00% floor) + 2.75% spread. Sizing rate = MAX(contract, 7.25% floor) = 7.25%.

• Amortization: 25 years, monthly; annual DS = 12 × monthly payment.

• Interest-only for first 12 months; DSCR sized on amortizing DS.

• Origination fee: 1.25% of actual initial principal. Fixed closing costs: $70,000.

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

Limitations & Unresolved Evidence

• **No appraisal or third-party valuation** is included; value shown is indicative from the sizing cap rate and underwritten NOI.

• **No environmental report, PCA, or property condition report** is supplied — condition risk is not evaluated.

• **No sponsor track record, financial statements, guaranty structure, or credit information** is supplied — recourse and sponsor strength are unassessed.

• **No market comparables, submarket rent surveys, or absorption data** are supplied — market rent and vacancy views cannot be independently tested.

• **No credit approval process** — this memorandum is a preliminary internal-review analysis only.

• **Renewal option status.** Lease provides one conditional renewal for Unit 101, but no exercise notice, acknowledgment, or amendment is in the packet. Current expiry remains 2030-08-31.

• **Verified renewal insurance premium** is limited to the fictional insurer quote of $33,600; no bound policy, endorsement, or historical premium reconciliation was reviewed.

Key Risks

• **Vacancy exposure.** Unit 104 (15,000 SF, 17.6% of rentable area) is vacant. Underwritten 8% combined revenue loss assumes lease-up progress; actual absorption is not lender-verified.

• **Lease rollover.** Unit 102 expires 2028-08-31 (during the 3-year loan term). Non-renewal would materially cut in-place cash flow.

• **Interest-rate risk at reset.** The floor-driven contract rate of 6.75% embeds a 100+ bps cushion vs. the sizing rate; a rise in the underlying index above 4% would flow directly into contractual coupon.

• **DSCR-bound sizing.** Because DSCR binds at 1.30x by construction, any deterioration in NCF (rent loss, expense growth) directly reduces proceeds.

• **Refinance risk at 36-month maturity.** Short maturity requires an exit strategy — refinance or sale — during a period of unknown rate/spread conditions.

• **Concentration.** Three tenants, one asset, one market. No sponsor guaranty is documented.

• **Prepayment friction.** 1% of outstanding principal in years 1–2; no stated bank penalty thereafter; no swap termination applies.

Source Documents

Document	Content Used
Property-and-Plan.pdf (2 pp.)	Property basics, underwriting scenario (GPR, revenue loss %, other income, expense treatments, manager
Rent-Roll.xlsx	Unit-level rentable SF, occupancy status, contractual monthly base rent, market rent, lease expiries.
T12-Statement.pdf (2 pp.)	Historical trailing-twelve monthly and annual line items (revenue, opex, reserves, capex, P&I, depreciation)
Lender-Terms.pdf	Sizing constraints (LTV/DSCR/DY), index/floor/spread, sizing floor, amortization, IO period, maturity, origina
Lease-File.pdf	Unit 101 executed lease excerpt: parties, premises, term, base rent, security deposit, renewal option mecha