Assumptions Memorandum

Ironpoint Commerce Park · 151,600 SF / 10-Suite Small-Bay Industrial Park (1998 vintage; mark-to-market lease rollover program) · [Market, ST]

To:	Ironpoint Industrial Partners, LLC (Client)	**Reference:**	FCO-IND-001
From:	Fernandes & Company	**Engagement:**	Internal Decision-Making Pro Forma · Industrial Value-Add
Re:	Modeling assumptions & model conventions	**Date:**	[Month D, YYYY]

Purpose

This memorandum is the control document for the assumptions in **Ironpoint_Industrial_ValueAdd_ProForma_SAMPLE.xlsx**. Every figure below sits in a blue input cell on the workbook's Inputs tab or Rent Roll; changing the cell re-runs the entire model. On a live engagement the Client confirms, corrects, or marks each item 'unknown / need help'; anything Fernandes & Company proposed rather than received is tagged [F&Co placeholder]. **This is a SAMPLE: every value in this memorandum is an illustrative placeholder**, chosen to be plausible for a 1990s-vintage small-bay park, and none has been researched for any actual market.

Property, Timing & Acquisition

Input	Value
Property	**Ironpoint Commerce Park — Small-bay / shallow-bay multi-tenant industrial, Class B (value-add)**
Total SF / suites	**151,600 SF · 10 suites (8,400–24,400 SF) · one vacant 14,400 SF spec suite *[F&Co placeholder]***
Closing date / hold	**December 31, 2026 (month 0) · 5-year hold (range 3–10) *[F&Co placeholder]***
Purchase price	**$16,400,000 ($108.18/SF) *[F&Co placeholder]***
Closing costs / acquisition fee	**1.5% of price · 1.0% of price to GP *[F&Co placeholder]***
Capital program (base)	**Roof $650,000 · parking/truck court $300,000 · LED/exterior $150,000 · dock packages $175,000 · spec-suite shell $360,000 · deferred maintenance $125,000 = $1,760,000 *[F&Co placeholder]***
Program schedule	**Months 2–13 (straight-line draw); contingency by scenario (below) *[F&Co placeholder]***
Working capital reserve	**$300,000, returned at exit *[F&Co placeholder]***
Funding convention	**Capital program + contingency and working capital are equity-funded into reserves at closing (fixed sources & uses; no mid-hold capital calls). Program draws are memo lines; TI/LC is cash when incurred.**

The spec-suite shell budget covers base-building delivery of the vacant suite; tenant-specific fit-out on its lease-up is carried separately as new-lease TI on the Rent Roll — both are intentional and disclosed rather than netted.

Rent Roll & Lease Rollover (all placeholder)

Suite — tenant	SF	Lease end	In-place $/SF/yr (NNN)	Esc.	Market $/SF/yr (Yr-1)	Renewal prob.
01 — Carolina Door & Millwork Supply	**8,400**	**mo 8**	**$7.10**	**2.5%**	**$9.75**	**60%**
02 — Beacon Electrical Contractors	**9,600**	**mo 14**	**$7.45**	**3.0%**	**$9.75**	**65%**
03 — TriState HVAC Services	**10,800**	**mo 20**	**$7.25**	**2.5%**	**$9.60**	**70%**
04 — Summit Sign & Graphics	**12,000**	**mo 26**	**$7.60**	**3.0%**	**$9.50**	**60%**
05 — Ridgeline Building Products	**13,200**	**mo 31**	**$7.90**	**3.0%**	**$9.40**	**65%**
06 — VACANT — spec suite	**14,400**	**vacant**	**—**	**—**	**$9.35**	**0%**
07 — Metro Parcel Logistics	**16,800**	**mo 38**	**$8.05**	**2.8%**	**$9.25**	**70%**
08 — Atlas Fitness Equipment Distribution	**19,200**	**mo 47**	**$8.20**	**3.0%**	**$9.15**	**65%**
09 — Keystone Packaging Co.	**22,800**	**mo 56**	**$8.35**	**3.0%**	**$9.00**	**75%**
10 — Lakeland Beverage Distributors	**24,400**	**mo 68**	**$8.50**	**3.0%**	**$8.90**	**75%**

Portfolio at close: 137,200 SF occupied (90.5%), WALT 3.4 years, weighted in-place rent $7.98/SF vs. $9.27/SF weighted market — a 16.0% mark-to-market on occupied suites.

Rollover convention (expected value). At each lease end the suite renews with the probability shown (renewal TI $1.50/SF, renewal LC 3% of total lease value, no downtime) or vacates (scenario downtime, then market rent; new-lease TI $5.00/SF, LC 6%). New and renewed leases run 5 years with 3% annual escalations, commencing at the market rent prevailing at expiry. In-place leases escalate on the anniversary of closing (simplification — actual anniversary dates are not tracked). EV TI/LC ($740,860 across all first-generation rolls) is funded at the expiry month — conservative timing. Downtime months include free rent. Second-generation rollovers are covered by the general vacancy & collection allowance rather than modeled discretely. *[F&Co placeholder]*

Scenario-Driven Operating Inputs (Average / Best / Worst)

Input	Average (Base)	Best	Worst
General vacancy & collection — Yr 1	**3.0%**	**2.0%**	**5.0%**
— Yr 2	**2.5%**	**1.8%**	**4.0%**
— Yr 3	**2.0%**	**1.5%**	**3.5%**
— Yr 4 / Yr 5+	**2.0% / 2.0%**	**1.5% / 1.5%**	**3.0% / 3.0%**
Market rent growth — Yr 2	**3.2%**	**4.0%**	**2.0%**
— Yr 3 / Yr 4 / Yr 5+	**3.0% / 3.0% / 2.8%**	**3.8% / 3.5% / 3.0%**	**2.0% / 1.8% / 1.8%**
Downtime on vacate (rollover)	**6 mo**	**4 mo**	**9 mo**
Vacant spec-suite lease-up from close	**9 mo**	**6 mo**	**13 mo**

Other income factor	**1.00**	**1.05**	**0.95**
Exit cap rate	**6.00%**	**5.75%**	**6.50%**
Capex contingency	**10%**	**5%**	**15%**
Expense inflation	**3.00%**	**2.75%**	**3.25%**

All are placeholders. The general vacancy & collection allowance sits on top of the explicit first-generation downtime and is deliberately non-zero even at stabilization; the Worst case widens vacancy, halves rent growth, stretches downtime to 9 months (13 for the spec suite) and moves the exit cap 50 bps against the deal.

Recoveries, Other Income & Operating Expenses (Year-1 $, inflating)

Line	Amount	Recoverable %
Real estate taxes (post-reassessment)	**$205,000 *[F&Co placeholder]***	**100%**
Insurance	**$68,000 *[F&Co placeholder]***	**100%**
Repairs & maintenance	**$0.60/SF *[F&Co placeholder]***	**100%**
Contract services (landscaping, snow, sweeping)	**$0.35/SF *[F&Co placeholder]***	**100%**
Common-area utilities	**$0.15/SF *[F&Co placeholder]***	**100%**
Owner G&A / non-recoverable admin	**$0.20/SF *[F&Co placeholder]***	**0%**
Management fee	**3% of EGI *[F&Co placeholder]***	**excluded from pool**
Replacement reserves	**$0.12/SF *[F&Co placeholder]***	**below NOI line**

NNN tenants reimburse the recoverable pool pro rata on occupied SF at a 97.5% slippage factor; the management fee is excluded from the pool (recovery of it, where leases allow, is upside not modeled). Other income of $1,500/month (signage, storage yard, admin fees) inflates with expenses and scales by the scenario factor. Real estate taxes are entered post-reassessment for Year 1 and inflate thereafter — no further reassessment on the refinance or sale is modeled. NOI is stated after replacement reserves. *[F&Co placeholder]*

Capital Structure — Debt

Input	Value
Senior (acquisition)	**62.5% LTC = $11,904,000 · 6.35% fixed · IO 36 mo · 30-yr amortization · 1% fee *[F&Co placeholder]***
Covenants (tests)	**Min DSCR 1.20× from Year 2 · min debt yield 7.5%**
Refinance (optional, ON in sample)	**Month 36 · 60% LTV on appraised value (fwd-12 NOI ÷ (exit cap + 0.25%)) · min DY 8.5% · 5.85% fixed · IO 12 mo · 30-yr am. · 1% fee *[F&Co placeholder]***
No-cash-in rule	**The refinance executes only when the sized loan covers the senior + mezz payoff; otherwise it is skipped and the acquisition loan amortizes to exit (this is what happens in the Worst case).**
Rate sensitivity convention	**The Sensitivity senior-rate override shifts the refinance rate in parallel.**
Mezzanine (optional, OFF in sample)	**10% LTC · 11.50% current-pay IO · 1.5% fee · repaid at refinance or exit *[F&Co placeholder]***

Capital Structure — Equity Waterfall

Input	Value
Equity split	**LP 90% / GP co-invest 10% *[F&Co placeholder]***
Tier 1	**Return of capital + 8% compounding preferred, pro rata *[F&Co placeholder]***
Tier 2 / Tier 3	**To 12% IRR at 80%/20% · to 15% IRR at 70%/30% *[F&Co placeholder]***
Tier 4 (residual)	**60%/40% *[F&Co placeholder]***
Convention	**Annual, European (whole-fund): hurdle balances compound on net contributions; refinance proceeds are ordinary distributions; GP promote = GP cash flow less pro-rata share.**

Exit & Model Conventions

Exit at the end of the hold at the scenario cap rate applied to **forward-12-month NOI** (after reserves), less 2% selling costs; the engine runs 132 months so a 10-year hold still has a forward year. Returns are computed on annual cash flows (monthly-precision levered IRR shown on the Dashboard for reference); multiples are total distributions over total contributions. All figures are pre-tax and property-level.

Not modeled (deliberately): discrete second-generation rollovers (covered by the standing vacancy allowance); percentage or specialty rents; future-funding or capex facilities; interest-rate hedging; further tax reassessment at refinance or sale; supplemental or mezzanine-out refinancings; capital calls beyond the closing reserves; buyer TI/LC adjustments to the exit price. Where any of these is material on a live deal, the template is extended rather than worked around.

Basis of Presentation

Basis of presentation. *All assumptions and inputs reflected in the accompanying model and in this memorandum were provided by the Client. Fernandes & Company has modeled those inputs as provided and has* ***not*** *independently verified, re-underwritten, audited, or reviewed source documents to confirm them. This engagement does not include market research, rent or sales comparable analysis, capital-program scoping or cost estimating, property condition or environmental review, feasibility, or lease/document review. Any placeholder Fernandes & Company proposed for a missing input is not an independently researched market assumption and remains the Client's to approve. The figures herein are the Client's inputs and the arithmetic that follows from them; they are not a Fernandes & Company opinion of value, a forecast, or investment advice. This document is a SAMPLE prepared to illustrate deliverable format and depth; every input is an illustrative placeholder.*

Acknowledged and confirmed by Client: ________________________________ **Date:** ____________