CONFIDENTIAL — FOR PROSPECTIVE INVESTORS

Dallas Residential Value-Add & Rate-Arbitrage Strategy

Limited Partner Investment Memorandum

A capital partnership acquiring quality residential property in the Dallas–Fort Worth metroplex at below-market prices while interest rates remain elevated. Each property is financed with an amortizing DSCR loan and underwritten so rent covers full debt service — so tenants pay down the loan while the asset appreciates. Capital is recycled across properties and held for the long term, with sales made only opportunistically.

20–25%	6%	80/20	DSCR
EQUITY PER DEAL	PREFERRED RETURN	SPLIT (70/30 ABOVE 12.5% IRR)	RENT COVERS DEBT

This memorandum is a non-binding summary prepared for discussion purposes only. It is not an offer to sell or a solicitation of an offer to buy any security, and it does not constitute investment, legal, or tax advice. Please read the important disclosures on the final page.

CCH Capital · Prepared June 2026 · Confidential

1. Strategy at a glance

The strategy is built on a simple mismatch in today's market: high interest rates have pushed buyers to the sidelines and softened prices, yet the underlying assets — well-located Dallas homes — remain fundamentally sound. We buy the asset cheaply now, let tenants pay it down, and refinance the expensive debt later.

The core idea

Buy quality residential property at a discount while rates are high and competition is thin. Finance each home with an amortizing DSCR loan underwritten so the rent covers full debt service. Tenants then pay down the mortgage month after month, converting their rent into our equity. As rates decline over the next couple of years, we refinance into cheaper debt — improving cash flow and freeing equity to redeploy. We hold for the long term and sell only when a specific opportunity makes selling the better choice.

Three engines of return

- **Below-market entry.** We buy only where price sits meaningfully below intrinsic or post-rehab value — equity captured on day one.
- **Tenant-funded paydown.** With amortizing DSCR loans, every rent payment retires principal. The tenant is, in effect, buying the house for us — equity that grows regardless of the market.
- **Appreciation.** Modest market appreciation on the full asset value, amplified by leverage on our equity.

> **In one line:** marry the house, date the rate. Lock in the discounted price today, let tenants pay it down, and replace the high-rate loan once rates fall.

2. The market opportunity

The Dallas–Fort Worth housing market in 2026 has shifted decisively toward buyers — the exact conditions this strategy is designed to exploit.

Current conditions (mid-2026)

- **A buyer's market.** Across Texas's major metros, inventory is abundant, price cuts are widespread, and sellers are accepting offers below list — described by market analysts as a correction, not a crisis.
- **Elevated inventory.** DFW active listings have climbed to multi-year highs (tens of thousands of active listings, roughly 3+ months of supply), giving buyers unusual selectivity and negotiating power.
- **Longer days on market.** Homes are taking materially longer to sell than during the 2021–2022 frenzy — the pressure that turns ordinary sellers into motivated ones.
- **Prices below peak.** DFW prices have corrected from their highs and are forecast to resume only modest growth (low single digits annually), leaving entry points meaningfully below peak.
- **Rates off their highs.** The 30-year fixed sits in the mid-6% range as of mid-2026, down from nearly 8% in late 2023 — the early stage of the easing this strategy is positioned for.

Why Dallas

Dallas remains a primary engine of the Texas economy, with sustained corporate relocation, population inflow, and a diverse employment base. The long-term demand fundamentals are intact; the current softness is cyclical, driven by rates. That combination — strong fundamentals, temporary price weakness — is precisely where durable equity is created.

Market figures above are drawn from publicly available 2026 reporting (Freddie Mac, Bankrate, Texas REALTORS®, and metro market trackers). Conditions change; figures are indicative as of mid-2026 and are not guarantees of future performance.

3. What we buy

Discipline at acquisition is where returns are made. We pursue two specific situations — both of which deliver equity at the moment of purchase — and only homes whose rent supports a DSCR loan.

Target 1 — Aged inventory under carrying-cost pressure

Listings, often newer construction, that have sat on the market for an extended period. The seller — frequently a builder or an owner who has already moved — is now absorbing taxes, insurance, and financing on an unsold asset. As those costs accumulate, the motivation to transact quickly grows, and price becomes negotiable. We step in as a fast, certain buyer and capture the discount.

Target 2 — Quick value-add candidates

Sound homes whose value can be lifted rapidly through targeted renovation. Cosmetic and functional improvements raise the appraised value well above the all-in cost of purchase plus rehab — forcing equity rather than waiting for the market to provide it.

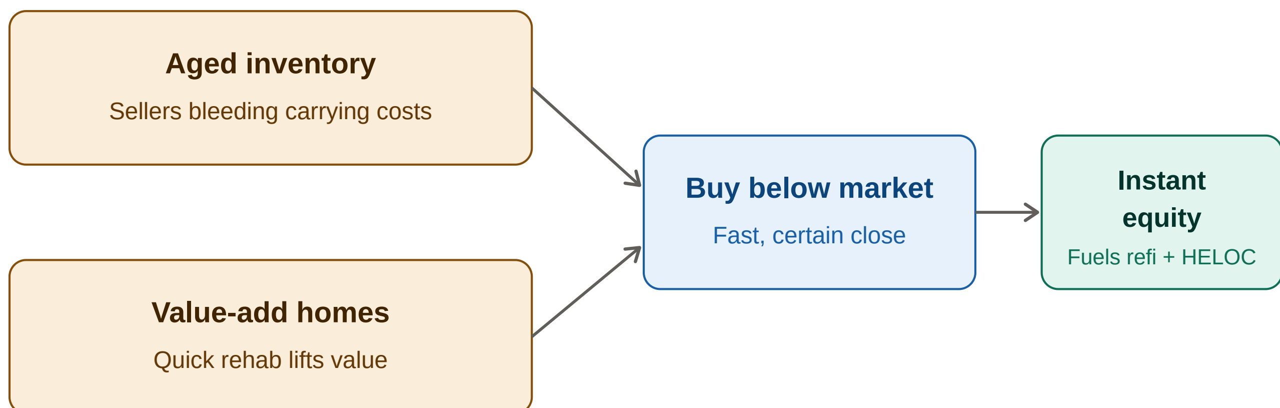

Figure 1. Both acquisition paths converge on the same outcome — equity captured at purchase, which then supports refinancing and HELOC capacity.

4. How the fund works

Investor capital is pooled and deployed across multiple properties. As each asset is refinanced or sold, returned capital flows back and is recycled into new acquisitions — compounding the strategy over time.

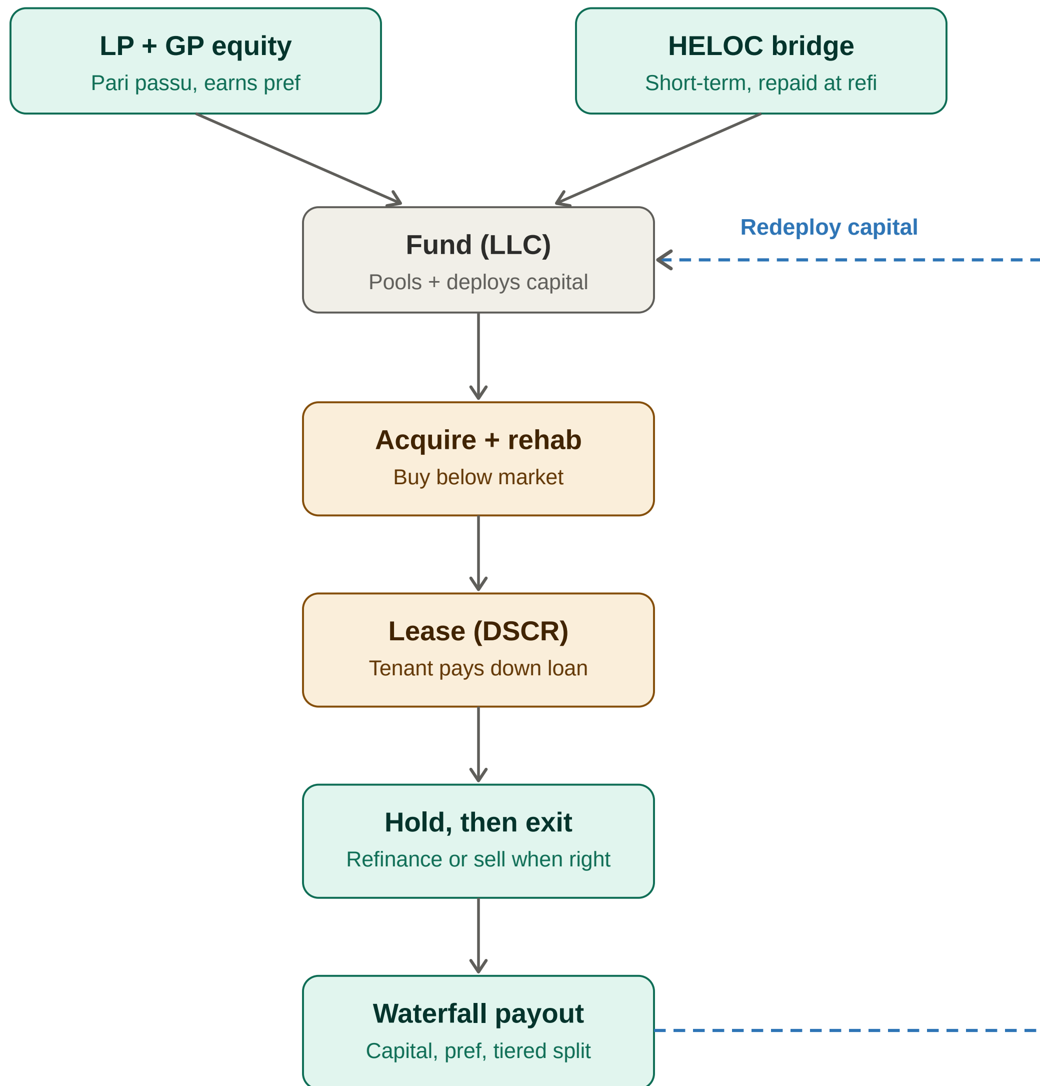

Figure 2. The fund lifecycle. LP and GP equity fund the deals pari passu; the HELOC is a short-term bridge repaid at refinance. The dashed loop is the engine — capital freed through refinancing or sale is redeployed into the next deal rather than sitting idle.

5. The rate arbitrage

The central bet is on timing. Today's high rates depress prices; we capture the low price now. As rates ease, we refinance — and the asset we bought cheap is now financed cheaply too.

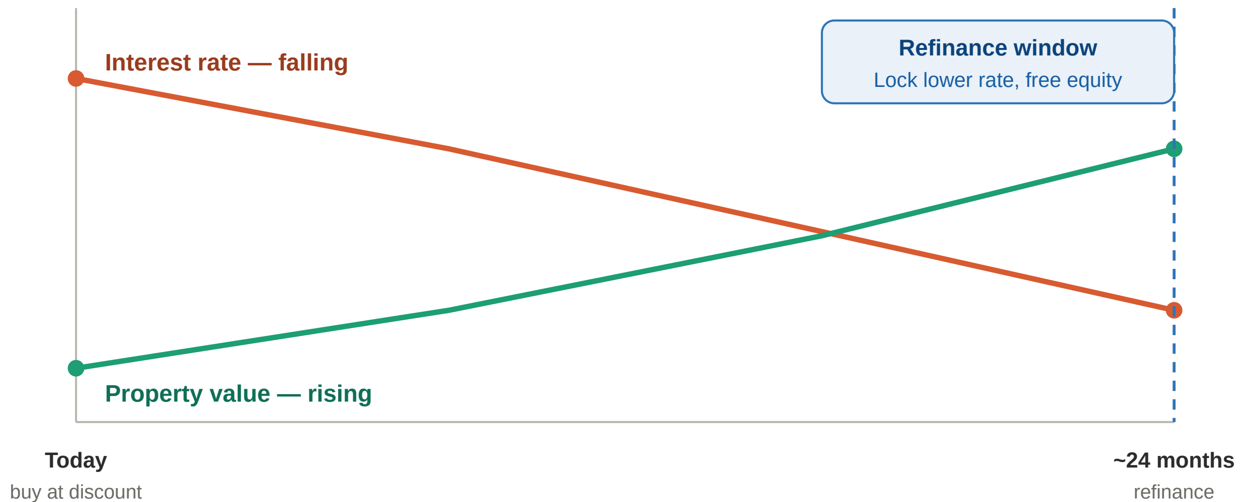

Figure 3. Buy when rates are high and prices are low; refinance once rates fall. Illustrative — rate timing is not guaranteed.

Concretely: a property bought today might carry a DSCR mortgage around 7%. If 30-year rates continue easing from their mid-6% level, a refinance roughly two years out could meaningfully cut the monthly interest cost. Because we also bought below market and tenants have paid down principal, the refinance can be done at a higher appraised value against a lower balance — freeing capital to redeploy while keeping the asset.

> **Important:** the timing and magnitude of any rate decline are uncertain. The strategy is structured to remain viable even if rates stay elevated — rent covers the hold under our DSCR underwriting, and we are never forced to refinance or sell on any schedule. A faster rate decline is upside, not a requirement.

6. Financing: DSCR loans, leverage, and HELOCs

Each property is acquired with 20–25% equity and 75–80% financing through an amortizing DSCR loan. A HELOC may be used as a short-term bridge to move quickly — never as permanent leverage.

DSCR underwriting — the property pays for itself, and pays itself down

A DSCR (debt service coverage ratio) loan qualifies on the property's rental cash flow rather than personal income. We underwrite every acquisition so that rent covers full PITIH — principal, interest, taxes, insurance, and HOA — at a DSCR of at least 1.0. Two consequences follow. First, each property services its own debt from day one, so the strategy scales without relying on the Sponsor's personal income and we are never forced to sell to keep a property afloat. Second, because the loan amortizes, every payment retires principal — so the tenant steadily converts rent into our equity, independent of what the market does.

How the HELOC fits

A home equity line of credit, secured by an already-owned property with built-up equity, provides fast, flexible cash. It lets the fund act as an all-cash or fast-close buyer on a discounted deal — a decisive advantage with motivated sellers. Once the acquired property is stabilized and refinanced, the refinance proceeds repay the HELOC to zero, and the line is available again. The HELOC is a bridge measured in months, not a loan held for years, and it is financing — not equity — so it does not participate in the waterfall.

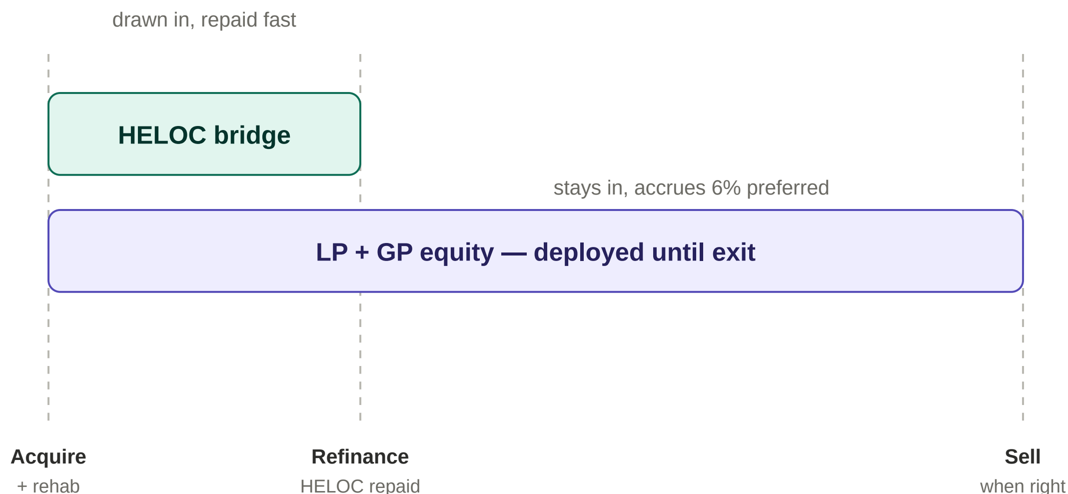

Figure 4. The HELOC and invested equity have different time horizons. The HELOC is a short bridge repaid at refinance; LP and GP equity stay deployed through the hold, earning the preferred return until exit.

> **Risk note on leverage.** A HELOC is variable-rate and can be reduced or frozen by the lender, and it is typically personally guaranteed by the Sponsor. The strategy keeps HELOC balances short-lived precisely to

> contain this risk. Treatment of any refinance shortfall and the party guaranteeing portfolio leverage are defined in the definitive agreements.

7. Investor economics

Sponsor compensation is intentionally weighted toward performance. Fees are lean; the majority of Sponsor upside comes only after investors receive their capital and preferred return — and the Sponsor co-invests on the same terms as investors.

Sponsor co-investment

The Sponsor (General Partner) invests its own equity into the fund alongside investors. That capital is treated *pari passu* with Limited Partner capital: it receives return of capital and the same 6% preferred return, pro rata, exactly like any investor dollar. The Sponsor's promote — the carried interest in the profit split — is separate compensation earned for sourcing and operating the portfolio. The result is direct alignment: the Sponsor wins on the promote only when investors win first.

Fees payable to Sponsor

Fee	Rate	Basis & timing
Acquisition fee	1.0%	Of purchase price. One-time, at each closing.
Asset management fee	1.25%	Annually on invested equity. Accrued and paid quarterly.
Property management fee	7.0%	Of collected rent. A property-level operating expense, only where the Sponsor manages the asset.
Placement fee	1.5%	Of new capital raised, paid to the party that sources a new investor (see note).

Note on the placement fee. The 1.5% placement fee compensates whoever sources new investor capital, aligning incentives for referrals — including from existing investors. U.S. securities law generally restricts paying transaction-based compensation for raising capital to registered broker-dealers. The eligibility of recipients (including whether existing investors may be paid for referrals) and the form of payment will be determined with securities counsel; where direct cash referral fees are not permissible, the economics may be delivered through fund credits or other compliant means.

Distribution waterfall

All distributable cash — from operations, refinance, or sale — is applied in strict order. The Sponsor earns the enhanced 30% split only after investors achieve a 12.5% IRR:

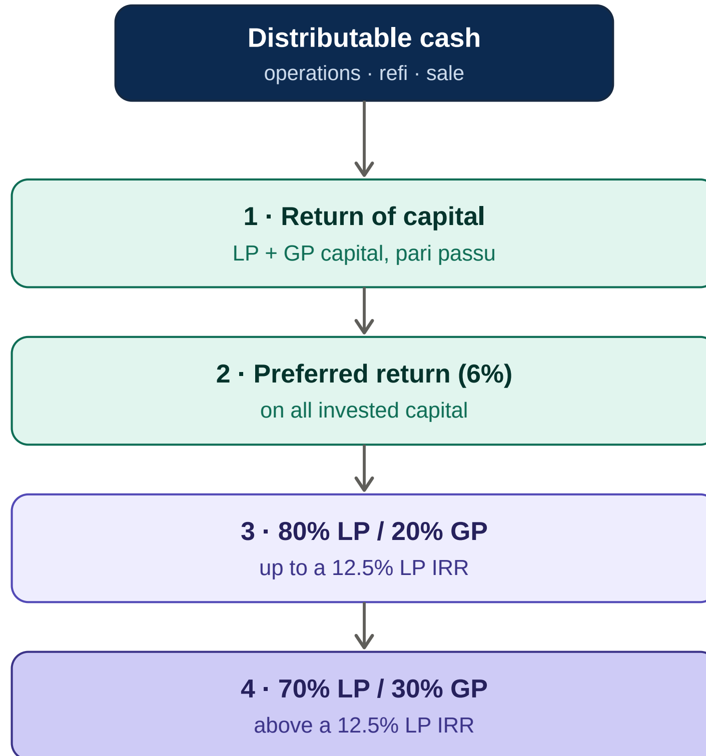

Figure 5. The four-tier waterfall. The preferred return is cumulative and non-compounding on unreturned capital. The Sponsor's split steps up from 20% to 30% only on profits beyond a 12.5% investor IRR.

8. How equity builds

Returns come from three sources working together: the below-market entry, tenant-funded principal paydown, and appreciation. The illustration below is hypothetical — a single representative property — and is provided only to show the mechanics, not as a projection.

Assume a $1,000,000 home, 20% equity ($200,000), and an $800,000 amortizing DSCR loan at about 7% over 30 years, with modest appreciation of roughly 3.5% per year. Even on those conservative assumptions, equity compounds from two directions at once:

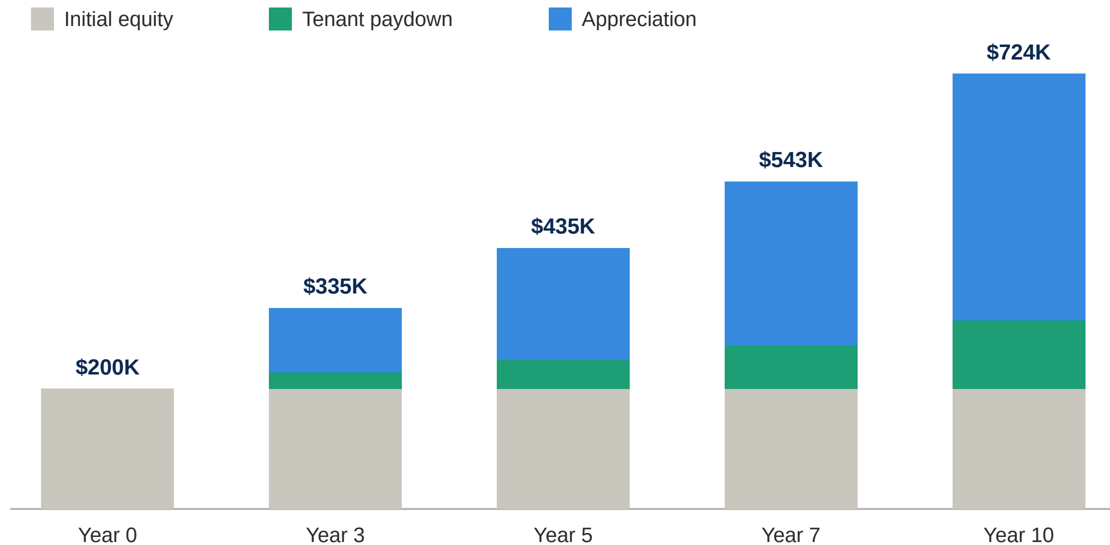

Figure 6. Equity on a single $1M property over time. Your initial equity stays constant; tenants steadily pay down the loan; appreciation adds the rest. Equity grows from $200K to roughly $724K in ten years — a 3.6× — even at only 3.5% annual appreciation.

Year	Property value	Loan balance	Your equity	Tenant paydown
0	$1,000,000	$800,000	$200,000	—
3	$1,108,700	$773,800	$334,900	$26,200
5	$1,187,700	$753,000	$434,700	$47,000
7	$1,272,300	$729,200	$543,100	$70,800
10	$1,410,600	$686,400	$724,200	$113,600

This is why we hold. The tenant retires roughly $113,000 of principal over ten years — equity created with none of our own money, regardless of the market. Selling early gives that engine away and triggers selling costs and taxes; holding lets it run.

The refinance effect — positive cash flow and faster paydown

The base figures above conservatively assume the original ~7% loan is held the whole time. The rate-arbitrage refinance — to roughly 5.5% around year two — improves the picture on two fronts:

- **Lower payments, positive cash flow.** The refinance cuts the monthly payment by roughly $880. A property underwritten to break even at 7% then runs cash-flow positive — about $10,500 a year — which accumulates for the investor and makes the long hold more comfortable.
- **Faster principal paydown.** At a lower rate, more of every payment retires principal — on the same balance, roughly $655 of the first payment at 7% versus about $875 at 5.5%. The tenant pays the loan down faster, building equity more quickly even as the payment falls.

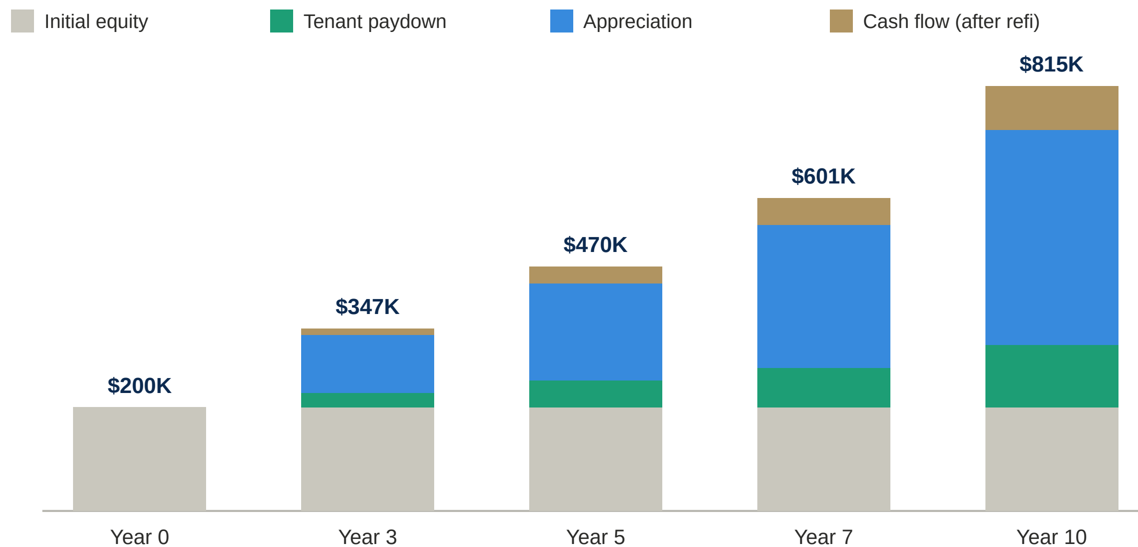

Figure 7. The same property with a year-2 refinance to ~5.5%. The gold band is accumulated positive cash flow from the lower payment; paydown (teal) also grows a little faster. Total value reaches roughly $815K at year ten, versus ~$724K without refinancing.

Year	Property value	Loan balance	Your equity	Cash flow (cumulative)	Total value
0	$1,000,000	$800,000	$200,000	—	$200,000
3	$1,108,700	$772,600	$336,100	$10,500	$346,600
5	$1,187,700	$749,700	$438,000	$31,500	$469,500
7	$1,272,300	$724,200	$548,100	$52,600	$600,700
10	$1,410,600	$679,900	$730,700	$84,100	$814,800

Assumes a rate-and-term refinance to ~5.5% at year two, the lower payment taken as cash flow, and that cash flow retained. The cash-flow benefit applies whenever the rate falls; the paydown acceleration depends on the size of the drop, because a refinance resets the loan to a new 30-year term. A *cash-out* refinance instead pulls freed equity to redeploy into the next acquisition — raising that property's balance but compounding capital across more properties.

What an investor receives on exit

If this single property were sold at the end of year five (value ~$1,187,700), after 6% selling costs and loan payoff about $363,400 would be distributable. Applying the waterfall:

Waterfall step	To Investor	To Sponsor
1. Return of capital	$200,000	—
2. Preferred return (6% × $200K × 5 yrs)	$60,000	—
3. 80 / 20 split (below the 12.5% IRR hurdle)	$82,700	$20,700
Total	**$342,700**	**$20,700**

Investor result: a **$142,700 gain on $200,000** over five years — about an **11.4% IRR**. At this appreciation rate the investor does not reach the 12.5% hurdle, so the Sponsor stays at the base 20% split; the 70/30 tier engages only in stronger outcomes.

With the year-two refinance, the same year-five exit is stronger. The lower loan balance plus about $31,500 of accumulated cash flow lift distributable proceeds to roughly $398,200. After return of capital and the 6% preferred, the investor clears the 12.5% IRR hurdle — engaging the 70/30 tier — for an investor total of about **$369,300**, roughly a **13.0% IRR** (Sponsor promote about $28,900).

Returns hold up over long holds

Because equity keeps compounding from appreciation and paydown, the investor's annualized return stays broadly stable as the hold lengthens — while total dollars grow. The table shows each horizon both without a refinance (the conservative floor) and with the year-two refinance to ~5.5%:

Hold	Investor total (no refinance)	IRR	Investor total (with refinance)	IRR
3 years	$261,900	~9.4%	$271,300	~10.7%
5 years	$342,700	~11.4%	$369,300	~13.0%
7 years	$430,200	~11.6%	$473,800	~13.1%
10 years	$575,600	~11.2%	$648,100	~12.5%

Hypothetical, single property, 3.5% annual appreciation, sold at each horizon with 6% selling costs, on $200,000 of invested equity. "No refinance" holds the original ~7% loan throughout. "With refinance" assumes a year-two refinance to ~5.5%, with the lower payment retained as cash flow (about $10,500/yr) and added to proceeds at exit; the stronger outcomes cross the 12.5% IRR hurdle, engaging the 70/30 tier. In practice capital is recycled across multiple properties, which can compound returns further. Early sales can produce losses after selling costs; this is a hold-first strategy. Actual results will vary and may result in loss.

9. Holding strategy and sell discipline

This is a hold-first strategy. We do not buy with a fixed exit date. We sell an asset only when a specific opportunity makes selling clearly better than continuing to hold.

Why we hold

Holding is where this strategy compounds. Each year, tenants retire more principal, the asset appreciates, and our equity grows from both — as Section 8 shows, from $200K toward $724K over a decade on a single property. Because every property is underwritten to cover its own debt service, holding carries little ongoing burden. Refinancing — not selling — is the primary way we free capital, because it pulls equity out (against a now-lower loan balance and higher value) while keeping the appreciating, self-amortizing asset, and it avoids the transaction costs and taxes of a sale.

When we sell

Selling is opportunistic, not scheduled. We consider it only when a property has appreciated substantially and the market is paying a premium, when capital can be more productively deployed elsewhere, or when a specific buyer offers terms that clearly exceed the value of continuing to hold. Absent such a reason, the default is to hold and let the asset keep working.

10. Liquidity and exiting the fund

The fund is designed to hold and recycle capital over the long term. An investor's preferred return accrues and is paid only on exit. When an investor wants liquidity, the primary path is to transfer their interest to a buyer; a secondary redemption path exists but is funded only by the fund's own asset-level liquidity — never by new investor capital, and never by a forced sale.

The preferred return accrues to exit

When a property is refinanced, the freed capital is generally reinvested into the next acquisition rather than distributed. Because an investor's capital remains at work in the fund, the 6% preferred return continues to accrue on it the entire time it is invested. The preferred is not paid as periodic income; it accrues and is paid in full only on exit, together with return of capital and the investor's share of gains. Capital is treated as returned (and the preferred stops accruing) only when actually distributed.

Initial lock-up

Capital is committed for an initial lock-up period (proposed at three years) to let acquisitions season. During the lock-up an investor may not transfer or redeem, except at the Sponsor's discretion in limited hardship cases.

Primary path — transfer your interest

After the lock-up, an investor who wants out may sell their interest to a buyer. Because the buyer provides the cash, the fund never has to sell a property or use its capital — the departing investor is simply replaced on the ownership register. Transfers follow a set order:

- **Right of first refusal.** The interest must first be offered to the Sponsor, then to the other investors, at the proposed price and terms.
- **Approved outside sale.** If no insider buys, the investor may sell to a third party, who must be approved by the Sponsor and satisfy accreditation, suitability, and transfer-restriction requirements. Approval will not be unreasonably withheld.

Transfers carry no guaranteed buyer; price is privately negotiated between buyer and seller and may be at a discount to net asset value; and the interest is unregistered, so resale is legally restricted.

Secondary path — fund redemption

As a secondary option, an investor may submit a redemption request at periodic windows (proposed annually) after the lock-up. Redemptions are fulfilled **solely from refinance proceeds and proceeds of opportunistic sales**. New investor capital is never used to fund a redemption, and the fund will not sell an asset for the purpose of meeting one. Two protections govern fulfillment:

- **No forced sales.** If asset-level liquidity is not available, requests remain in a queue and are satisfied as such liquidity arises, in the order received.
- **Redemption gate.** In any window, total redemptions are capped (proposed at 10% of fund net asset value), with amounts above the cap carried forward in the queue.

An investor relying on this path may therefore wait until a refinance or sale generates the necessary funds. This is the deliberate trade-off that lets the fund hold quality assets through cycles rather than selling under pressure — protecting the investors who remain.

> **Proposed terms.** The lock-up, transfer order, window frequency, and gate percentage above are proposed defaults for discussion. Final mechanics — including the valuation policy, transfer-approval standards, and the tax treatment of transferring or redeeming investors — will be set in the definitive fund documents with counsel.

11. Key risks

Every investment carries risk. The most material risks to this strategy include the following. This list is not exhaustive.

- **Leverage risk.** At 75–80% financing, modest declines in property value can produce disproportionate losses to equity, including loss of capital. Early sales can lose money after selling costs.
- **Rate risk.** Interest rates may not decline on the expected timeline, or at all. A refinance may not be available on attractive terms, leaving higher-cost debt in place longer.
- **DSCR & cash-flow risk.** Rent covering debt service does not guarantee surplus cash; vacancies, rent declines, repairs, or rising taxes and insurance can push a property below break-even and require additional capital.
- **Refinance / appraisal risk.** If a property does not appraise high enough, the refinance may free less capital than expected, slowing redeployment and the recycling engine.
- **HELOC risk.** HELOCs are variable-rate, may be reduced or frozen by lenders, and are typically personally guaranteed by the Sponsor.
- **Liquidity / exit risk.** Capital is committed subject to a lock-up. The primary exit is transferring your interest, for which there is no guaranteed buyer and pricing is privately negotiated. The secondary redemption path is funded only by refinance and sale proceeds (never new capital) and is gated; the fund will not force asset sales to meet it. An investor may be unable to exit at a chosen time or price. Investors should not invest funds they may need in the near term.
- **Valuation risk.** Redemptions are priced at net asset value, which depends on periodic property valuations that are estimates and may differ from realized sale prices.
- **Market & concentration risk.** The strategy is concentrated in a single metro (Dallas–Fort Worth) and a single asset class (residential), exposing investors to localized downturns.
- **Execution risk.** Returns depend on the Sponsor's ability to source below-market deals, manage rehabs and tenants, and time refinancing and sales.

12. Important disclosures

This memorandum is a non-binding summary prepared solely for discussion and informational purposes. It does not constitute an offer to sell, or the solicitation of an offer to buy, any security or interest, and it is not a recommendation to enter into any transaction. Any offer or sale of securities will be made only pursuant to definitive legal documents (including a private placement memorandum, operating agreement, and subscription documents) and in compliance with applicable securities laws, including available exemptions under Regulation D. Interests described herein have not been registered under the Securities Act of 1933 or any state securities laws.

All figures, examples, and illustrations herein are hypothetical, are based on assumptions stated in the text (including purchase discount, appreciation, rents, loan amortization and rate, and hold period), and are provided only to demonstrate the mechanics of the proposed structure. They are not projections, forecasts, or guarantees of future results. Actual results will differ, may differ materially, and may result in partial or total loss of invested capital. Past performance is not indicative of future results.

Statements regarding interest rates, property values, market conditions, and the timing of refinancing or sales are forward-looking and subject to significant uncertainty and risks beyond the Sponsor's control. Market data referenced is drawn from publicly available third-party sources believed to be reliable as of mid-2026 but has not been independently verified and is subject to change.

Nothing in this document constitutes legal, tax, accounting, or investment advice. Prospective investors must rely on their own examination of the strategy and the definitive documents, and should consult their own legal, tax, and financial advisors before making any investment decision. The Sponsor is not a registered investment adviser or broker-dealer.