

June 20, 2025

Renee Sandell, COO
Willowcreek at Wateree, LLC
c/o Willowcreek at Wateree
2730 Cumberland Blvd., SE
Smyrna, GA 30080

RE: Willowcreek at Wateree, Columbia, South Carolina

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 Paces Preservation Partners, LLC (the “Sponsor”) proposed development currently known as Willowcreek at Wateree (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 112 units for rent to low-income families located at Intersection of Roof Street and Smithfield Road in the City of Columbia, Richland County within the State of South Carolina. Within the Project, 112 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 April 2026 and construction is expected to be complete in June 2027. Equity pay-ins are expected to be 20% at Closing, 10% at 75% Construction Completion, 47% at Construction Completion and the remaining 23% 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 Housing Finance Agency (the “Agency”) for the year 2025 in an annual amount of \$1,833,270. The total Housing Credits anticipated to be delivered to the Project is \$18,332,700 (the “Projected Federal LIHTC”). The total State Credits anticipated to be delivered to the Partnership is \$8,100,000 (the “Projected State LIHTC”). Red Stone anticipates acquiring its interest in the Project for a total capital contribution of \$1.39: which is equal to \$0.87 per Federal LIHTC and \$0.52 per State LIHTC. Total equity to the Project from the purchase of Federal and State LIHTC is estimated at \$20,159,854.

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 \$26,091,422, with a minimum contingency equal to 5% of the contract sum.

Fees:

Developer Fee: The Developer will earn a developer fee of \$3,360,000. The deferred amount is projected to be \$0 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 \$3,360,000, 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 4.00% of gross collected rents.

Asset Management Fee: The Project will pay Red Stone an annual asset management fee in an amount equal to \$5,000 per annum. The asset management fee will increase annually by 3%.

Due Diligence Fee: The Project will pay Red Stone a onetime 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 \$17,700,000 and Bridge Financing in the approximate amount of \$6,200,000 both of which are expected to be structured with an approximate interest rate of 6.00% 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 \$16,000,000 with an approximate interest rate of 5.35%, a term of 216 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