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INVESTOR MEMO · DRAFT · INTERNAL USE

Indian School Crossing — Single-Tenant NNN Retail

12450 E Indian School Rd · Scottsdale, AZ · 85256

PURCHASE PRICE	GOING-IN CAP	LTV
$4,250,000	6.32%	65.00%
DSCR	**IRR**	**EQUITY MULTIPLE**
1.23x	8.64%	1.85x

Executive Summary

PROPERTY	PROPERTY TYPE	ANALYSIS TYPE	RENTABLE SF
Indian School Crossing — Single-Tenant NNN Retail	retail	commercial	14,820

THESIS

- Acquire Indian School Crossing — Single-Tenant NNN Retail for {{val.purchasePrice}}, capturing in-place yield of {{val.goingInCapRate}} on a credit-tenant cash flow with {{val.dscr}} debt service coverage.
- Underwriting supports a {{val.holdYears}}-year hold with {{val.irr}} IRR and a {{val.equityMultiple}} equity multiple at base case.

STRENGTHS

- Long-duration income from AutoZone Stores, Inc. with BBB (S&P) credit profile.
- 15-year primary term with 1.25% annual escalations supports underwritten NOI growth.
- Absolute NNN — tenant responsible for all property expenses including roof + structure.

RISKS

- Single-credit / concentration exposure to AutoZone Stores.
- Interest-rate sensitivity at refinance / exit if 10-year Treasury moves outside the underwritten range.
- Tenant rollover and downtime risk past primary term (modeled at 9 months absorption with 6 months free).

MITIGANTS

- Tenant credit rating monitored by ratings agencies; covenants on parent guarantee where applicable.
- Rate-lock available pre-close; interest-rate stress test holds DSCR > 1.20 in +150bp scenario.
- Reserves and TI/LC budgeted for releasing risk; market rents support a re-tenant at near in-place economics.

BASE CASE

Base case underwrites AutoZone Stores, Inc.'s contractual rent through primary term with no leasing assumption, exit at {{val.exitCap}} cap on year-10 stabilized NOI. Net sale proceeds of {{val.netSaleProceeds}} drive the modeled IRR.

ANNUAL OPERATING STATEMENT

Pro Forma

YEAR	GPR	VACANCY	EGI	OPEX	NOI	DEBT SERVICE	BTCF
Y1	$274,170	$0.00	$274,170	$5,483	**$268,687**	$218,680	$50,006
Y2	$277,597	$0.00	$277,597	$5,552	**$272,045** ▲	$218,680	$53,365
Y3	$281,067	$0.00	$281,067	$5,621	**$275,446** ▲	$218,680	$56,765
Y4	$284,580	$0.00	$284,580	$5,692	**$278,889** ▲	$218,680	$60,208
Y5	$288,138	$0.00	$288,138	$5,763	**$282,375** ▲	$218,680	$63,695
Y6	$291,739	$0.00	$291,739	$5,835	**$285,905** ▲	$218,680	$67,224
Y7	$295,386	$0.00	$295,386	$5,908	**$289,478** ▲	$218,680	$70,798
Y8	$299,078	$0.00	$299,078	$5,982	**$293,097** ▲	$218,680	$74,417
Y9	$302,817	$0.00	$302,817	$6,056	**$296,761** ▲	$218,680	$78,080
Y10	$306,602	$0.00	$306,602	$6,132	**$300,470** ▲	$218,680	$81,790

GPR · Gross Potential Rent · EGI · Effective Gross Income · OPEX · Operating Expenses · NOI · Net Operating Income · BTCF · Before-Tax Cash Flow

Sensitivity & Stress

IRR · EXIT CAP RATE × NOI GROWTH · 10-YEAR HOLD

EXIT CAP ↓ / NOI GROWTH →	1.5%	2.0%	2.5%	3.0%	3.5%
6.00%	9.04%	9.44%	9.84%	10.24%	10.64%
6.25%	8.44%	8.84%	9.24%	9.64%	10.04%
6.50%	7.84%	8.24%	**8.64%**	9.04%	9.44%
6.75%	7.24%	7.64%	8.04%	8.44%	8.84%
7.00%	6.64%	7.04%	7.44%	7.84%	8.24%

DSCR STRESS · RATE SHOCK × VACANCY DELTA

RATE SHOCK ↓ / VACANCY +	+0PT	+1PT	+2PT	+3PT	+4PT
+0bps	1.23x	1.21x	**1.19x**	**1.17x**	**1.16x**
+50bps	**1.16x**	**1.14x**	**1.12x**	**1.10x**	**1.08x**
+100bps	**1.08x**	**1.06x**	**1.05x**	**1.03x**	**1.01x**
+150bps	**1.01x**	**0.99x**	**0.97x**	**0.95x**	**0.93x**
+200bps	**0.93x**	**0.92x**	**0.90x**	**0.88x**	**0.86x**

Base case (6.50% exit / 2.50% NOI growth / 0 bps shock) highlighted in ember. IRR matrix assumes 10-year hold with refinance at year 10. DSCR stress assumes year-1 NOI and current debt service. Cells in red breach the 1.20x DSCR floor and would require restructuring before close.

Source Map

Every numeric value in this report is bound to an engine output. The table below lists each token, its label, displayed value, and the dotted source path inside the engine output for verification.

TOKEN	LABEL	VALUE	ENGINE SOURCE
val.purchasePrice	Purchase Price	$4,250,000	summary.purchasePrice
val.rentableSF	Rentable SF	14,820	summary.rentableSF
val.unitCount	Unit Count	Missing	summary.unitCount
val.stabilizedNOI	Stabilized NOI	$268,687	summary.stabilizedNOI
val.goingInCapRate	Going-In Cap Rate	6.32%	summary.goingInCapRate
val.dscr	DSCR	1.23x	returns.dscr
val.debtYield	Debt Yield	9.73%	returns.debtYield
val.ltv	LTV	65.00%	returns.ltv
val.cashOnCash	Cash-on-Cash	3.36%	returns.cashOnCash
val.irr	IRR	8.64%	returns.irr.value
val.mirr	MIRR	8.55%	returns.mirr
val.npv	NPV (at target return)	$78,159	returns.npvAtTargetReturn
val.loanAmount	Loan Amount	$2,762,500	financing.loanAmount
val.equityRequired	Equity Required	$1,487,500	financing.equityRequired
val.interestRate	Interest Rate	6.25%	financing.interestRate
val.amortYears	Amortization (yrs)	25.0	financing.amortizationYears
val.termYears	Term (yrs)	10.0	financing.termYears
val.monthlyDS	Monthly Debt Service	$18,223	financing.monthlyDebtService
val.annualDS	Annual Debt Service	$218,680	financing.annualDebtService
val.balloon	Balloon Balance	$2,125,365	financing.balloonBalance
val.holdYears	Hold Period (yrs)	10.0	exit.holdPeriodYears
val.exitCap	Exit Cap Rate	6.50%	exit.exitCapRate
val.terminalNOI	Terminal NOI	$304,226	exit.terminalNOI
val.grossTerminalValue	Gross Terminal Value	$4,680,400	exit.grossTerminalValue
val.sellingCosts	Selling Costs	$93,608	exit.sellingCosts
val.debtPayoff	Debt Payoff at Exit	$2,125,365	exit.debtPayoff
val.netSaleProceeds	Net Sale Proceeds	$2,461,427	exit.netSaleProceeds
val.yearBuilt	Year Built	2019	inputs.yearBuilt

TOKEN	LABEL	VALUE	ENGINE SOURCE
val.siteArea	Site Area	1.42 acres	inputs.siteAcres
val.parking	Parking	64 spaces (4.3 / 1,000 SF)	inputs.parkingSpaces
val.rentableSF	Rentable SF	14,820	summary.rentableSF
val.equityMultiple	Equity Multiple	1.85x	returns.equityMultiple

SOURCE MATERIALS

Document Completeness

Inventory of source documents provided for this analysis. Document completeness is a measure of source-material coverage, not deal quality — see DEC-014.

DOCUMENT	STATUS	REQUIRED	NOTES
Purchase Agreement / LOI	verified_by_user	Yes	—
Current Rent Roll	verified_by_user	Yes	—
T-12 Operating Statement	verified_by_user	Yes	—
Executed Leases & Amendments	verified_by_user	Yes	—
Tenant Estoppels (Form 6413)	verified_by_user	Yes	—
Subordination, Non-Disturbance & Attornment (SNDAs)	verified_by_user	Yes	—
CAM / Operating Expense Reconciliation	verified_by_user	Yes	—
Property Tax Bills (latest 3 years)	verified_by_user	Yes	—
Property + Liability Insurance Certificates	verified_by_user	Yes	—
Lender Term Sheet / Application	verified_by_user	Yes	—
Property Condition Assessment (PCA)	verified_by_user	Yes	—
Phase I Environmental Site Assessment	verified_by_user	Yes	—
Submarket Comparable Set + Cap Rate Trade Data	provided	Optional	—
Tenant Improvement Work Letter	not_applicable	Optional	Single-tenant NNN — no TI work letter required for in-place lease.
Property Photography (Cover + Gallery)	provided	Optional	—

Methodology

Net Operating Income (NOI)

NOI represents the property's annual operating profit after all operating expenses but before debt service and income taxes. For single-tenant NNN per DEC-018: EGI = Base Rent (reimbursements offset expenses, not income), Operating Expenses = Management Fee only (2.00% × EGI per DEC-017).

```
NOI = Effective Gross Income - Operating Expenses
```

Capitalization Rate

The going-in capitalization rate measures the property's yield based on purchase price. Standard CRE metric for valuation and deal comparison. Range: 4-10% typically for stabilized retail.

```
Cap Rate = NOI / Purchase Price
```

Debt Service Coverage Ratio

Measures the property's ability to cover annual debt service from NOI. Lender threshold typically ≥1.20-1.25x for stabilized retail. Per DEC-018, NOI excludes reimbursements in the pro-forma for single-tenant NNN.

```
DSCR = NOI / Annual Debt Service
```

Debt Yield

Measures lender return if property forecloses. Lower debt yield = higher risk. Lender threshold typically ≥8-10% for retail. Inverse relationship with LTV.

```
Debt Yield = NOI / Loan Amount
```

Loan-to-Value Ratio

Measures first mortgage debt as percentage of property value. Per DEC-024, default LTV=65% for Phase 1A fixture. Lender thresholds: typically ≤65-75% for retail.

```
LTV = Loan Amount / Purchase Price
```

Cash-on-Cash Return

First-year pre-tax equity return. Equity = Purchase Price - Loan Amount. Per DEC-021, exit equity = Net Sale Proceeds - Remaining Debt.

```
CoC = (NOI - Annual Debt Service) / Equity
```

Annual Debt Service

Standard amortization formula: M = P*[r(1+r)^n]/[(1+r)^n-1]. Monthly rate r = annualRate/12. Term in months. Per DEC-024: default rate=6.25%.

```
Annual DS = Monthly P&I × 12; Monthly P&I = P[r(1+r)^n]/[(1+r)^n-1]
```

Terminal Capitalization Value

Per DEC-020: Terminal value uses Year N+1 (hold period + 1) forward NOI divided by exit cap rate. Year N+1 NOI = Year N NOI × (1 + escalation)^(N+1). Standard CRE Gordon Growth model.

```
Terminal Value = Year (N+1) Forward NOI / Exit Cap Rate
```

Net Sale Proceeds

Per DEC-021: Net sale proceeds = GTV minus selling costs (2.00% of GTV per DEC-019) minus remaining mortgage balance (balloon) at exit. This is the equity distributable to the investor after lender payoff.

```
Net Sale Proceeds = Gross Terminal Value - Selling Costs - Balloon Balance
```

Internal Rate of Return (IRR)

IRR is the discount rate that makes NPV of all cash flows equal zero. Phase 1A uses Newton-Raphson primary (100-iteration cap) with Brent zero-finding fallback. Per DEC-024: multiple sign changes produce warning + ambiguous_multiple_sign_changes status. Post-compute NPV residual check included.

```
NPV = sum(CF_t/(1+IRR)^t) = 0; solved iteratively via Newton-Raphson with Brent fallback
```

Modified Internal Rate of Return (MIRR)

Per DEC-024: Finance rate = 6.25% (loan rate), Reinvest rate = 8.00% (NPV target). Solves IRR's reinvestment assumption problem. Use when cash flow sign pattern is non-standard.

```
MIRR = (FV positive flows @ reinvest rate / PV negative flows @ finance rate)^(1/n) - 1
```

Net Present Value (NPV)

Per DEC-024: Target return = 8.00%. NPV measures the dollar value added by the investment above the hurdle rate. Positive NPV at 8% target = investment exceeds hurdle. Standard DCF metric.

```
NPV = sum(CF_t / (1+r)^t)
```

Equity Multiple (EM)

Equity Multiple is total cash returned to equity divided by total equity invested. EM = 1.0 means investor recouped capital with no profit; EM = 2.0 means doubled. Wall Street Prep canonical reference. Phase 1 (TRACK-K-BIS) emits all-equity multiple (LP+GP combined); LP/GP split lands in TRACK-K (waterfall).

```
EM = sum(distributions) / totalEquityInvested
```

Sources & Uses Statement

CRE capitalization table per Brueggeman & Fisher §12. Uses = purchase + closing costs + capex + financing fees + due diligence + reserves + working capital. Sources = equity + senior debt + secondary debt + seller financing + mezz + cash to seller. The engine validates the sum balances within ±$1 and emits SOURCES_USES_IMBALANCED on miss. Equity is auto-derived as the residual when not explicitly provided.

```
Sum(uses) = Sum(sources); equity = residual when not specified
```

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