

June 23, 2025

Ronit Hoffer
Mercy Housing
260 Peachtree Street, Ste. 1800
Atlanta, GA 30303

RE: Clemson Apartments, Clemson, 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 Mercy Housing (the "Sponsor") proposed development currently known as Clemson Apartments (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 **168 units** for rent to low-income families located at 579 Old Greenville Highway, in the City of Clemson, Pickens County within the State of South Carolina. Within the Project, 168 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 June 2026 and construction is expected to be complete in September. **Equity pay-ins** are expected to be **15%** at Closing, **15%** at 50% Construction Completion, **25%** at Construction Completion, **42.50%** at Perm Loan Closing and the remaining **2.50%** 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 **\$2,268,780**. The total Housing Credits anticipated to be delivered to the Project is \$22,268,780 (the "Projected Federal LIHTC"). The total State Credits anticipated to be delivered to the Partnership is \$22,268,780 (the "Projected State LIHTC"). Red Stone anticipates acquiring its interest in the Project for a total capital contribution of \$1.33: which is equal to **\$0.85 per Federal LIHTC** and **\$0.48 per State LIHTC**.

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 **\$350** 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 \$28,056,502, with a minimum contingency equal to 5% of the contract sum.

Fees: **Developer Fee:** The Developer will earn a developer fee of \$5,000,000. 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 \$5,000,000, 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 6.00% 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 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 **\$23,200,000** with an approximate interest rate of **6.20%** and a term of no less than 24 months and a taxable tail in the approximate amount of **\$12,970,706** with an approximate interest rate of **7.00%** and a term of no less than 12 months.

**Permanent Debt
Financing:**

It is expected that the Project will be financed with a permanent hard loan in the maximum amount of **\$15,389,182** with an approximate interest rate of **6.25%**, 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