

Turn a tax expense into an asset that earns a return

Affordable Slice offers corporate taxpayers a limited-partner interest in completed, 100% affordable apartment communities in Los Angeles. The return comes from owning real estate: federal and California housing tax credits, depreciation and losses, and a share of cash flow, measured together as a projected IRR through a Year-11 put.

Projected IRR	Cash	30% down	20% down	IRR floor via Year-11 put (cash / installments)
Fund I · Hollywood + Burbank	8.5%	10.5%	12.5%	8.5% / 8.0%
Fund II · Sky Village	offered on installments	10.5%	12.5%	8.5% / 8.0%
Both funds	9.4%	12.0%	14.0%	9.0% / 8.5%

One investor taking 100% of the fund (\$M)	Cash	30% down	20% down
Fund I · Hollywood + Burbank — invests	113.2	134.6	139.1
Fund I · Hollywood + Burbank — receives in value	150.1	150.1	150.1
Fund I · Hollywood + Burbank — net gain	36.9 (1.33×)	15.5 (1.12×)	11.0 (1.08×)
Fund II · Sky Village — invests	—	209.4	218.2
Fund II · Sky Village — receives in value	—	232.8	232.8
Fund II · Sky Village — net gain	—	23.4 (1.11×)	14.6 (1.07×)

Who invests	Profitable corporations with a large, recurring federal and California tax bill: the same profile as the banks and insurers that fund most of the housing-credit market, and other high-tax operators that want a long-term, positive use for their tax dollars.
Why they invest	A projected 8.5%–14% IRR on dollars that would otherwise go to taxes · an ownership stake in real buildings on the balance sheet · depreciation and losses · a share of cash flow · a visible community benefit: apartments for working Los Angeles households.
Why the risk is low	Investors are admitted only after construction is complete and the permanent loan has closed · the buildings are 100% affordable with deep, long-standing demand · an IRR floor through the Year-11 put, a contractual Fund obligation funded through a Fund reserve.
Why it is familiar	Housing credits are Section 42 of the Internal Revenue Code, created by the Tax Reform Act of 1986. HUD records 3.9 million apartments placed in service through 2024, and banks and other financial institutions provide the majority of the investment. ^{1 2}

¹ HUD, LIHTC Program Data and Property Level Data (revised May 28, 2026): huduser.gov/portal/datasets/lihtc.html · ² Congressional Research Service, "An Introduction to the Low-Income Housing Tax Credit" (RS22389, July 11, 2025).

How the investment works

The program	<ul style="list-style-type: none"> • Section 42 of the Internal Revenue Code, in place since 1986 and administered by the states (in California, TCAC). • Credits are awarded to a specific building, which must rent to income-qualified households at restricted rents. • Credits are claimed over 10 years; the building stays under IRS and state compliance for 15 years and longer under its regulatory agreement.
What the investor owns	<ul style="list-style-type: none"> • A 99.99% limited-partner interest in each apartment partnership, held through the Fund. • The partnership owns the building; the investor shares in its tax credits, depreciation, losses and cash flow. • The general partner (an ABS affiliate) runs the property; the investor has no operating role.
What the investor receives	<ul style="list-style-type: none"> • Federal housing tax credits: a dollar-for-dollar reduction of federal income tax. • California housing tax credits (Burbank and Sky Village). • Depreciation and losses, valued in this summary at 21% federal + 8.84% California. • 15% of the partnerships' cash flow and a developer-fee rebate at admission. • A share of refinance or sale proceeds, where negotiated.
How investors pay	<ul style="list-style-type: none"> • Cash at admission, or 30% / 20% down with the balance in nine annual installments. • Installments are financed by the Fund's bridge facility, so the partnerships are fully funded on schedule. • Paying over time raises the projected IRR because less capital is at work early.
Exit	<ul style="list-style-type: none"> • At Year 11 the investor may sell its interest back to the Fund for an amount that delivers the IRR floor. • Benefits used through Year 11 are the basis of every figure in this summary.

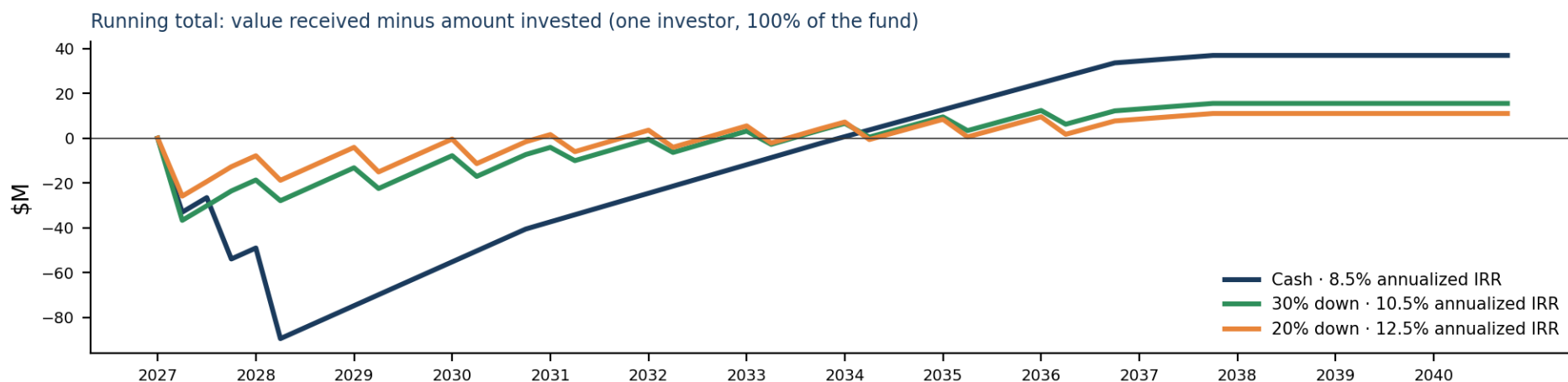
The communities (all 100% affordable)

Project	Location	Apartments	Construction	Investor admitted	Fund
Residency at the Entrepreneur (REH)	Hollywood	200	9-story Type I-A concrete	Q2 2027	Fund I
Residency at Empire I (REB)	Burbank	148	7-story, 5 levels Type III-A over 2-level Type I-A	Q2 2027	Fund I
Residency at Sky Village (RSV)	Los Angeles	523	37-story Type I-A concrete high-rise	Q1 2031 (placed in service)	Fund II

Fund I · Hollywood + Burbank: one investor taking the whole fund

	Cash			30% down			20% down		
Total invested (\$M)	113.2			134.6			139.1		
Total value received (\$M)	150.1			150.1			150.1		
Net gain (\$M) · multiple	36.9 · 1.33×			15.5 · 1.12×			11.0 · 1.08×		
Most capital at work at any time (\$M)	89.4			36.6			25.8		
Running total turns positive	2034			2033			2031		
IRR per quarter	2.06%			2.53%			2.99%		
Annualized IRR	8.5%			10.5%			12.5%		
IRR floor via Year-11 put	8.5%			8.0%			8.0%		

\$M (one investor, 100% of the fund)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Cash: invested	-67.9	-45.3	—	—	—	—	—	—	—	—	—	—	—	—	-113.2
value received	14.1	19.6	19.6	19.5	12.8	12.7	12.7	12.0	12.0	11.9	3.3	—	—	—	150.1
net	-53.9	-25.7	19.6	19.5	12.8	12.7	12.7	12.0	12.0	11.9	3.3	—	—	—	36.9
30% down: invested	-37.6	-14.1	-14.1	-14.1	-9.1	-9.1	-9.1	-9.1	-9.1	-9.1	—	—	—	—	-134.6
value received	14.1	19.6	19.6	19.5	12.8	12.7	12.7	12.0	12.0	11.9	3.3	—	—	—	150.1
net	-23.5	5.5	5.4	5.4	3.7	3.6	3.6	2.9	2.9	2.8	3.3	—	—	—	15.5
20% down: invested	-26.8	-15.8	-15.8	-15.8	-10.8	-10.8	-10.8	-10.8	-10.8	-10.8	—	—	—	—	-139.1
value received	14.1	19.6	19.6	19.5	12.8	12.7	12.7	12.0	12.0	11.9	3.3	—	—	—	150.1
net	-12.7	3.8	3.7	3.7	2.0	1.9	1.9	1.2	1.2	1.1	3.3	—	—	—	11.0



THE DEAL, YEAR BY YEAR

Fund I · Hollywood + Burbank: where the value comes from (20% down)

20% down: value received by source (\$M)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Federal housing credits	4.9	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	1.5	–	–	–	97.0
California housing credits	3.4	6.7	6.7	6.7	–	–	–	–	–	–	–	–	–	–	23.5
Depreciation and losses (tax value)	4.8	2.7	2.6	2.6	2.5	2.5	2.4	1.7	1.6	1.6	1.5	–	–	–	26.5
Cash flow share + fee rebate	1.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	–	–	–	3.2
Total	14.1	19.6	19.6	19.5	12.8	12.7	12.7	12.0	12.0	11.9	3.3	–	–	–	150.1

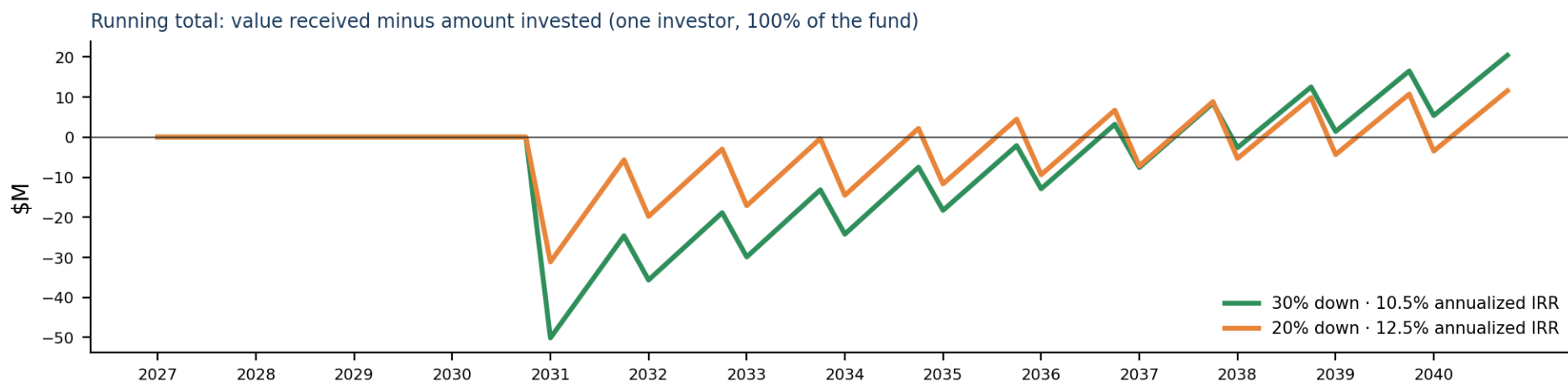
The two IRR figures

- **IRR per quarter** is the return earned each quarter on the cash flows exactly as they occur: payments and benefits are dated at quarter end.
- **Annualized IRR** compounds that quarterly rate over four quarters: $(1 + \text{quarterly IRR})^4 - 1$. It is the figure quoted throughout this summary.

Fund II · Sky Village: one investor taking the whole fund

	30% down					20% down				
Total invested (\$M)	209.4					218.2				
Total value received (\$M)	232.8					232.8				
Net gain (\$M) · multiple	23.4 · 1.11×					14.6 · 1.07×				
Most capital at work at any time (\$M)	50.1					31.1				
Running total turns positive	2036					2034				
IRR per quarter	2.53%					2.99%				
Annualized IRR	10.5%					12.5%				
IRR floor via Year-11 put	8.0%					8.0%				

\$M (one investor, 100% of the fund)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
30% down: invested	—	—	—	—	-62.7	-16.6	-16.6	-16.6	-16.1	-16.1	-16.1	-16.1	-16.1	-16.1	-209.4
value received	—	—	—	—	38.1	22.4	22.3	22.3	21.5	21.5	21.4	20.2	20.1	20.0	232.8
net	—	—	—	—	-24.6	5.8	5.7	5.6	5.4	5.3	5.2	4.1	4.0	3.9	23.4
20% down: invested	—	—	—	—	-43.7	-19.7	-19.7	-19.7	-19.2	-19.2	-19.2	-19.2	-19.2	-19.2	-218.2
value received	—	—	—	—	38.1	22.4	22.3	22.3	21.5	21.5	21.4	20.2	20.1	20.0	232.8
net	—	—	—	—	-5.7	2.7	2.6	2.5	2.3	2.2	2.2	1.0	0.9	0.8	14.6



THE DEAL, YEAR BY YEAR

Fund II · Sky Village: where the value comes from (20% down)

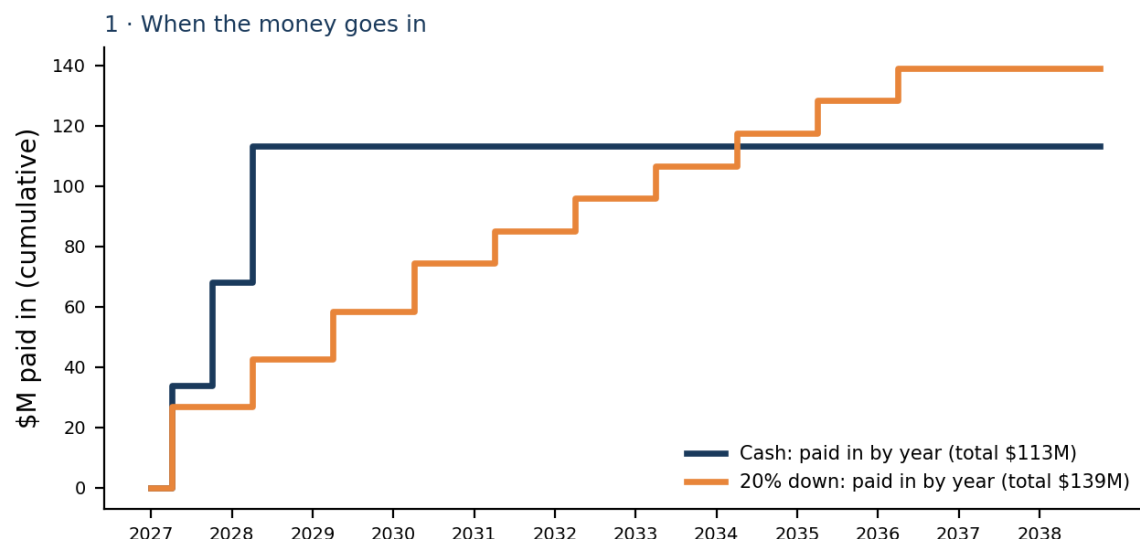
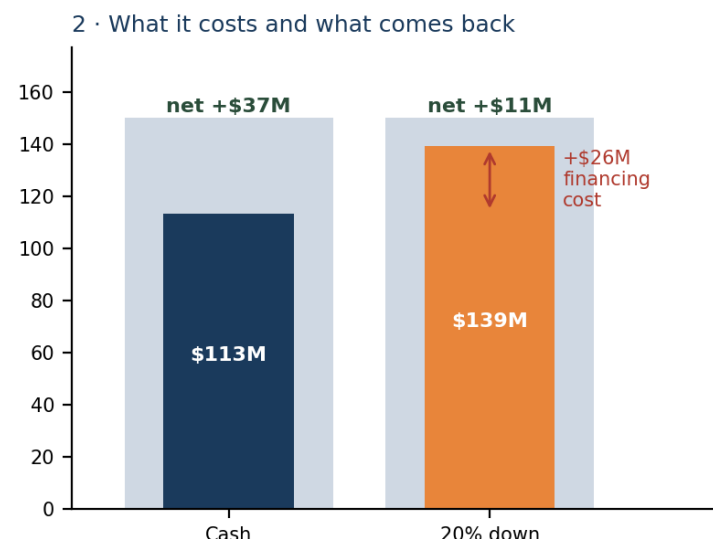
20% down: value received by source (\$M)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	Total
Federal housing credits	–	–	–	–	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	169.6
California housing credits	–	–	–	–	0.6	0.6	0.6	0.6	–	–	–	–	–	–	2.6
Depreciation and losses (tax value)	–	–	–	–	16.2	4.6	4.5	4.4	4.3	4.2	4.0	2.8	2.7	2.6	52.7
Cash flow share + fee rebate	–	–	–	–	4.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	7.9
Total	–	–	–	–	38.1	22.4	22.3	22.3	21.5	21.5	21.4	20.2	20.1	20.0	232.8

Cash or financed: two kinds of accretive

- **Cash is more accretive in total return.** The investor pays the least in total for the same benefits, so its dollar gain and its multiple are the largest.
- **Financed is more accretive in IRR.** With 20% or 30% down, far less capital is at work in the early years while credits and depreciation arrive on the same schedule, so the annualized IRR is higher.
- **Why listed companies choose financing.** Housing credits reduce the tax line every year. Paying over time spreads the investment across the same years the benefits arrive, which keeps cash on the balance sheet, lifts return on capital and gives a steady, annual boost to earnings per share. The Fund's bridge facility makes that possible while the partnerships are funded in full on schedule.

Higher IRR or larger profit: why the two options differ

Fund I, one investor taking the whole fund. Both options buy exactly the same real estate and receive the same \$150.1M of credits, depreciation and cash flow.



- **Cash pays a large amount up front** (\$113.2M over the first year), so a lot of capital is at work early while the benefits arrive over ten years. Total profit is the largest (+\$36.9M, 1.33x), and the IRR is 8.5%.
- **20% down spreads the payments:** a down payment at admission and nine annual installments that arrive alongside the credits. Far less capital is out at any time, so each dollar works harder and the IRR rises to 12.5%.
- **Financing has a cost.** The partnerships need their equity on schedule, so the Fund borrows on its bridge line until the installments arrive. That bridge interest and its fees are built into the installment amounts: the investor pays \$25.9M more in total, which is why the profit is smaller (+\$11.0M) even though the IRR is higher.
- **Which to choose.** Investors focused on total dollars and with cash to deploy choose cash. Listed companies focused on return on capital and earnings per share usually choose installments: less cash leaves the balance sheet, and the annual tax savings arrive in step with each payment.

Investor economics behind the installments

One investor per fund	Option	Invested (\$M)	Value received (\$M)	Net gain (\$M)	IRR per quarter	Annualized IRR	Running total positive
Fund I · Hollywood + Burbank	Cash	113.2	150.1	36.9	2.06%	8.5%	2034
	30% down	134.6	150.1	15.5	2.53%	10.5%	2033
	20% down	139.1	150.1	11.0	2.99%	12.5%	2031
Fund II · Sky Village	30% down	209.4	232.8	23.4	2.53%	10.5%	2036
	20% down	218.2	232.8	14.6	2.99%	12.5%	2034

- Every Fund I and Fund II investor signs a subscription agreement committing to its down payment and nine annual installments; those receivables are pledged to the lender.
- After the first year, the value an installment investor receives each year is larger than that year's installment, so investors keep receiving value while they pay.
- Each option produces a positive net gain and an IRR at or above the IRR floor through the Year-11 put.
- Each deal is priced to stand on its own, and the bridge for each Fund is repaid from that Fund's own investors.

Assumptions: Affordable Slice underwriting model v58 r8 (quarterly; partnership funding schedule per the bridge request). Fund I investors admitted Q2 2027; Fund II investors admitted Q1 2031. Depreciation and losses valued at 21% federal + 8.84% California; each investor's own rates will differ. Fund II is offered with installment options; a cash purchase of Fund II would rely on a back-end share to reach the IRR floor. Figures exclude any back-end share. Projections are preliminary and subject to final underwriting, partnership documents and each investor's tax advisors.

