



June 17, 2025

VIA E-MAIL/PDF

Pedcor Investments, LLC
Jared M. Houser, Executive Vice President
770 3rd Avenue SW
Carmel, IN 46032

RE: Palomino Estates Apartment Homes – Blythewood, SC

Dear Jared:

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 Blythewood, SC, will have 216 units available to families for rent. Within the project, 216 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. TAX CREDIT AMOUNT:

- a. **Federal LIHTC** - \$2,436,191 in annual credits, per a valid reservation, allocation or determination.
- b. **State LIHTC** - \$1,000,000 in annual credits, per a valid reservation, allocation or determination.

C. ESTIMATED EQUITY AMOUNT: \$27,220,382

- a. **Estimated Equity Amount per Tax Credit Dollar – Federal:** \$0.83
 - i. \$20,220,382
- b. **Estimated Equity Amount per Tax Credit Dollar – State:** \$0.70
 - i. \$7,000,000



D. MATERIAL PARTICIPANTS:

- a. **Project Owner:** PEDCOR INVESTMENTS-2023-CXCIII, L.P.
- b. **General Partner:** AHP-Blythewood, LLC (0.01%)
- c. **Developer:** Pedcor Development Associates, LLC
- d. **Investor:** A Merchants Capital Investor Entity TBD (99.99%)
- e. **Property Manager:** Pedcor Management Corp.
- f. **General Contractor:** Pedcor Construction Management, LLC
- g. **Guarantor:** Pedcor Investments, A Limited Liability Company and/or affiliated entity, (the “Guarantors”); The Guarantors collectively will maintain minimum liquidity of \$1,000,000 and net worth of at least \$5,000,000 throughout the compliance period.

E. KEY DATES:

- a. **Closing Date:** 5/21/2026
- b. **Completion Date:** 7/21/2028
- c. **Stabilization:** 12/21/2028
- d. **8609 Date:** 2/21/2029

- F. 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.

Installment:	Federal Equity	State Equity	Anticipated Conditions:
First (Closing)	\$4,044,076 (20%)	\$1,400,000 (20%)	Closing of all financing and completion of all initial due diligence.
Second (Completion)	\$14,154,268 (70%)	\$4,900,000 (70%)	100% lien-free Construction Completion.
Third (Stabilization)	\$2,022,038 (10%)	\$700,000 (10%)	Stabilization - Later of 93% Economic Occupancy and 100% Qualified Occupancy and DSCR of 1.15



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

Very truly yours,

A handwritten signature in purple ink, appearing to read "JTR", is positioned above the printed name.

Joshua T. Reed
Executive Vice President
Merchants Capital Investments, LLC