

June 25, 2025

VIA EMAIL

Mr. Jay Bernstein  
1515 Mockingbird Lane  
Suite 1010  
Charlotte, NC 28209

RE: Proposal for West Yard Lofts, consisting of 60 rental units located at 2375 Noisette Blvd, North Charleston, South Carolina ("Proposed Development")

Dear Jay:

Sugar Creek Capital ("Sugar Creek") is pleased to provide this proposal (the "Proposal") for an entity managed by Sugar Creek Realty LLC (the "State LP") to acquire a limited partner interest in the partnership (the "Partnership") owning the Proposed Development and an allocation of 100% of the South Carolina housing tax credits ("State Credits") to be generated by the Proposed Development.

Based on the information you have provided, the State LP will conditionally commit to providing equity up to the amount of Total Equity in the Project Summary below. The State LP's investment is to be made in consideration for and expectation of several benefits, including up to a 1.0% interest in the Partnership (including up to 1.0% of profits and losses from operations, 0.01% of depreciation deductions and Federal Low-Income Housing Tax Credits ("Federal Credits"), a 1.0% interest in cash flow, and a 1.0% interest in proceeds from capital transactions), a 100% allocation of State Credits in the annual amount of Annual State Credit Allocation in the Project Summary below, and a state asset management fee.

Project Summary	
Annual State Credit Allocation to State LP	\$145,000
State Adjustment Rate	\$0.4500
Total State Equity Paid by State LP	\$652,500
<b>Total Equity</b>	<b>\$652,500</b>

If the State LP is allocated more than 0.01% of depreciation deductions and Federal Credits, for example, if the State LP is allocated 1.0% of these items rather than 0.01%, then, based on the projected Annual State Credit Allocation as of the date hereof, the State Adjustment Rate will be reduced to \$0.4310 resulting in the State Equity being decreased.

Sugar Creek reserves the right to terminate this Proposal if there are any material modifications to the statutes, regulations, rules, interpretations, or procedures with respect to the State Credits, as determined by Sugar Creek in its sole discretion.

Sugar Creek will review the due diligence requirements of the Federal LP and determine if further information is required to meet Sugar Creek's underwriting requirements. This Proposal is subject to underwriting committee review and approval, which will occur after Sugar Creek receives and reviews all of the required due diligence.

In order to facilitate an efficient closing process, the General Partner agrees to provide copies of due diligence materials, including financial projections, to Sugar Creek at the same time as such information is provided to the Federal LP, and to include Sugar Creek's closing team on all e-mail correspondence and closing status calls.

The attached "State LP Required Terms" includes required terms of the State LP that are also part of this Proposal. This Proposal is also subject to the execution of a binding partnership agreement admitting the State LP to the Partnership. Any oral agreements are not binding.

We very much look forward to working with you.

Sincerely,

SUGAR CREEK CAPITAL

By: \_\_\_\_\_  
Christopher Hite, CEO

## **State LP Required Terms**

### **State Limited Partner:**

An entity managed by Sugar Creek Capital ("State LP") is the entity that makes the State LP capital contribution and has the rights and obligations of the State Credit investor. The State LP's underwriting, partnership review and asset management functions will be performed by Sugar Creek Capital.

### **Capital Contributions**

Unless the State LP otherwise advises, the State LP capital contribution shall be paid-in at the same times, percentages, and on the same conditions as the Federal LP. Only the State LP may waive its capital contribution benchmarks.

### **Reports, notices, and other information**

The State LP shall receive copies of all project information that impacts the State Credits or the State LP (including project reports, notices, construction draws, monthly construction inspection reports, annual budget, and tenant files) at the same time as such information is provided to the Federal LP. The State LP will not engage a separate third-party inspector for construction inspections, but will agree to rely on any construction inspection reports provided by a third-party inspector engaged by the Federal LP or the construction lender. The partnership will pay any fees charged by such third-party inspector in connection with the State LP's reliance on such reports.

The General Partner shall provide to the State LP on or prior to October 30 of the first year of the credit period for the Project an estimate of the amount of State Credits that will be available to the Partnership and allocated to the State LP for such year. The State LP must also be provided with the initial State Credit eligibility statement within 7 days of receipt by the General Partner.

### **Guaranties**

The State LP shall be made a party to applicable guaranties in the same fashion as the Federal LP. At a minimum, the State LP requires that construction completion, the repurchase obligation and the State Credits be guaranteed in accordance with industry standards (in the opinion of the State LP). The guaranty of the State Credits must extend through the tax credit compliance period.

The general contractor's performance shall be guaranteed either via Performance and Payment Bonds (in the full amount of the construction contract) or a construction completion guaranty secured by a Letter of Credit. If P&P Bonds are used, the State LP must be listed as an additional obligee.

**Asset management fee** (a/k/a Administrative Fee, etc.)

The State LP will charge an annual asset management fee in the amount of half of the corresponding fee to the Federal LP and will be payable on the same terms as and on equal footing with the corresponding fee to the Federal LP.

**Legal opinions; legal fees**

The State LP shall be made a party to the Partnership local law opinion in the same fashion as the Federal LP and shall receive a copy of any tax opinion provided by General Partner's counsel to the Federal LP. The Partnership will pay \$17,000 to the State LP at closing for the State LP's legal fees.

**Insurance**

The State LP shall require the same insurances coverages as the Federal LP and shall be given notice of cancellation of any insurance policy, whether property or liability, in the same fashion as the Federal LP. For property insurance policies, the State LP shall be named as either an Additional Insured or a Loss Payee, if the Federal LP is so named. For liability insurance, the State LP shall be named as an Additional Insured. Insurance certificates naming the State LP as an Additional Insured or Loss Payee should name the State LP as follows (specific Fund to be identified prior to closing):

Affordable Housing Fund III-[ ] LLC, and its successors and assigns  
c/o Sugar Creek Realty LLC  
17 West Lockwood Avenue  
St Louis, Missouri 63119

**Repurchase**

The State LP shall be afforded repurchase rights akin to the Federal LP, based on the same conditions. The State LP will defer to the Federal LP's decision regarding repurchase; but, if the Federal LP's interest is repurchased, the State LP's interest must, at the option of the State LP, also be repurchased. The repurchase price for the State LP's interest shall be at least equal to the State LP's paid-in capital contribution plus interest.

**Partnership Agreement Terms**

The partnership agreement shall reflect the intention of the partners that the State Tax Credits are allocated to the State LP, and the Partnership will file federal and state income tax returns consistent with that intent. If the IRS determines that the State LP's capital contributions or the allocation of the State Credits to the State LP must be recognized as income to the Partnership, the State LP will not accept any allocation of said income (note that the State LP contains a tax-exempt controlled entity) and will not indemnify any partners or the Partnership if any special allocation is not respected.

The General Partner shall promptly notify the State LP regarding any IRS challenge relating to the Partnership's tax positions on the State Credits or the State LP's capital contributions to the Partnership, and the State LP shall have the right to participate in any audit or appeals related to such IRS challenge. The General Partner will act at the direction of the State LP should the State LP decide to contest, at the expense of the State LP, any IRS determination on this issue.

Indemnities and Representations & Warranties running to the Federal LP shall also run to the State LP. The State LP shall make no Representations and Warranties that are not made by the Federal LP.

Any action that would change any of the rights or obligations of the State LP in the Partnership, including, but not limited to, any amendment or action that would result in a reduction in State Credits, a reduction of the 100% allocation of the State Credits to the State LP, or a change in an allocation or distribution right of the State LP, will require the prior written consent of the State LP.

#### **Management Company**

The Management Company must have sufficient experience in managing properties subject to Low-Income Housing Tax Credit compliance standards. The State LP reserves the right to contact the Management Company.

#### **First year tenant files compliance**

The State LP will require the General Partner and/or the management agent to correct any first-year tenant files that do not comply with state agency standards. The State LP shall have the right to withhold the last capital installment for failure to remedy material compliance problems.

#### **Tax filing information & delivery**

The following forms are due from the Partnership by March 1<sup>st</sup>:

- a copy of the Partnership's state income tax return (including the State LP's SC 1065 K-1 and any other schedules required to allocate the State Credits to the State LP), which must be filed with the South Carolina Department of Revenue by March 15<sup>th</sup>
- a copy of the State Credit eligibility statement

All other tax forms shall be delivered simultaneously with delivery of such to the Federal LP.

Any changes in treatment of any line items in the Partnership's federal income tax return and/or state tax return that affects the State Credits or the State LP shall require the approval of the State LP.

#### **Assistance in providing social services**

Horizon Housing Foundation ("HHF") assists in the coordination of social services for projects in which the State LP invests. The General Partner shall agree to cooperate, and cause the Management Agent to cooperate, with HHF in coordinating social services programming to promote the health, education, and economic self-sufficiency of, and improve the quality of life of, Project tenants. All programming would be optional and provided at no additional cost to the Project or its tenants.

#### **Lender Provisions**

The following provision shall be added to the LPA as required by the State LP's lender:

"The Partners specifically acknowledge that the State LP's Interest or the interests of a partner or member of the State LP may be pledged and/or assigned as a security interest to any lender of the State LP or any partner or member of the State LP. In the event the State LP defaults under this Agreement, the General Partner shall provide the State LP Lender with a copy of any notice to the State LP, describing the nature of such default. the State LP Lender shall have the same opportunity to cure such default on behalf of the State LP that has been provided to the State LP; provided, however, the State LP Lender shall have no obligation to cure such default on behalf of the State LP unless it forecloses on its security interest. In the event the State LP Lender elects to foreclose on its security interest in and take ownership of the State LP's Interest, all Partners agree that the State LP Lender or any entity to which the State LP Lender may transfer the State LP's Interest shall be automatically admitted to the Partnership as the substitute State LP and shall be subject to all provisions relating to and obligations of the State LP under this Agreement. The State LP Lender shall be a third-party beneficiary of all provisions in the partnership agreement as described above."

#### **Transfers**

There shall be no restrictions on any transfer or change in ownership within the State LP. There shall be no restrictions on the assignment or transfer of the State LP's interest to any affiliate of the State LP, or to the State LP Lender or its affiliates or assigns, or in connection with any merger or acquisition of Sugar Creek Capital's business. Until 100% of the State LP's capital contribution has been made, restrictions on the assignment or transfer of the State LP interest shall be reasonable (with consent not to be unreasonably withheld, conditioned or delayed), and the obligation of the assigning State LP to make its Capital Contribution shall not be released. After 100% of the State LP's capital contribution has been made, there shall be no restrictions on the assignment or transfer of the State LP interest.

### **General Partner's Purchase Option**

At any time after the conclusion of the Compliance Period, and so long as the Project remains subject to the required affordability restrictions, the General Partner shall have an option, exercisable by written notice to the State LP, to purchase the State LP Interest for the *greater* of (i) Fair Market Value of the State LP Interest based on an appraisal of the Project conducted by an appraiser chosen by the General Partner, or (ii) the sum of (A) any accrued but unpaid State LP asset management fee, plus (B) any unpaid capital contribution adjuster amounts, plus (C) any other amount then owed to the State LP.

### **Removal of Key Participants**

If the Federal LP elects to remove the General Partner, the State LP shall be provided notice of the impending removal and the grounds therefor, and any replacement of the General Partner prior to the end of the state credit period will require the prior written consent of the State LP.

### **Adjustments to State LP capital contribution**

The State LP capital contribution shall, at a minimum, be adjusted as follows:

1. If, after completion and based upon the cost certification, Form 8609s and State Credit eligibility documentation, the amount of State Credits for which the project will be eligible is less than the projected State Credits (a "Cost Certification Credit Shortfall"), then the State LP's capital contribution shall be reduced in an amount equal to the product of (i) the Cost Certification Credit Shortfall and (ii) the State Adjustment Rate. Additionally, State Credits that become "two thirds" or "fifteen year" credits will be treated as a Cost Certification Credit Shortfall.
2. If, after completion and based upon the cost certification, Form 8609s and State Credit eligibility documentation, the amount of State Credits for which the project will be eligible is more than the projected State Credits (a "Cost Certification Credit Surplus"), then the State LP's final capital contribution shall be increased in an amount equal to the product of (i) the Cost Certification Credit Surplus and (ii) the State Adjustment Rate; such amount to be capped at ten percent (10%) of the State LP's initial capital contribution; provided, however, that the State LP shall have the option, in its sole discretion, to accept the full amount of the Cost Certification Credit Surplus.
3. If the first year State Credits received by the State LP are less than the projected first year State Credits resulting from delay in units becoming eligible for State Credits (the "Late Delivery Shortfall"), then the State LP's capital contribution shall be reduced, in addition to the reductions described in paragraphs 1 above and 4 below, in an amount equal to the product of (i) the Late Delivery Shortfall and (ii) 70% of the State Adjustment Rate. If no State Credits are delivered in the projected first year, or if both the first year and second year State Credits are partial year State Credits, and the second year State Credits

received by the State LP are less than the projected second year State Credits, then this adjuster shall also apply to such shortfall in second year State Credits.

4. If Form 8609s and State Credit eligibility documentation for the first year State Credits are received by the State LP later than the last day of the thirteenth month following the close of the taxable year for which the State Credits are claimed, then such late delivery shall be treated as a Cost Certification Credit Shortfall per paragraph 1 above, and the Capital Contribution of the State LP shall be reduced in an amount equal to the product of (i) the projected first year State Credits and (ii) the State Adjustment Rate.
5. Any credit shortfall, recapture or disallowance of State Credits (including as a result of any change in state law or regulations) or Federal Credits other than as described in paragraphs 1 and 3 above shall result in a reduction in or partial repayment of State LP's capital contribution equal to the amount of the annual credit shortfall, recapture or disallowance plus interest and penalties.

Capital contribution adjusters shall be first deducted from the State LP's unfunded capital contributions, and if there are not sufficient unfunded capital contributions to pay the adjusters, shall be paid by the General Partner to the State LP. Capital contribution adjusters (including as a result of any change in state law or regulations) shall be an obligation of the General Partner and shall not be subject to payment from cash flow.