



June 12, 2025

VIA E-MAIL/PDF

Palms on Ashley River Preservation LP  
c/o Brian Moloney  
401 Wilshire Blvd, 11th Floor  
Santa Monica, CA 90401

RE: Palms on Ashley River – Ladson, SC

Dear Mr. Moloney:

Merchants Capital Investments, LLC, a subsidiary of Merchants Bank of Indiana, an Indiana banking company (“Merchants”) or its assignees is pleased to make the following non-binding proposal for equity financing related to an affordable housing development as further described below. The parties will use this proposal to negotiate an amended and restated limited partnership agreement or limited liability company agreement, as applicable (“Equity Agreement”). The terms outlined and summarized in this letter are contingent upon and subject to Merchants’ Investment Committee approval. Merchants reserves the right to update and adjust this Letter of Interest to reflect any changes in the following information and assumptions discovered during the due diligence and underwriting review.

- A. PROJECT:** The Project, located in Ladson, SC, will have 192 units available to families for rent. Within the project, 192 units will be occupied in compliance with Federal low-income housing tax credit (“LIHTC”) requirements of Section 42 of the Internal Revenue Code of 1986 (the “Code”).
- B. FEDERAL TAX CREDIT AMOUNT:** \$2,261,035 in annual credits, per a valid reservation, allocation or determination.
- C. FEDERAL EQUITY AMOUNT:** \$19,897,107,81
  - a. Equity Amount per Tax Credit Dollar:** \$0.88
- D. STATE TAX CREDIT AMOUNT:** \$975,000 in annual credits, per a valid reservation, allocation or determination.
- E. STATE EQUITY AMOUNT:** \$5,362,500
  - a. Equity Amount per Tax Credit Dollar:** \$0.55



**F. MATERIAL PARTICIPANTS:**

- a. **Project Owner:** Palms on Ashley River Preservation LP
- b. **General Partner:** Palms Preservation GP LLC (0.001%)
- c. **Sponsor Parent:** Lincoln Avenue Capital Management, LLC
- d. **Developer:** Sponsor Parent, or an affiliate
- e. **Investor:** To-be-Formed (99.99%). *Merchants Capital has reviewed the Application, including the proposed rents and operating expenses used in preparing the operating budget. Investors will be corporate.*
- f. **Property Manager:** To-be-Determined
- g. **General Contractor:** To-be-Determined
- h. **Guarantor:** Lincoln Avenue Capital LLC, and Lincoln Avenue Management LLC. The Guarantor(s) must maintain an aggregate net worth equal to the greater of \$5,000,000 and 25% of project costs (of which the greater of \$1,000,000 and 5% of project costs must be liquid).

**G. KEY DATES:**

- a. **Closing Date:** 6/1/2026
- b. **Completion Date:** 6/1/2027
- c. **Stabilization Date:** 3/1/2028
- d. **8609 Date:** 9/1/2028

**H. CAPITAL CONTRIBUTIONS:** The Investor proposes to make Capital Contributions to the Project Owner on the following schedule, upon the achievement of prescribed benchmarks and satisfactory evidence or approval of certain conditions, to be more fully described in the Equity Agreement. The Investor's Capital Contribution will be subject to reduction and adjustment, including for shortfalls in Tax Credit delivery and eligible basis at the Adjuster amounts as set forth above. Reductions in Capital Contributions, if any, will occur initially at the current, and if necessary, future Capital Contributions, and will be guaranteed by the Guarantor. In the event the actual Tax Credits exceed the projected Tax Credits, the Investor shall be under no obligation to increase its Capital Contribution to invest in those excess Tax Credits, but may elect to do so, in its sole discretion.

<b>Installment:</b>	<b>Federal</b>	<b>State</b>	<b>Anticipated Conditions:</b>
First (Closing)	\$2,984,566 15.0%	\$804,375 15.0%	Closing of all financing and completion of all initial due diligence.
Second (Completion)	\$13,927,975 70.0%	\$3,753,750 70.0%	100% lien-free Construction Completion.
Third (Stabilization)	\$1,989,711 10.0%	\$536,250 10.0%	Stabilization - Later of 93% Economic Occupancy and 100% Qualified Occupancy and DSCR of 1.15
Fourth (Final)	\$994,855 5.0%	\$268,125 5.0%	Receipt of Form 8609's for all buildings.



Thank you for your consideration and we look forward to the opportunity to work with you.

Very truly yours,

*Linda L Hill*

Linda Hill  
Executive Vice President  
Merchants Capital Investments, LLC