

June 25, 2025

Jim Sari  
82 Canal Street Lofts LLC  
9525 Wexcroft Drive  
Brentwood, TN 37027

**RE: 82 Canal Street, Graniteville, SC**

To whom it may concern:

The purpose of this letter is to confirm that Red Stone Equity Partners (“Red Stone”) is interested in providing an equity investment to 82 Canal Street Lofts LLC (the “Sponsor”) proposed development currently known as 82 Canal Street (the “Project”). Described below are some basic terms, conditions, and assumptions upon which our investment would be based:

**Project Information:** The Project will consist of the new construction of 124 units for rent to low-income families located at 82 Canal Street in the City of Graniteville, Aiken County within the State of South Carolina. Within the Project, 124 of the units are expected to be Housing Credit compliant, with no additional units being designated as management units. The Project is expected to close in July 2026 and construction is expected to be complete in June 2028. Equity pay-ins are expected to be 30% at Closing, 60% at Permanent Loan Conversion and the remaining 10% upon the receipt of 8609’s.

**Tax Credits:** The Project is applying for an allocation of 4% low-income housing tax credits (“Housing Credits”) from the South Carolina State Housing Finance and Development Authority (the “Agency”) for the year 2025 in an annual amount of \$1,313,736. The total Housing Credits anticipated to be delivered to the Project is \$13,137,359 (the “Projected Federal LIHTC”). The total State Credits anticipated to be delivered to the Partnership is \$9,020,000 (the “Projected State LIHTC”). The Project has been certified as eligible for listing as a historic building in the National Register of Historic Places and expects to undertake a certified rehabilitation that will enable the Company to claim federal and state historic rehabilitation credits (the “Historic Credits”) of \$4,200,000 (the “Projected Federal HTC”) and \$2,800,000 (the “Projected State HTC”). Red Stone anticipates acquiring its interest in the Project for a total capital contribution of \$21,665,608: which is equal to \$0.83 per Federal LIHTC, \$0.58 per State LIHTC, \$0.85 Federal HTC and \$0.70 State HTC.

**Required Reserves:**      **Operating Reserve:** The Project will fund and maintain an operating reserve, to be funded from capital contributions, in an amount equal to six (6) months of operating expenses, must-pay debt service, and replacement reserve deposits.

**Replacement Reserve:** The Project operating expenses will include the funding of a replacement reserve in the amount of \$300 per unit or such other amount specified by the Project lenders; increasing by 3% per annum.

**Construction Contract:** The Sponsor will arrange for a fixed or guaranteed maximum price construction contract in the anticipated amount of \$21,497,000, with a minimum contingency equal to 6% of the contract sum.

**Fees:**      **Developer Fee:** The Developer will earn a developer fee of \$3,720,000. The deferred amount is projected to be \$32,382 and will accrue interest at the rate of 5% per annum, or such other interest rate acceptable to tax counsel. The balance of the developer fee that is not permanently deferred is projected to be \$3,687,618 and will be paid out of the capital contributions. The deferred amount will be payable out of available cash flow and will mature on the 15th anniversary of the placed-in-service date.

**Property Management Fee:** The property management fee will not exceed a total of 4.50% of gross collected rents.

**Asset Management Fee:** The Project will pay Red Stone an annual asset management fee in an amount equal to \$7,500 per annum. The asset management fee will increase annually by 3%.

**Due Diligence Fee:** The Project will pay Red Stone a one-time due diligence fee of \$50,000 at closing to reimburse legal costs associated with the Project.

**Construction Debt Financing:** It is expected that the Project will be financed with a first-lien position construction loan, in the form of tax-exempt bond proceeds, in the maximum amount of \$25,000,000 with an approximate interest rate of 6% and a term of no less than 30 months.

**Permanent Debt Financing:** It is expected that the Project will be financed with a permanent hard loan in the maximum amount of \$10,500,000 with an approximate interest rate of 6%, a term of 480 months, and an amortization period of 480 months.

The investment is subject to the execution of a formal letter of intent, satisfactory completion of our normal underwriting and due diligence, as well as approval of our Investment Committee and Red Stone's investor(s).

Red Stone looks forward to working with the Sponsor and the Agency to serve the housing needs of South Carolina.

If you have any questions, please feel free to contact me.

Sincerely,

By: 

Name: Darren T. Swanson

Title: Managing Director