

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “**Development Agreement**”), dated and effective as of the 25 day of June, 2025, is made by and between MHSE Clemson, LLC, a South Carolina limited liability company (the “**Company**”), and Mercy Housing South East, a North Carolina nonprofit corporation (the “**Developer**”).

Recitals

The Company was formed for the purpose of developing, constructing, owning and operating a 88-unit multifamily housing complex to be known as MHSE Clemson, to be located in Greenville County, South Carolina (the “**Project**”).

The Company desires to appoint the Developer to provide certain services for the Company with respect to overseeing the development of the Project until all development work is completed.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Appointment and Term.** The Company hereby appoints the Developer to render services in overseeing the development of the Project for the Company as herein contemplated and the Developer hereby accepts such appointment. The term of this Development Agreement shall begin on the date hereof and shall end, unless sooner terminated, in accordance with this Development Agreement.

2. **Authority and Obligations.** The Developer shall have the authority and obligation to:

(a) Obtain construction financing on behalf of the Company in an amount sufficient to fund the construction of the Project pursuant to the projections for the Project (the “**Projections**”);

(b) Prepare or cause to be prepared such environmental and neighborhood impact studies or reports, engineering surveys, and plans and specifications (the “**Plans and Specifications**”) as may be required in connection with the construction of the Project;

(c) Prepare and submit to the Company for approval a construction budget and make recommendations to the Company regarding any necessary modifications thereto;

(d) Make available to the Company upon request copies of all contracts, option agreements, construction financing commitments, budgets, Plans and Specifications or other items prepared or obtained;

(e) Obtain a construction contract (the “**Construction Contract**”) in an amount not to exceed the amount provided therefor pursuant to the Projections from a reputable general contractor (the “**Contractor**”), which may be an affiliate of the Developer;

(f) Perform or cause to be performed, in a diligent and efficient manner, general administration and supervision of construction of the Project, including but not limited to the following:

(i) administration and supervision of the activities of the Contractor and all other contractors, subcontractors and others employed in connection with the construction of the Project;

(ii) preparation of construction schedules pursuant to which all phases of construction are to be completed on or before the construction completion date as set forth in the Construction Contract (the "Completion Date") and supervision of the scheduling of construction in conformity with such construction schedules;

(iii) periodic inspection of construction in progress, including but not limited to inspection at completion, for defects in construction and to assure compliance with the Plans and Specifications, and supervision of correction of any and all deficiencies noted pursuant to such inspections;

(iv) processing and payment of applications for progress payments made by the Contractor, including verification of such applications against the progress of construction as indicated by the aforementioned periodic inspections; and

(v) analysis of requests for any and all change orders to or variations from the Projections and the Plans and Specifications and submission of such requests to the Company for approval.

(g) Perform, or cause to be performed, in a diligent and efficient manner, preparation of contracts, letter agreements, purchase orders, and similar documents as are necessary to complete timely the construction of the Project in accordance with the Plans and Specifications;

(h) Cause the Project to be completed on or before the Completion Date in a manner consistent with good workmanship, in compliance with the following:

(i) the Plans and Specifications;

(ii) all obligations of the Company under any documents executed by the Company under the Loan Documents; and

(iii) all municipal, state, and other governmental laws, ordinances, and regulations governing the construction of the Project and the use thereof for its intended purposes and all other requirements of law applicable to construction of the Project;

(i) Maintain, or cause to be maintained, builders risk, contractor's liability, and workers' compensation insurance required by law or by any parties providing Project financing or equity, with the Company named as an additional insured, the limits of such coverage to be

reasonable under the circumstances, but no less than that required by construction lenders or applicable statutes;

(j) Keep or cause to be kept separate project accounts and cost records and prepare and furnish upon request financial and progress reports and statements with respect to construction of the Project;

(k) Make available to the Company upon request copies of all contracts and subcontracts;

(l) Deliver to the Company copies of all inspection reports and applications for payment given any lender providing a loan to the Company.

3. Development Fee.

(a) For development services to be performed under Section 2 of this Development Agreement, the Company shall pay the Developer a fee in the total amount of \$5,000,000.00 (the "Development Fee") The parties agree and acknowledge that the entire amount of the Development Fee shall be earned as of the placement in service date for the Project. Payment of such Development Fee shall be payable by the Company to the Developer from capital contributions, loan proceeds or net cash flow, but only after payment of all construction costs and the establishment of required reserves in accordance with the Operating Agreement of the Company

(b) The obligation to provide for the payment of the balance of the Development Fee which has not been paid according to the forgoing by the end of the last year in which the Project is placed in service for federal income tax purposes shall be deferred, without interest, and shall be paid by the Company out of net cash flow in accordance with the Operating Agreement of the Company; provided, however, that any unpaid balance of the Development Fee shall be due and payable in all events on the fifteenth anniversary of the date the Project is placed in service for federal income tax purposes.

4. Reimbursement.

The Company hereby unconditionally promises to reimburse the Developer for any and all costs incurred by the Developer on behalf of the Company in the development of the Project, whether incurred prior to or subsequent to the date of this Development Agreement. The Company agrees to cause such reimbursement in conjunction with the closing and funding of any construction loan or tax credit equity financing for the Project. The Company and the Developer acknowledge and agree that the provisions of this section shall serve as the reimbursement agreement for purposes of the carryover allocation and the cost certifications for the Project.

6. Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto. No party may assign this Development Agreement without the consent of the other party.

7. **Severability of Provisions.** Each provision of this Development Agreement shall be considered severable, and if for any reason any provision that is not essential to the effectuation of the basic purposes of the Development Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Development Agreement that are valid.

8. **No Continuing Waiver.** None of the parties hereto shall be deemed to have waived any rights hereunder unless such waiver shall be in writing and signed by such party. The waiver by any party of any breach of this Development Agreement shall not operate or be construed to be a waiver of any subsequent breach.

9. **Governing Law.** This Development Agreement shall be construed and enforced in accordance with the laws of the State of South Carolina, without regard to principles of conflicts of laws.

11. **Binding Agreement.** This Development Agreement shall be binding on the parties hereto and their successors and assigns.

12. **Headings.** All headings in this Development Agreement are for convenience of reference only and are not intended to qualify the meaning of any provision of this Development Agreement.

13. **Terminology.** All personal pronouns used in this Development Agreement, whether used in the masculine, feminine, or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

14. **Counterparts.** This Development Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy, and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE]

SEPARATE SIGNATURE PAGE TO
DEVELOPMENT AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Development Agreement as of the date first written above.

COMPANY:

MHSE Clemson, LLC, a South Carolina limited liability company

By: MHSE Clemson MM, LLC, a South Carolina limited liability company, its managing member

By: MERCY HOUSING SOUTH EAST,
a North Carolina nonprofit corporation, its
managing member

By:  _____

Name: James Alexander

Title: President

DEVELOPER:

MERCY HOUSING SOUTH EAST, a North Carolina nonprofit corporation

By:  _____

Name: James Alexander

Title: President

[Note: This note should not be executed and delivered until the Completion Date]

EXHIBIT 1

DEFERRED DEVELOPMENT FEE NOTE

\$ _____
_____, 20_____

FOR VALUE RECEIVED, MHSE Clemson, LLC, a South Carolina limited liability company (the “**Company**”), promises to pay to the order of Mercy Housing South East, a North Carolina nonprofit corporation (the “**Developer**”) the principal sum of _____ AND _____/100 DOLLARS (\$_), with annually compounding interest of [0.00]%, on or before _____, _____ (the “**Maturity Date**”), in accordance with that certain Development Agreement by and between the Company and the Developer dated as of [x/xx/20/xx] (the “**Development Agreement**”). Interest on this note shall accrue as of [x/xx/20/xx].

This Note evidences the obligation of the Company to pay the Developer a Deferred Development Fee pursuant to the Development Agreement. The Deferred Development Fee is payable from the proceeds of certain Capital Contributions and from distributions of Cash Flow or the proceeds of Capital Transactions in accordance with the provisions of the Amended and Restated Operating Agreement of the Company dated as of [x/xx/20/xx] (the “**Operating Agreement**”), the provisions of which are specifically incorporated herein by this reference. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Operating Agreement. Any and all payments due hereunder to Developer shall be subject in priority and right to any and all payments then due and owed to Lender under the First Mortgage Loan Documents.

The outstanding principal balance of this Note, together with all accrued interest thereon, shall unconditionally be due and payable on the Maturity Date.

If payment of the balance of the Deferred Development Fee and all accrued interest thereon is not paid on the Maturity Date, and such default continues for a period of ten (10) days after written notice from the Developer to the Company, then interest on the unpaid principal amount of this Note shall be computed at a rate per annum equal to two percent (2%) over the prevailing prime rate from time to time in effect as published in The Wall Street Journal in its “Money Rates” section and changing simultaneously with each published change in such published prime rate, which rate shall commence upon the expiration of such ten (10) day period and shall continue in effect until all past due principal and interest has been paid.

The Company may, at its election, from time to time prior to maturity, prepay without penalty all or any portion of the principal indebtedness of this Note.

Demand for payment shall be presumed to have been issued and the entire unpaid principal sum of this Note, together with accrued interest thereon, if any, shall become immediately due in the event of the occurrence of any one or more of the following: default in the payment of any installment due hereunder continuing for a period in excess of ten (10) days after written notice from the Developer to the Company; the filing by the Company of a voluntary

petition in bankruptcy; or the failure by the Company within ninety (90) days thereof to lift any filing against the Company of any involuntary petition, execution, or attachment; or the adjudication of the Company as bankrupt; or any assignment by the Company of all or substantially all of its assets for the benefit of its creditors; or the invalidity or illegality of any portion of this Note by reason of any act or omission by the Company.

Except as may be specifically required under the provisions of the Development Agreement, this Note shall not be assigned, hypothecated, pledged, sold, or otherwise transferred without the prior written consent of the Company, and any such other transfer without the Company's consent shall be null and void.

The payment of this Note shall be a recourse obligation of the Company.

This Note shall be governed by and construed in accordance with the internal laws of the State of Colorado.

IN WITNESS WHEREOF, the Company has executed this Note as of the date written above.

COMPANY:

MHSE Clemson, LLC, a South Carolina limited liability company

By: MHSE Clemson MM, LLC, a South Carolina limited liability company, its managing member

By: MERCY HOUSING SOUTH EAST,
a North Carolina nonprofit corporation, its
managing member

By: _____

Name: _____

Title: _____