FERNANDES & COMPANY

ADVISORY AND CONSULTING

# Deal Underwriting & Debt Sizing Memorandum

*Brookmere Apartments - Sample Deliverable*

| Item | Detail |
|---|---|
| Prepared for | Meridian Bridge Capital, LLC - Credit Committee |
| Borrower | Calder Ridge Holdings LLC |
| Guarantor | Marcus T. Calder and Priya N. Calder (jointly and severally) |
| Subject | Brookmere Apartments - 148-Unit Value-Add Multifamily Acquisition |
| Location | Southeast MSA (Tier II), Southeastern United States |
| Request | $11,000,000 bridge acquisition facility, 36-month term, interest-only |
| Report date | July 31, 2026 |
| Prepared by | Fernandes & Company LLC |

## 1. Transaction Summary

Acquisition of a 1987-vintage 148-unit garden apartment community at a 19.5% loss-to-lease. $15,000/unit interior and common-area renovation over 24 months, burn off loss-to-lease, refinance into agency debt at stabilization.

| Metric | Value |
|---|---|
| Purchase price | $16,280,000 |
| Price per unit | $110,000 |
| Capital improvement budget | $2,220,000 / $15,000 per unit |
| **Total capitalization** | **$19,598,400** |
| In-place NOI | $959,165 |
| Stabilized NOI | $1,223,599 |
| Going-in cap rate | 5.89% |
| Stabilized yield on cost | 6.24% |
| As-is value at 6.00% cap | $15,986,089 |

## 2. Rent Roll & Loss to Lease

Source: borrower rent roll dated 06/30/2026, reconciled to trailing twelve-month collections. Market rents per third-party comparable study dated 05/2026.

| Unit Type | Count | In-Place | Market | Loss to Lease |
|---|---|---|---|---|
| 1BR / 1BA | 56 | $985 | $1,175 | 19.3% |
| 2BR / 1BA | 64 | $1,145 | $1,375 | 20.1% |
| 2BR / 2BA | 20 | $1,265 | $1,495 | 18.2% |
| 3BR / 2BA | 8 | $1,420 | $1,690 | 19.0% |
| **Total / weighted** | **148** | **$1,116** | **$1,333** | **19.5%** |

**Loss to lease of 19.5% is the core of the business plan** - an annual opportunity of $385,440. It is documented in the rent roll rather than projected, which distinguishes it from most value-add underwriting we review. Capture still depends on renovation execution and market absorption.

## 3. Income & Expenses

| Line | In-Place | Stabilized |
|---|---|---|
| Gross potential rent | $1,981,200 | $2,366,640 |
| Vacancy and credit loss | ($158,496) | ($141,998) |
| Other income | $118,400 | $148,000 |
| **Effective gross income** | **$1,941,104** | **$2,372,642** |
| Real estate taxes | $248,000 | $392,000 |
| Total operating expenses | $981,939 | $1,149,042 |
| Expense ratio | 50.6% | 48.4% |
| **Net operating income** | **$959,165** | **$1,223,599** |

**The tax line deserves attention.** The stabilized column reflects reassessment at the purchase price basis, taking taxes from $248,000 to $392,000. Holding taxes at the seller assessment - which is how this deal was presented to us - would overstate stabilized NOI by roughly $144,000 and the supportable perm loan by well over $1,000,000. This is the most common error we see in value-add underwriting.

Vacancy is underwritten at 8.0% in place per the trailing twelve months and 6.0% stabilized, against a submarket rate of 5.1%. Repairs and maintenance step down post-renovation on a per-unit basis, which is defensible given the scope, but we have held the reduction modest.

## 4. Debt Sizing

| Constraint | Terms | Maximum Loan |
|---|---|---|
| Loan to value | 75.0% of as-is value | $11,989,567 |

| | | |
|---|---|---|
| Loan to cost | 75.0% of total capitalization | $14,698,800 |
| **DSCR - GOVERNING** | **1.15x at 7.75%** | **$10,762,024** |
| Debt yield | 8.50% minimum | $11,284,298 |
| **SIZED LOAN** | **Rounded to $50K** | **$10,750,000** |

**The DSCR test on in-place income governs.** The requested $11,000,000 exceeds the supportable amount by $250,000.

| Metric at sized loan | Value |
|---|---|
| LTV (as-is) | 67.2% |
| LTC | 54.9% |
| DSCR in-place, interest-only | 1.151x |
| Debt yield in-place | 8.92% |
| Annual debt service | $833,125 |
| DSCR at stabilized NOI | 1.47x |
| Debt yield at stabilized NOI | 11.38% |
| **Total equity requirement** | **$8,848,400** |

In-place coverage of 1.151x is thin but clears the covenant. The stabilized picture is materially stronger at 1.47x and a 11.38% debt yield. The transaction is underwritten on the weaker of the two, which is correct.

## 5. Exit / Refinance Test

At full business plan execution the asset refinances comfortably.

| Item | Value |
|---|---|
| Stabilized NOI at full execution | $1,223,599 |
| Perm rate underwritten | 7.40% |
| Perm minimum DSCR | 1.30x |
| Maximum perm loan | $11,328,442 |
| Bridge balance at maturity | $10,750,000 |
| **Refinance surplus** | **$578,442** |

**But full execution is an assumption, not a fact - and that is where the real exposure sits.** The table below holds rate and DSCR constant and varies only how much of the business plan is actually achieved.

| % of Plan Achieved | Resulting NOI | Max Perm Loan | Surplus / (Gap) |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 100% | $1,223,599 | $11,328,442 | $578,442 |
| 90% | $1,197,156 | $11,083,621 | $333,621 |
| 80% | $1,170,712 | $10,838,801 | $88,801 |
| 70% | $1,144,269 | $10,593,980 | ($156,020) |
| 60% | $1,117,826 | $10,349,159 | ($400,841) |
| 50% | $1,091,382 | $10,104,339 | ($645,661) |

**Execution breakeven is 76.4%.** Below that, a takeout gap opens. At 60% execution the gap is $400,841.

This is a different risk profile from a deal that fails at underwriting. The deal works if the sponsor performs. The question for committee is whether the sponsor performs, which is addressed in the accompanying Borrower Credit Underwriting Memorandum - and on that evidence the answer is favorable.

**Recommended structure:** renovation escrow funded at closing with draws tied to unit completion and certificate of occupancy, plus a rent achievement test at month 18 requiring 70% of projected market rents on renovated units before any equity distribution.

## 6. Sensitivities

- **NOI stress.** Breakeven NOI is $833,125, a cushion of 13.1% below in-place underwriting. A 10% in-place NOI miss produces a 1.04x DSCR, below the 1.15x covenant.
- **Rate stress.** At +100 bps the in-place DSCR falls to 1.02x while the stabilized DSCR holds at 1.30x. A rate cap is essential given the thin in-place coverage.
- **Exit cap.** At the underwritten 6.25% the stabilized value is $19,577,586. Value falls below total capitalization above approximately 6.24%, so there is minimal cushion for cap rate expansion.

## 7. Conclusion

**Proceed at $10,750,000, structured.** In-place coverage governs and supports $250,000 less than requested. The loss to lease is documented rather than projected, the tax reassessment has been underwritten correctly, and the sponsor equity of $8,848,400 is substantial.

The exposure is execution, not underwriting. We recommend approval subject to the renovation escrow and rent achievement test in section 5, a bound rate cap, and the credit conditions in the accompanying memorandum.

## Open Items

1. **[MISSING - appraisal]** No as-is appraisal in file. Value derived from in-place NOI at a 6.00% cap. Order before closing.
2. **[ASSUMED - reassessed taxes]** Reassessment modeled by applying current millage to the purchase price basis. Obtain written confirmation from the assessor of the methodology and timing.

3. **[MISSING - renovation scope and bids]** $15,000 per unit is a sponsor budget. No contractor bids provided.
4. **[MISSING - property condition assessment]** Required to confirm the capital plan reconciles to actual deferred maintenance at a 1987-vintage asset.
5. **[ASSUMED - market rents]** Third-party comparable study dated 05/2026. No renovated units exist at the subject to validate the achievable premium.
6. **[MISSING - insurance quote]** Stabilized insurance of $1,000 per unit is an estimate, not a bound quote.

## Independence & Limitations

*Prepared by Fernandes & Company as an independent third party. Fernandes & Company has no economic interest in this transaction, no compensation contingent on its outcome, and no relationship with the borrower outside this engagement.*

*This analysis is an underwriting opinion prepared for credit decision support. It is not an appraisal and does not constitute a determination of market value. Review of borrower-supplied documents is not a certification, audit, or attestation as to their accuracy or completeness. All lending authority, credit decisions, closing, and servicing remain with the lender.*

*Standard delivery on transactions of this scope is 24 to 48 hours from receipt of a complete file.*

*SAMPLE DOCUMENT - FICTIONAL TRANSACTION. Prepared to demonstrate deliverable format, analytical depth, and reporting standards. All parties, properties, and figures are invented.*