Hawthorn Center | Refinance Analysis and Financing Memorandum

Internal review draft (v2) | As of August 31, 2026 | Fictional evaluation packet | Not a credit commitment or legal opinion

Purpose and Scope

This memorandum supports internal review of a proposed first-mortgage refinance of Hawthorn Center, a retail property described in the supplied packet as located at 3200 Hawthorn Bench Road, Greenville, SC 29607, owned by Hawthorn Center Owner LLC. All parties, addresses and figures are fictional and originate solely in the five delivered documents: Lease-File.pdf, Lender-Terms.pdf, Property-and-Plan.pdf, Rent-Roll.xlsx and T12-Statement.pdf. No appraisal, environmental report, market comparables, sponsor track record or completed credit approval was supplied, and none has been assumed or researched.

Three cash-flow bases are kept strictly separate throughout: (1) historical trailing twelve months, September 2025 through August 2026, from the T12 statement; (2) current contractual rent and occupancy as of August 31, 2026, from the rent roll reconciled to the executed lease; and (3) the supplied forward underwriting scenario for September 2026 forward, which is the plan scenario and not a lender-approved forecast.

Accompanying this memorandum is a live Excel workbook (underwriting-v2.xlsx) with editable assumptions, historical and underwritten sections separated, loan sizing, sources and uses, sensitivity outputs and a reviewer input/output location map.

Financing Decision and Recommendation

Recommendation: proceed to full underwriting on an indicative first-mortgage amount of $6,261,937, which is the DSCR-constrained maximum under the indicative terms. Sizing binds at the 1.25x DSCR test, with modest headroom under the 62.50% LTV test ($6,297,600) and substantial headroom under the 9.00% debt-yield test ($6,997,333). At the maximum loan the debt yield is 10.06% and the implied LTV is 62.15%.

Proceeds fund the $4,200,000 existing debt payoff, a $50,096 origination fee (0.80% of principal) and $52,000 of fixed closing costs, leaving $1,959,841 of cash out to the borrower. The cash-out objective in the property plan is therefore achievable on the supplied scenario without a cash-in requirement.

The recommendation is conditional. It rests on the supplied EGI scenario ($921,000) rather than on a trailing-twelve-month run rate: T12 NOI before reserves was $602,400 versus $629,760 underwritten, a 4.5% forward uplift driven by scenario gross potential rent of $780,000 against $759,600 actual. Because sizing binds on DSCR at exactly 1.25x, there is no cushion for adverse revenue or rate movement; the combined downside (EGI -5% and sizing rate +100 bps) reduces the maximum loan to $5,313,427, a $948,510 reduction that would cut cash out to $1,018,919.

Metric	Value	Basis
Underwritten NOI before reserves	$629,760	Sep-2026 forward scenario
Underwritten NCF after reserves	$625,440	After $4,320 reserves

Metric	Value	Basis
Indicative value	$10,076,160	NOI before reserves / 6.25%
Maximum loan	$6,261,937	Minimum of three tests
Binding constraint	DSCR	1.25x on NCF after reserves
Sizing / first-year debt service	$500,352	6.35%, 25-yr amortization, 0 months IO
Debt yield at maximum loan	10.06%	NOI before reserves / loan
Implied LTV at maximum loan	62.15%	Loan / indicative value
Net cash to borrower	$1,959,841	Cash out

Historical Performance (T12: September 2025 - August 2026)

The trailing twelve months are actual cash accounting per T12-Statement.pdf. Replacement reserves, capital improvements, existing loan principal and interest, and depreciation are presented below operating income and are excluded from operating expense. The property plan warns that the accounting package may label cash flow after reserves as "property NOI"; this memorandum reports NOI before reserves and NCF after reserves separately and does not treat any subtotal as an additional expense.

T12 line (Sep-2025 to Aug-2026)	Amount	Source
Gross potential base rent	$759,600	T12 p.2 Annual
Vacancy loss	($40,800)	T12 p.2 Annual
Concessions	($22,800)	T12 p.2 Annual
Bad debt	($6,000)	T12 p.2 Annual
Other income / recoveries	$176,400	T12 p.2 Annual
T12 EGI	$866,400	Sum of above
Operating expenses (7 lines, excl. reserves)	$264,000	T12 p.2 Annual
T12 NOI before reserves	$602,400	EGI less opex
Replacement reserves (below NOI)	$11,520	T12 p.2 Annual
T12 NCF after reserves	$590,880	NOI less reserves
Memo: capital improvements	$74,000	Below cash flow
Memo: existing loan P&I	$294,000	Below cash flow

T12 line (Sep-2025 to Aug-2026)	Amount	Source
Memo: depreciation (noncash)	$180,000	Noncash

Current Contractual Rent, Occupancy and Tenancy

The rent roll dated August 31, 2026 shows 10 suites totaling 28,800 rentable square feet, of which 9 suites and 27,200 square feet are occupied: 90.00% occupancy by count and 94.44% by area. Printed monthly contractual base rent is $60,000 ($720,000 annualized), and after reconciliation to the executed lease evidence the effective monthly contractual base rent is unchanged at $60,000. Suite 110 (1,600 SF) is vacant; its $3,400 market monthly rent is contextual only, is not collected income and is excluded from contractual rent.

Lease rollover is staggered: suite 106 (3,300 SF, $7,400/month) expires 2027-08-31, followed by suites 102 and 107 in 2028 and suites 101, 103 and 108 in 2029, with suites 104 and 109 in 2030 and suite 105 in 2031. The 2027, 2028 and 2029 expirations all fall within or at the edge of the 60-month loan term. Rent roll market rents equal contractual rents for every occupied suite, indicating no embedded mark-to-market gain on renewal in the supplied data.

Premises 101 (Tenant A LLC, 1,400 SF) is documented by an executed lease extract signed August 15, 2025 with a September 1, 2025 commencement. Authoritative current terms are base rent of $3,000 per month, expiry 2029-08-31 and a $6,000 security deposit, which is not prepaid rent or recurring income and is excluded from income. No base-rent increase applies before September 1, 2027. The rent roll agrees with the lease on rent and expiry, so no amendment-driven adjustment to contractual rent is required.

The 101 lease contains one conditional renewal option requiring no uncured default and written notice at least 180 days before expiration. The packet contains no exercise notice, landlord acknowledgment or amendment exercising the option, and the rent roll note confirms none is included. The option is therefore treated as unexercised and the current expiry is not extended.

Tenant credit, sales, co-tenancy and recovery-structure detail were not supplied; nine tenant entities appear without financial statements, so tenant credit quality is unknown.

Occupancy / rent metric	Value
Suites	10
Occupied suites	9
Total rentable SF	28,800
Occupied SF	27,200
Occupancy by count	90.00%
Occupancy by area	94.44%
Monthly base rent as printed	$60,000

Occupancy / rent metric	Value
Effective monthly base rent after lease reconciliation	$60,000
Annualized contractual base rent (point in time)	$720,000

Underwritten Scenario (September 2026 Forward)

The plan supplies gross potential base rent of $780,000, a 5.00% combined revenue loss allowance for vacancy, concessions and bad debt, and $180,000 of other income added after the loss deduction, producing underwritten EGI of $921,000. The management fee is the greater of the T12 actual $18,000 and 4.00% of underwritten EGI, so $36,840 governs. Replacement reserves are $0.15 per rentable square foot on 28,800 SF, or $4,320, deducted after NOI. The scenario is not reconciled to, and should not be forced to equal, the point-in-time annualized contractual rent of $720,000; the difference reflects the plan's forward assumptions and is a scenario risk rather than a contractual fact.

Underwritten line (annual)	Amount	Treatment
Gross potential base rent	$780,000	Plan p.2 scenario
Combined revenue loss at 5.00%	($39,000)	Vacancy, concessions, bad debt
Other income / recoveries	$180,000	Added after loss
Underwritten EGI	$921,000	Sum of above
Real estate taxes	$120,000	Plan step-up from $114,000 T12
Property insurance	$34,800	Plan-stated renewal allowance
Utilities	$21,600	T12 actual
Repairs and maintenance	$36,000	T12 actual; $0 one-time removed
Payroll / contract labor	$24,000	T12 actual
Administrative / legal	$18,000	T12 actual
Management fee	$36,840	Greater of $18,000 and 4.00% of EGI
Underwritten operating expenses before reserves	$291,240	31.6% of EGI
Underwritten NOI before reserves	$629,760	EGI less opex
Replacement reserves	$4,320	$0.15/SF x 28,800 SF
Underwritten NCF after reserves	$625,440	NOI less reserves

Underwritten line (annual)	Amount	Treatment
Indicative value at 6.25% cap	$10,076,160	NOI before reserves / cap rate

Loan Sizing Under the Three Constraints

Terms per Lender-Terms.pdf: 62.50% LTV on value derived from underwritten NOI before reserves at a 6.25% cap rate; minimum 1.25x DSCR on NCF after reserves against annual amortizing debt service at the sizing rate; minimum 9.00% debt yield on NOI before reserves; 6.35% fixed contract rate; sizing rate equal to the greater of the contract rate and the 6.35% floor, hence 6.35%; 25-year monthly amortization with annual debt service taken as 12 monthly payments; and a 0-month interest-only period. The annual debt constant is 0.0799037153 per dollar of principal.

Sizing uses unrounded intermediates; displayed dollars are rounded for readability. The DSCR test governs at $6,261,937, so the sizing DSCR is exactly 1.250x. Because the contract rate equals the sizing rate and there is no interest-only period, first-year contractual debt service equals sizing debt service at $500,352. Maturity is 60 months against a 25-year amortization schedule, so a substantial balloon balance will be outstanding at maturity.

Sizing test	Formula	Maximum principal
LTV	62.50% x $10,076,160	$6,297,600
DSCR	($625,440 / 1.25) / 0.0799037153	$6,261,937
Debt yield	$629,760 / 9.00%	$6,997,333
Maximum loan (minimum of three)	Binding: DSCR	$6,261,937
Sizing annual debt service	$6,261,937 x 0.0799037153	$500,352
Sizing DSCR	$625,440 / $500,352	1.250x
Sizing debt yield	$629,760 / $6,261,937	10.06%
First-year contractual debt service	6.35% contract rate, 0 months IO	$500,352

Sources, Uses and Net Cash to Borrower

Net cash to the borrower is the loan less the existing payoff, the loan-based origination fee and fixed closing costs. No fee capitalization, interest reserve, cash sweep, earn-out or holdback is assumed. Escrow funding, title, transfer and swap-related amounts beyond the stated fixed closing costs were not supplied and are excluded.

Item	Amount
Sources: new first-mortgage loan	$6,261,937

Item	Amount
Uses: existing debt payoff	$4,200,000
Uses: origination fee at 0.80% of principal	$50,096
Uses: fixed closing costs	$52,000
Net cash to borrower (positive = cash out)	$1,959,841

Sensitivity and Downside

The prescribed downside reduces total underwritten EGI by 5%, recomputes the management minimum and holds all other operating expense and reserve assumptions constant. At $874,950 of EGI the management fee falls to $34,998 (4.00% of stressed EGI still exceeds the $18,000 T12 floor), total operating expenses fall to $289,398, and NOI before reserves declines to $585,552, a 7.0% reduction, with NCF of $581,232.

On the EGI stress alone (sizing rate unchanged at 6.35%), the maximum loan would be $5,819,324, still DSCR-bound. The combined downside adds 100 basis points to the sizing rate (7.35%, debt constant 0.0875114377) while holding the 6.25% cap rate unchanged; the maximum loan falls to $5,313,427, still DSCR-bound, a decline of $948,510 or 15.1% from base. At that level cash to borrower falls to $1,018,919, so the refinance remains cash-out but with materially reduced proceeds.

A separate cap-rate sensitivity of +50 basis points (6.75%) reduces indicative value to $9,329,778 and the LTV limit to $5,831,111, which becomes the binding constraint in the base cash-flow case. The workbook computes this case in the Sensitivity sheet, column E.

Case	NOI before reserves	Indicative value	Maximum loan	Binding test
Base	$629,760	$10,076,160	$6,261,937	DSCR
EGI -5% only (6.35% sizing rate)	$585,552	$9,368,832	$5,819,324	DSCR
Combined: EGI -5% and rate +100 bps	$585,552	$9,368,832	$5,313,427	DSCR
Cap rate +50 bps only	$629,760	$9,329,778	$5,831,111	LTV

Assumptions and Permitted Provisional Items

Kept exactly as supplied: 6.25% cap rate; 62.50% LTV; 1.25x DSCR on NCF after reserves; 9.00% debt yield on NOI before reserves; 6.35% contract rate; sizing rate as the greater of contract rate and the 6.35% floor; 25-year monthly amortization with annual debt service as 12 monthly payments; 0-month interest-only period; 60-month maturity; 0.80% origination fee on actual principal; $4,200,000 existing payoff; $52,000 fixed closing costs; $780,000 gross potential rent; 5.00% combined revenue loss; $180,000 other income; management fee as the greater of $18,000 T12 actual and 4.00% of underwritten EGI; $0.15 per SF reserves; and the plan's $0 removal of one-time casualty cleanup from repairs.

Provisional and clearly labeled: the $34,800 insurance figure is used in underwriting because the plan instructs it, but it is a plan-asserted renewal allowance. The packet contains no insurer certificate, binder, quote document or endorsement, so the annual renewal premium is not independently verified and is reported as unknown for verification purposes. Underwritten NOI, value and all three sizing tests are conditional on that allowance; each $1,000 of additional annual premium would reduce NOI by $1,000, value by $16,000 at a 6.25% cap rate and the DSCR-bound loan by roughly $12,500.

No provisional assumption has been made about exercise of the 101 renewal option, tenant credit, lease recoveries beyond the supplied other-income line, escrow requirements, swap notional or mark-to-market, reserve or holdback structures, or exit financing.

Limitations, Unresolved Evidence and Risks

Limitations. No appraisal, environmental or engineering report, insurance certificate, tax bill, estoppel, sponsor financial statement or credit approval was supplied. Indicative value here is a direct capitalization of a supplied scenario NOI at a supplied cap rate and is not an appraisal or an opinion of market value. This memorandum is an internal-review financing analysis, not a legal opinion, an appraisal or a credit commitment; the lender terms are expressly nonbinding discussion terms dated September 1, 2026.

Unresolved evidence. (1) The insurance renewal premium is asserted in the plan but no insurer document is in the packet. (2) Only the premises 101 lease is documented; the other eight occupied suites rest on the rent roll alone, with no leases or estoppels. (3) The 101 renewal option has no exercise notice, so the 2029-08-31 expiry stands. (4) The scenario's $780,000 gross potential rent exceeds both T12 actual $759,600 and annualized contractual $720,000; the source of the incremental rent, including any lease-up of vacant suite 110, is not documented. (5) T12 capital improvements of $74,000 far exceed the $4,320 underwritten reserve, indicating capital activity that was not itemized, and no property condition report was supplied to test the reserve.

Prepayment friction. The term sheet states there is no bank prepayment penalty, but also that a separately documented interest-rate swap may carry a termination payment or receipt, so "no penalty" does not mean a cost-free exit. The swap document, notional, fixed rate, maturity and current mark were not supplied, so the exit cost or benefit is unquantifiable from this packet and could be material in either direction. Additional friction includes the 60-month maturity against 25-year amortization, leaving refinancing or sale as the only exit at a balloon balance.

Key risks. DSCR binds at exactly 1.25x with no cushion, so any reduction in underwritten cash flow or increase in the sizing rate reduces proceeds roughly proportionally, as shown above. Rate risk at the 60-month maturity is untested against any forward curve. Rollover risk concentrates in 2027-2029, with market rents equal to in-place rents and no supplied cushion for downtime, leasing commissions or tenant improvements, none of which are funded in the underwriting scenario. Suite 110 remains vacant with no signed lease. Expense risk is concentrated in taxes (stepped up 5.3% to $120,000 with no assessment evidence) and insurance (up 7.4% on an unverified allowance). Single-asset, single-property sponsorship with no supplied track record or guaranty structure is a further credit consideration.

Source References

Lender-Terms.pdf p.1: purpose, loan ceiling, 62.50% LTV, valuation convention and 6.25% cap rate, 1.25x DSCR on NCF, 9.00% debt yield on NOI before reserves, 6.35% contract rate, sizing-rate floor, 25-year monthly amortization, 0-month IO, 60-month maturity, 0.80% origination fee, prepayment and swap language, unrounded-intermediates instruction.

Property-and-Plan.pdf p.1: property, market, scenario address, sponsor, 2026-08-31 as-of date, $4,200,000 existing payoff, $52,000 fixed closing costs, transaction context, occupancy measurement instruction, NOI/NCF labeling instruction. Page 2: $780,000 gross potential rent, 5.00% combined revenue loss, $180,000 other income, management-fee test, $0.15/SF reserves, insurance renewal statement, expense-by-expense underwriting treatment table, sensitivity instructions.

T12-Statement.pdf pp.1-2: monthly and annual actuals for September 2025 through August 2026, including the annual column used here and the below-the-line reserve, capital improvement, debt service and depreciation rows.

Rent-Roll.xlsx, worksheet "Rent Roll": header rows 2-6; suite detail rows 7-16; note row 19 on vacant premises and market rent; note row 21 directing review of executed lease evidence for premises 101.

Lease-File.pdf p.1: parties and 1,400 SF premises 101 (section 1); term commencing 2025-09-01 and expiring 2029-08-31 (section 2); $3,000 monthly base rent as of 2026-08-31 and no increase before 2027-09-01 (section 3); $6,000 security deposit (section 4); conditional renewal option with 180-day notice and no exercise notice in the packet (section 5); amendment authority (section 6).

Workbook underwriting-v2.xlsx: Assumptions (editable inputs C6-C26), Rent Roll (rows 4-13 detail, rows 16-24 metrics), Historical T12 (rows 4-25), Underwriting (rows 4-21), Loan Sizing (rows 4-20), Sources and Uses (rows 5-13), Sensitivity (rows 4-20), Input-Output Map (input and output cell locations).