The Flexlii NYC Tenant Equity Loan Fund

Downside Protected Yield Through Tenant Driven CFOV

(collective fractional ownership vehicle)

$100 Mill CFOV Impact Fund delivering a 7.5% preferred return with a 10-year term, targeting double-digit IRRs through spread capture, long-duration yield, and shared future equity.

A new asset class transforming stabilized units into market rate collateral while expanding affordable ownership.

The Institutional Opportunity

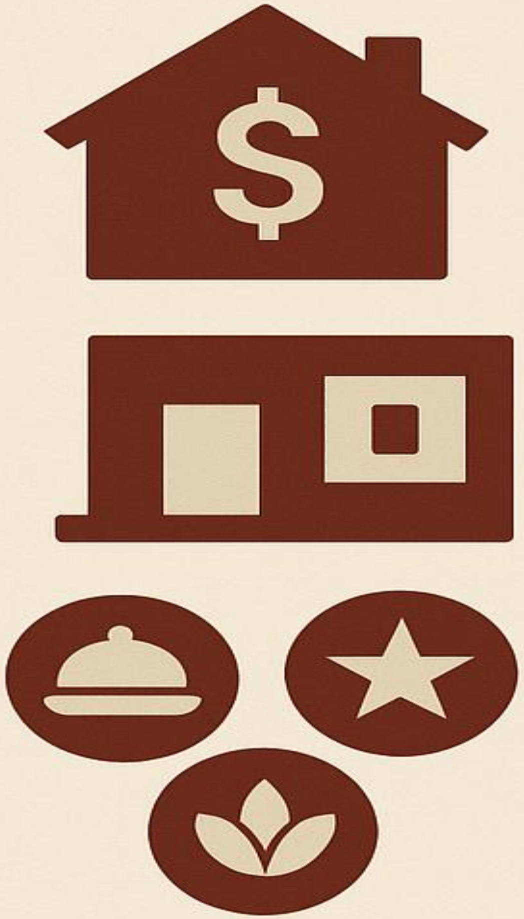
A Structural Inefficiency Ready for Capital

- NYC rent-stabilized buildings face rising costs, flat NOI, and LL97 penalties.
- Owners are selling at discounts due to regulatory pressure and limited upside.
- Tenants lack access to financing despite strong payment histories.
- This creates a capital gap that institutional investors can fill with low-risk, asset-backed loans.

WHY TENANT FINANCING?

- Tenant-approved condo conversions unlock value without eviction.
- Financing tenants directly accelerates conversion timelines.
- Units exit stabilization upon purchase, increasing collateral value.
- Lower monthly payments (long amortization + reduced rate) reduce default risk.

Ownership + dignity + compliance = stability.



The Fund Model

Long Duration, Low Volatility Yield

- 50 year amortization + 1% rate reduction = lower monthly payments + lower default risk + longer interest earning period.
- Loans secured by units that immediately become market rate collateral.
- Predictable, bond like cashflow ideal for pension and insurance mandates.

CFOV Conversion: Transforming Renters Into Owners
Example: 62 Unit Stabilized Multifamily | Northeast Urban Market

Current Snapshot

- Average actual rent: $1,428/month
- Expense ratio: 60% (high → signals deferred maintenance + LL97 type exposure)
- NOI depressed due to aging systems and high operating costs
- Owner has significant trapped equity; lender is over secured

CFOV Opportunity

- Target payment: 15% below current rent → $1,214/month
- Association dues adjusted to reflect 40% expense factor: $350/month
- Available for P&I: $864/month
- Supports CFOV sale price: $135,000–$150,000 per unit
- Total CFOV value: $8.3M–$9.3M

CFOV Conversion: Transforming Renters Into Owners
Example: 62 Unit Stabilized Multifamily | Northeast Urban Market
Continued:

Why It Works

- Tenants pay less than rent
- Investors receive yield + upside
- Owner exits a high expense, high risk asset
- Building receives a structured capital plan

Financial Impact & Value Creation

Value Creation Through CFOV Conversion

1. Spread Creation

- Current wholesale value: $5.2M
- CFOV conversion value: $8.3M–$9.3M
- Total spread created: $3.1M–$4.1M

Spread Sharing

- Investor/Lender: 25% → $770k–$1.03M
- Architect/Strategist (Flexlii Fund): 75% → $2.3M–$3.1M

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2. Renovation & Compliance Plan

Financial Impact & Value Creation

Continued ….

Value Creation Through CFOV Conversion

2. Renovation & Compliance Plan

- Required CapEx: $2,000,000
- Placed in association controlled escrow
- Renovation performed by your company
- Full liability waiver for future improvements
- Results:
  - Lower long term expenses
  - Improved tenant experience
  - LL97 type compliance
  - Stronger collateral for lender

Financial Impact & Value Creation

Continued ….

Value Creation Through CFOV Conversion

3. Investor 10 Year Returns

- Interest income (50 yr amortization @ 7.5%): $4.44M
- Day 1 spread share: $770k–$1.03M
- Future equity share (18.75%): $400k–$520k
- Balloon payoff (remaining principal): $5.9M
- Total 10 yr cash received: $11.5M–$12.0M
- IRR: 10–12%

Financial Impact & Value Creation

Continued ….

Value Creation Through CFOV Conversion

4. Architect/Strategist 10 Year Returns

- Day 1 spread share: $2.3M–$3.1M
- Renovation contract: $2.0M
- Future equity share (6.25%): $130k–$175k
- Servicing + interest participation: $381k
- Total 10 yr revenue: $4.8M–$5.6M
- IRR: 50%+

Why Lenders & Investors Engage With CFOV

1. Superior Risk-Adjusted Yield

- 7.5% long-duration yield
- Predictable cashflow
- Tenant payments set **below rent** → lower default risk
- Balloon payoff at year 10 ensures principal recovery

2. Immediate & Long-Term Upside

- Day-1 spread participation
- Future equity share
- Tokenized ownership structure (UCC Article 12 compliant)

Why Lenders & Investors Engage With CFO

Continued …

3. Strong Collateral

- $2M renovation plan improves:
  - systems
  - energy efficiency
  - LL97-type compliance
  - long-term operating stability

4. Social Impact + Market Logic

- Converts renters into owners
- Stabilizes communities
- Reduces displacement
- Creates wealth for working families

DOWNSIDE PROTECTION

A Rare Structure Where Default = Upside

- If a borrower defaults:
    - Unit is no longer stabilized
    - Lender forecloses
    - Unit resets to **full market value**
- This creates:
    - **Capital preservation**
    - **Recovery of principal + yield**
    - **Optional upside** through resale or rental
- This is the core institutional advantage.

Impact + Compliance

Civic Alignment Without Concessionary Returns

- Supports tenant ownership and long-term affordability.
- Reduces displacement and stabilizes neighborhoods.
- Integrates LL97 compliance through service-layer retrofits.
- Aligns with Affordable Housing Retention Act (AHRA) 2025.
- Delivers measurable social impact **without sacrificing yield**.

Portfolio Impact

Stability, Duration, and Diversification

- Adds a new fixed-income-like product backed by real estate.
- Diversifies away from traditional multifamily risk.
- Provides duration that matches pension and insurance liabilities.
- Generates consistent returns even in volatile markets.

Why This Fits Institutional Mandates

Pension Funds, Insurers, and PE Benefit From:

- **Long-duration, predictable cashflow**
- **Low default risk** due to affordability
- **Hard-asset collateral** in a supply-constrained market
- **Downside protection** through market-rate reset
- **Scalable deployment** across NYC’s stabilized housing stock
- **Impact + compliance alignment** without concessionary pricing

This is a rare blend of **yield + stability + civic value**.

Flexlii's Role

Transaction Architect + Service Operator

- Structure conversions, financing, and regulatory compliance.
- Manage service-layer infrastructure .
- Capture both **transaction fees** and **recurring NOI**.
- Ensure smooth execution for owners, tenants, and regulators.

Join Us in Building the Next NYC Housing Asset Class A scalable, downside-protected investment platform that converts stabilized units into market-rate collateral while expanding affordable ownership.

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