Hawthorn Center | Financing Memorandum

Internal-review refinance analysis — CRE Bench fictional evaluation packet
Prepared September 1, 2026 | As-of August 31, 2026

Property snapshot

Property	Hawthorn Center
Asset / market	Retail / Greenville, SC
Scenario address	3200 Hawthorn Bench Road, Greenville, SC 29607 (fictional; not geocoded)
Sponsor	Hawthorn Center Owner LLC (fictional single-property owner)
Rentable SF	28,800 SF across 10 units
Physical occupancy	9 of 10 units occupied · 94.44% by area · 90.00% by count
As-of rent roll	August 31, 2026 · $60,000 monthly contractual base rent (annualized $720,000)
Purpose	First-mortgage refinance; cash-out if proceeds permit, cash-in evaluated if required
Existing debt payoff	$4,200,000
Fixed closing costs	$52,000

Financing decision

Under the supplied indicative term sheet applied to the packet's underwriting scenario, the deal supports a first-mortgage of **$6,261,937**, sized to the DSCR minimum. The loan produces **$1,959,841 of net cash to the borrower** at closing after payoff, origination and fixed closing costs — this is a viable **cash-out refinance**. The combined downside (EGI –5% AND sizing rate +100 bps, cap rate unchanged) reduces maximum proceeds to **$5,313,427**, still comfortably above the $4,200,000 payoff, though cash-out would fall to roughly $1.06 million after fees. The alternative +50 bps cap-rate sensitivity binds on LTV at **$5,831,111**.

Key figure	Value
Recommended loan (base case)	$6,261,937
Binding constraint (base case)	DSCR (1.25x)
Indicative value (NOI ÷ 6.25% cap)	$10,076,160
Sizing DSCR	1.25x
Sizing debt yield	10.06%
First-year contractual debt service	$500,352
Cash to borrower at close	$1,959,841
Combined downside — maximum loan	$5,313,427
+50 bps cap-rate sensitivity — maximum loan	$5,831,111

Cash-flow analysis

Historical T12 (Sep-2025 through Aug-2026, source: T12-Statement.pdf)

Line	Amount
Gross potential base rent	$759,600

Line	Amount
Vacancy / concessions / bad debt	$-69,600
Other income / recoveries	$176,400
Effective gross income (EGI)	$866,400
Operating expenses (excl. reserves / capex / debt / depr.)	$264,000
NOI before replacement reserves	$602,400
Replacement reserves	$11,520
NCF after replacement reserves	$590,880

Note: T12 capital improvements ($74,000), loan principal and interest ($294,000) and depreciation ($180,000) are shown below cash flow on the source statement and are excluded from operating expenses per the plan.

Underwriting scenario (source: Property-and-Plan.pdf, page 2)

Line	Amount	Basis
Gross potential base rent	$780,000	Supplied scenario — not inferred from T12
Combined revenue loss (5.00%)	$-39,000	Vacancy + concessions + bad debt
Other income / recoveries	$180,000	Add after revenue loss
Effective gross income (EGI)	$921,000	GPR – loss + other
Real estate taxes	$120,000	Plan override of T12
Property insurance	$34,800	Insurer renewal quote (8/25/26)
Utilities	$21,600	T12 actual
Repairs and maintenance	$36,000	T12 actual; no removal
Payroll / contract labor	$24,000	T12 actual
Administrative / legal	$18,000	T12 actual
Management fee	$36,840	MAX(T12 $18,000, 4% × EGI $36,840)
Operating expenses (excl. reserves)	$291,240	Sum of above
NOI before replacement reserves	$629,760	EGI – OpEx
Replacement reserves ($0.15 × 28,800 SF)	$4,320	Deduct after NOI, per plan
NCF after replacement reserves	$625,440	NOI – reserves

Loan sizing under lender terms

Sizing uses the lender's definitions verbatim (Lender-Terms.pdf): the loan ceiling is the lowest of LTV, DSCR and debt yield constraints; sizing rate is the greater of the current contractual rate and the 6.35% underwriting floor; NOI-before-reserves drives valuation and debt yield; NCF-after-reserves drives DSCR.

Constraint	Rule	Formula	Max principal
LTV	≤ 62.50% of indicative value	$10,076,160 × 62.50%	$6,297,600
DSCR	≥ 1.25x on NCF / amortizing DS at sizing rate	$625,440 ÷ 1.25 ÷ 0.079904	$6,261,937
Debt yield	≥ 9.00% on NOI-before-reserves	$629,760 ÷ 9.00%	$6,997,333
Maximum	Minimum of the three	—	$6,261,937 (DSCR binds)

Debt service and coverage at maximum loan

Contract rate (annual)	6.3500%
Sizing rate = MAX(contract, 6.35% floor)	6.3500%
Amortization / IO	25 years, monthly · 0 IO months
Annual debt constant (per $1)	0.079904
Sizing annual debt service	$500,352
First-year contractual debt service (IO=0, contract = sizing)	$500,352
Sizing DSCR (NCF ÷ sizing DS)	1.25x (by construction — DSCR binds)
Sizing debt yield (NOI ÷ maximum loan)	10.06%

Sources & uses at close

Sources	Amount	Uses	Amount
First-mortgage proceeds	$6,261,937	Existing debt payoff	$4,200,000
Borrower cash (cash-in)	$0	Origination fee (0.80% of loan)	$50,095
		Fixed closing costs	$52,000
		Cash to borrower	$1,959,841
Total sources	$6,261,937	Total uses	$6,261,937

Sensitivities

Scenario	UW EGI	UW NOI	Sizing rate	Cap rate	Max loan	Binding
Base case	$921,000	$629,760	6.35%	6.25%	$6,261,937	DSCR
Combined downside (EGI –5%, rate +100 bps, cap unchanged)	$874,950	$585,552	7.35%	6.25%	$5,313,427	DSCR
Cap rate +50 bps (isolated)	$921,000	$629,760	6.35%	6.75%	$5,831,111	LTV

In the combined downside the management fee is recalculated from stressed EGI ($921,000 × 95% × 4% = $34,998), all other operating expenses are held constant, and reserves stay at $4,320. Cash to borrower after fees in the downside is approximately $1,019,000 — still cash-out, but proceeds fall by roughly $948,000 versus base.

Tenants and subject lease (Unit 101)

The property is 94.44% leased by area across nine occupied units with a single vacant premises (Unit 110, 1,600 SF). Contractual monthly base rent totals $60,000 (annualized $720,000); the underwriting scenario applies $780,000 supplied by the plan rather than the rent-roll figure. Lease expiries are staggered from 2027 through 2031.

Unit 101 tenant	Tenant A LLC (fictional)
Rentable area	1,400 SF
Current monthly base rent	$3,000 (Lease-File.pdf §3, as of 2026-08-31)
Security deposit	$6,000 (Lease §4 — not prepaid rent or recurring income)
Initial term expiry	2029-08-31 (Lease §2)
Renewal option	One conditional option (Lease §5); no exercise notice, landlord acknowledgment or amendment supplied. Expiry not extended on the basis of option existence alone.
Rent-schedule reconciliation	Rent roll ($3,000/mo) is consistent with the executed lease. No base-rent increase applies before 2027-09-01.

Assumptions and lender-normalized inputs

- Underwriting revenue: supplied plan GPR $780,000, combined revenue loss 5.00%, other income $180,000 (Property-and-Plan.pdf, p.2).
- OpEx overrides per plan: real estate taxes $120,000 (vs. T12 $114,000); insurance $34,800 (renewal quote dated 2026-08-25, vs. T12 $32,400).
- T12 pass-throughs (utilities, R&M;, payroll, admin) used as-actual; no one-time R&M; removal applied.
- Management fee = MAX(T12 $18,000; 4.00% × UW EGI $36,840) → 4% × EGI binds at $36,840.
- Replacement reserves = $0.15 / rentable SF / year × 28,800 SF = $4,320, deducted after NOI.
- Cap rate 6.25% applied to NOI-before-reserves for indicative valuation ($10,076,160).
- Sizing rate = MAX(contract rate 6.35%, 6.35% underwriting floor) = 6.35%.
- Amortization 25 years, monthly payments, 0 IO months; annual DS = 12 × monthly payment.
- Origination fee 0.80% of actual initial principal; no fee capitalization, interest reserve, cash sweep, earn-out or holdback assumed.

Limitations

- No appraisal, environmental report, property condition assessment, sponsor track record or market comparables were supplied. Indicative value is a lender sizing convention, not a valuation.
- This is an internal-review financing memorandum, not a legal opinion, offering document or credit commitment. The term sheet is nonbinding.
- Historical income covers Sep-2025 through Aug-2026 (T12); the underwriting scenario is forward-looking from September 2026 and should not be forced to match the T12 point-in-time rent roll.
- All property, borrower, tenant, address and lender details in the packet are fictional (CRE Bench evaluation material). No external market or credit data was researched or invented.

Risks and open items

- **DSCR-bound sizing.** Base-case coverage is exactly 1.25x by construction; any adverse move in NCF or sizing rate reduces proceeds one-for-one until debt yield or LTV takes over.
- **Downside proceeds.** The combined downside cuts maximum loan by $948,510 (–15.1%), reducing cash-out to roughly $1,019,000 after fees; still cash-out, but materially tighter execution risk.
- **Cap-rate sensitivity.** A +50 bps cap-rate move (isolated) compresses value to $9,329,778 and LTV binds at $5,831,111 — a further $430,826 reduction relative to base.
- **Unit 106 rollover.** Lease expires 2027-08-31, inside the 60-month loan term; no renewal evidence supplied. Retention or replacement will drive early-term revenue continuity.
- **Unit 101 renewal option.** Not exercised on the evidence supplied — do not extend expiry on the basis of option existence.
- **Prepayment.** Term sheet: no bank prepayment penalty, but a separately documented interest-rate swap may carry a termination payment or receipt. "No penalty" does not mean cost-free exit; confirm hedge documentation before sizing an exit.
- **Vacancy risk.** Unit 110 (1,600 SF) is vacant; the plan's 5% combined revenue loss captures ongoing vacancy but does not underwrite lease-up costs.

- **Data not supplied.** Sponsor financials, guarantor recourse, capital reserves, environmental, PCA, appraisal, ALTA survey, tenant financials, subordination/SNDAs, insurance certificates beyond the renewal quote — none provided; these remain diligence items.

Sources

- Property-and-Plan.pdf (pages 1–2) — property description, underwriting plan, insurance renewal quote, closing-cost line.
- Rent-Roll.xlsx — unit-level rent roll as of 2026-08-31 (10 units, 28,800 SF).
- T12-Statement.pdf (pages 1–2) — trailing-twelve-month operating statement Sep-2025 through Aug-2026.
- Lease-File.pdf — executed lease extract for Unit 101 (Tenant A LLC).
- Lender-Terms.pdf — indicative first-mortgage term sheet dated 2026-09-01 (nonbinding).