



# CHEIFS<sup>®</sup>

Converting home equity  
into financial success<sup>®</sup>

## Product Guide



Powered by Cornerstone, an insurance and investment funding company



Traditional financial planning methods  
have been around for decades.  
Introducing CHEIFS<sup>®</sup>, a transformational  
holistic planning opportunity where  
everybody wins.



CHEIFS<sup>®</sup>

Cornerstone Financing offers a transformational financial solution that provides homeowners a streamlined path to accessing their largest asset - home equity - for purchasing annuities, life insurance, long-term care, investments, and other financial planning options.

Introducing **Cornerstone's Home Equity Insurance/Investment Funding Solutions** ("CHEIFS").

This is not a loan, so homeowners are not required to make monthly, scheduled, or periodic payments. Instead, a single Settlement Payment is due at maturity or at a time determined by the homeowner to settle the CHEIFS Agreement.

Unlike many financing options, CHEIFS does not use debt to access home equity. Instead, we only share a percentage of the home's future value.

So, if **it's not a loan**, what is it? CHEIFS is an innovative approach to enhancing your liquidity and creating a more comprehensive way to plan financially. CHEIFS converts home equity into financial success.

This Product Guide will help you learn more about this approach which taps into dormant home equity.

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**All examples in this Fact Sheet are for illustration only.**

CHEIFS is a home equity investment agreement (or “HEI”), not a loan. This is not an offer or commitment. CHEIFS is subject to underwriting and approval, including property appraisal(s) and verification of credit history, property condition, title, and property insurance, among other things. The subject property may not be in foreclosure or bankruptcy. Performance of the CHEIFS agreement is secured by a mortgage or trust deed, depending on the state, in no lower than second lien priority. Minimum investment payment is \$70,000. Owner-occupied, 1-2 unit residential properties only. The equity share return becomes payable upon a settlement event and is calculated as a percentage of the home’s future value, but it will not exceed an annualized cost cap percentage of 12.99% or 14.99% (depending upon program) calculated on the investment payment, compounded annually. Homeowner to pay an origination fee of up to 2.99% of the investment payment, plus appraisal, title, recording fees, and other closing costs. Homeowner must occupy and maintain the property and remain current on property insurance, taxes and assessments, and payments on any other mortgages. Terms may vary and are subject to change. Additional conditions apply. Not available in all states.

Cornerstone acts for itself, as the investor, and not as an agent or broker for the homeowner or any third party. There is no agency relationship between Cornerstone and a homeowner related to CHEIFS agreement.

# Introduction

## About Cornerstone Financing

Cornerstone Financing LLC (“Cornerstone”) is an innovative funding company on a mission to empower smart Homeowners and advisors looking to enhance their financial planning opportunities. We offer a transformational funding solution called **Cornerstone Home Equity Insurance/Investment Funding Solutions (“CHEIFS”)**. CHEIFS help Homeowners convert the value of their most significant asset, their home equity, into cash. Proceeds can be used to fund the purchase of annuities, insurance, long-term care, investments, and other financial products.

The company was founded by respected mortgage banking and insurance veterans with deep experience in consumer finance products. We believe in creating win-win solutions that benefit both Homeowners and advisors. Our team’s extensive experience and diverse expertise across the financial sector ensures that we are always ready to meet the challenges of an evolving marketplace.

## Please read this guide thoroughly.

It’s important that you understand what CHEIFS does and your role in it. Because of that, thoroughly reviewing this Product Guide and completing the CHEIFS Product Knowledge Assessment is a required step in our process.

This Product Guide explains the most important features of CHEIFS. You should also review the contract documents as part of the process.

Cornerstone and its employees do not provide legal, financial or tax advice. Homeowners should always consult with their own financial, tax, or legal, professional for such advice.

Cornerstone does not offer HEI products or solicit business related to properties located in New York or Minnesota.

CHEIFS is offered exclusively by Cornerstone Financing LLC, and its subsidiary Domus Funding Corp. (in California only), and does business as “Domus Funding LLC” in OH and as “Domus Funding” in NH (all referred to as “Cornerstone” or “Cornerstone Financing”). Principal Office: 86 Summit Ave., Ste. 201, Summit, NJ 07901. Toll-free (855) 462-4343. NMLS #2557707, [www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org). CA DRE license #02248492. Not licensed in all states. Cornerstone’s HEI product is not offered under state mortgage lending licenses. For additional state licensing information, please visit us online at [cheifs.com/licensing/](http://cheifs.com/licensing/). Complaints may be emailed to: [complaints@cornerstonefinancing.com](mailto:complaints@cornerstonefinancing.com).

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# Chapter 1: Understanding CHEIFS®

**CHEIFS** was created to give you, the **Homeowner**, and your financial advisor options. You determine, within specific parameters, how much of your home equity you want to convert into cash. You retain complete control over managing your home as you prefer. You decide when and how the **CHEIFS** contract will end – voluntary repayment, sale or non-occupancy of the **Property** or in case of death.

In **Chapter 1**, we'll cover the fundamental concepts and critical events that may arise throughout the **CHEIFS Agreement**.

## Getting Started

This is not a loan, so **Homeowners** are not required to pay conventional interest, or required to make monthly, scheduled, or periodic payments. Instead, in return for the **CHEIFS** proceeds, Cornerstone will receive a percentage of the home's future value which is due as a single payment upon settlement of the **CHEIFS Agreement**.

The process begins with two straightforward questions: Does the **Occupying Homeowner** and the home meet the **CHEIFS**' eligibility requirements? How much cash can I access? To provide answers, we need to gather some details:

- The home's address, value, and **Property** type
- The current balance of all existing mortgage debt and other liens on the home
- Some basic credit information
- Your occupancy status

	Qualifying & Determining Maximum CHEIFS Available
Location	The home must be located in an area served by Cornerstone
Home Value	Higher value = more cash available Lower value = less cash available
Mortgage Debt	More debt = less cash available Less debt = more cash available (limits may apply)
Credit Score	Minimum representative Credit Score = 680 is required
Occupancy	Primary residence = more cash available Second home = less cash available
Property Type	Single Family Residences including PUDs and Townhomes; Units in a Cornerstone-approved Condominium Project

We will evaluate your application based on our criteria to determine if both the home and the **Occupying Homeowner** qualify. If they do, we will estimate how much home equity we can convert to cash. The more we fund, the larger Cornerstone's share of the home's future value. Conversely, if we fund less, our share of the home's future value will be smaller.

Here's an example:

- The home is a **Primary Residence**, and its current value is estimated at \$1,000,000
- There is no existing first mortgage
- We estimate that the maximum amount we can fund is \$222,222.22. (22.22% of the home's current value.) In exchange, we ultimately receive up to 50% of your home's future value when the house is sold or **CHEIFS** is paid off
- Should you decide to receive \$100,000 cash or 10% of the home current value instead of the maximum amount available and pay the **Origination Funding Costs** and fees out-of-pocket at closing, Cornerstone's share of your home's future value is reduced from 50% to 22.50%

## Steps to obtaining your CHEIFS

### Step 1

#### Advisor Consultation

Meet with your Financial Advisor or Insurance Agent to uncover the best opportunities for securing your financial future. By understanding your unique goals and reviewing the **CHEIFS** Product Guide together, you can craft a strategic plan tailored to your needs. Whether you're focusing on retirement, wealth building, or legacy planning, working with an advisor ensures you can confidently navigate your options and make informed decisions. Use **CHEIFS** to optimize your financial future with a solution that aligns with your long-term vision.

### Step 2

#### Application & Education

The Cornerstone Relationship Manager will contact you to gather the necessary information in order to send you an application to complete and answer your questions about **CHEIFS**. Upon receipt of your completed application, we will send you a Disclosure Package that includes an initial **Cornerstone Home Equity Insurance/Investment Funding Solutions Agreement Disclosure Statement** (the "Disclosure Statement") containing detailed, but not final, terms. We'll also provide sample copies of the **CHEIFS** contract documents and any required state and federal disclosures. At this point, terms are still subject to obtaining independent, third-party reports for credit, appraisal, title, and, when needed, home inspections, so numbers can still change.

### Step 2

#### Application & Education

Product education and understanding are essential. Therefore, we'll schedule a call to walk you through the initial Disclosure Statement, answer any questions, and confirm your knowledge of **CHEIFS**. We strongly recommend including your financial, tax, estate planning, legal advisors, and family or heirs in this education process. As part of your mandatory education requirements, you will complete a Product Knowledge Assessment with your Relationship Manager to ensure you have a complete understanding of the product and that all of your questions have been answered.

### Step 3

#### Processing & Underwriting Approval

When we receive your completed Application Package, we will begin the fulfillment process by obtaining, at your expense, the required third-party reports (e.g., credit report, appraisal, inspections, title, flood certification, Trust or Corporate Entity Legal Review). Once we have received these reports and all other requested additional information, we will underwrite the Application in accordance with our guidelines and, if the **Homeowner** qualifies, issue a Commitment Letter and an updated Disclosure Statement. Upon satisfying any Commitment Letter conditions, we will schedule the closing. The closing must occur before the expiration date stipulated in the Commitment Letter.

### Step 4

#### Closing/Funding

The closing will be handled by a closing services provider (i.e., escrow company, settlement agent, or closing attorney) who will schedule the closing appointment with you. Closing involves executing the contract documents, including but not limited to the **CHEIFS Agreement** and final Disclosure Statement containing final terms and fees. To allow you additional time to consider your decision, we will not distribute any proceeds to your authorized recipient(s) ("Fund the **CHEIFS**") or record the Security Agreement and Memorandum with the county recorder any sooner than three business days<sup>1</sup> (the "**Cooling Off Period**") after the closing date. You can cancel at any time, without cost, before the expiration of the **Cooling Off Period** by simply notifying us.

<sup>1</sup> A business day for this purpose is Monday through Saturday excluding Federal Holidays.

## CHEIFS Timeline Overview:


The process usually takes around 30 days, though it can be expedited based on your urgency and the time required to secure the appraisal, title, and other third-party services. Appraisals occasionally take longer than expected, which might extend the overall timeframe. Similar to mortgage lenders, we generally have limited control over the timing of appraisals.

Application	<ul style="list-style-type: none"> <li>• Complete and return the application</li> <li>• Provide requested documentation</li> </ul>	As Fast As 1 - 3 Days
Knowledge-Check	<ul style="list-style-type: none"> <li>• Call to answer questions and review the initial Disclosure Statement and other contract documents</li> <li>• Complete the Product Knowledge Assessment</li> </ul>	As Fast As 1 - 3 Days
Fulfillment	<ul style="list-style-type: none"> <li>• Schedule appraisal inspection and payment of appraisal fee</li> <li>• Credit, appraisal, title and inspection reports received and reviewed</li> <li>• Underwriting decision is made</li> <li>• Commitment Letter is issued, if approved</li> <li>• Review final Disclosure Statement and confirm terms</li> </ul>	10 - 14 Days
Closing & Funding	<ul style="list-style-type: none"> <li>• Confirm distribution of proceeds and payees</li> <li>• Sign with Closing Services Provider</li> <li>• Fund the CHEIFS and then the Closing Services Provider records the lien after 3 day cooling off period has expired</li> </ul>	3 - 5 Business Days

## Product Guide

Here's a sample portion of a Disclosure Statement.

It contains preliminary terms and is used as the basis for a review call with the Homeowner to ensure a complete understanding of CHEIFS.

 <b>CHEIFS</b> <b>Date Issued: 11/19/2024</b>	<b>CORNERSTONE HOME EQUITY INSURANCE-PREMIUM FUNDING SOLUTIONS AGREEMENT DISCLOSURE STATEMENT - Initial</b>	
<b>Homeowner:</b> John Smith	<b>Version:</b> <input checked="" type="checkbox"/> Estimate, subject to change	<b>Home Equity Investor:</b> Cornerstone Financing LLC ("Cornerstone") 1455 Broad Street – Suite 200 Bloomfield, NJ 07003
<b>Property Address:</b> 123 Main Street Anytown, FL 34146		<b>Insurance Company:</b> ABC Insurance Company
<b>SUMMARY OF AGREEMENT-SPECIFIC TERMS (Estimated):</b>		
<b>Primary Residence/Second Home Agreement:</b> <input checked="" type="checkbox"/> Primary Residence <input type="checkbox"/> Second Home	<b>Investment Proceeds:</b> \$100,000.00	<b>Agreement Type:</b> <input checked="" type="checkbox"/> Shares Home Value
<b>Est. Original Agreed Home Value:</b> \$1,000,000.00	<b>Est. Total Origination Funding Costs:</b> \$3,806.50	<b>Equity Share Percentage:</b> 23.35646%
<b>Value Determined by:</b> <input type="checkbox"/> Appraisal <input checked="" type="checkbox"/> Stated in Application	<b>Investment Payment (IP):</b> \$103,806.50 <input checked="" type="checkbox"/> IP includes est. financed Origination Funding Costs in the amount of: \$3,806.50	<b>Annualized Cost Cap Percentage:</b> 12.99%
<b>Prior Lien:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes – Maximum Unpaid Principal Balance: \$0.00		<b>Total Home Encumbrance Limit:</b> 50.00%
<b>Non-Insured Spouse/Domestic Partner:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Est. Origination Funding Costs in the amount of: \$0.00 to be paid by Homeowner at Funding	
<b>Qualifying Non-Insured Spouse or Domestic Partner Settlement Event Option:</b> If qualified, the <b>Equity Share Percentage</b> following exercise of the <b>Non-Insured Spouse/Domestic Partner Settlement Event Option</b> will increase from N/A% to N/A%.		If a <b>Primary Residence Agreement</b> & Insured <b>Homeowner</b> does not occupy the <b>Property</b> as his/her <b>Primary Residence</b> , the <b>Total Home Encumbrance Limit</b> will be reduced from <b>50.00%</b> to <b>45.00%</b>

## Post-funding of CHEIFS

Throughout the **Term** of the **CHEIFS Agreement**, the **Homeowner** maintains full ownership of the home. Cornerstone is not a co-owner. The **Homeowner** continues to live in the home and benefits from all aspects of ownership, including any tax advantages. **Homeowner** responsibilities include paying any existing mortgage, real estate taxes, property insurance, homeowners association dues and assessment while maintaining the home.

The **Homeowner** must adhere to the terms of the **CHEIFS Agreement**, including occupancy requirements and limitations on additional borrowing secured by the **Property**. Cornerstone will hold a lien on the **Property** to safeguard its investment until the **CHEIFS Agreement** is settled.

**Homeowners** have the freedom to manage the **Property** as they wish. Thinking of redecorating or remodeling? Go ahead.

## At The End

A **CHEIFS Agreement** ends upon the earliest of the following events: voluntary repayment, sale or non-occupancy of the **Property**, or death. At that time, we receive our percentage share of the home's value.

**Homeowners** have significant flexibility in settling the **CHEIFS Agreement**, whether by selling the home or buying us out. You can choose to buy us out at any point during the **Term** without incurring any penalties. Additionally, **Homeowners** can partially buy us out during the **Term** of the **CHEIFS**, though this is subject to certain conditions. In either event, the home's value and **Net Home Worth** will be established through an independent valuation or appraisals, with the calculation for payment to Cornerstone remaining consistent.

AT THE START	<ul style="list-style-type: none"> <li>• Determine the amount of the CHEIFS necessary to meet your financial goals</li> <li>• Decide if you want to include the origination funding costs in the CHEIFS or pay them out-of-pocket</li> <li>• Complete and return application</li> <li>• Review CHEIFS terms and legal contract docs, complete Product Knowledge Assessment</li> <li>• Closing and funding</li> </ul>
DURING	<ul style="list-style-type: none"> <li>• Live in the home as usual</li> <li>• Remain current on all housing obligations and maintain the Property</li> <li>• Abide by CHEIFS provisions</li> </ul>
AT THE END	<ul style="list-style-type: none"> <li>• Decide when to settle the CHEIFS</li> <li>• Pay Cornerstone its percentage share of the home's value plus any unpaid Protective Advances and Post-Funding Administrative Fees and Costs that are due</li> </ul>

**Finally, there's a smart way to tap into home equity without additional debt or monthly payments.**



## Chapter 2: CHEIFS® in Action

### The Numbers

**CHEIFS** was thoughtfully designed to provide **Homeowners** with an innovative and accessible solution to unlock the value of their home equity without taking on debt or monthly payments. By introducing a revolutionary financial product, **CHEIFS** empowers **Homeowners** to convert their largest asset into financial success, with flexibility and clarity. Here's how it works.

### The Equity Share Percentage

The **Equity Share Percentage** establishes the cost of the **CHEIFS**. We'll demonstrate how by defining a few terms and providing some examples.

- **Investment Payment** is the amount of the **Investment Proceeds** plus any origination funding costs not paid in cash upfront at closing
- **Original Agreed Home Value** is the fair market value of your home at origination based on one or more appraisals. (Note: The number of required appraisals at origination is dependent upon the home's value)
- **Initial Equity Share Return Percentage** is the **Investment Payment** to **Homeowner** as a percentage of the **Original Agreed Home Value**
- **Equity Share Percentage** is the actual portion of the home's future value that's shared with Cornerstone at the time of **CHEIFS** settlement
- **Capped Equity Share Return Percentage** is the maximum percentage of the home's future value that will ever be shared with Cornerstone at the time of **CHEIFS** settlement

### Example 1

If we assume an **Investment Payment** of \$200,000 and an **Original Agreed Home Value** of \$1,000,000, Cornerstone is providing 20% of your home's current value in exchange for an **Equity Share Percentage**, which grows from 20% to a maximum of 45% (the "**Capped Equity Share Return Percentage**"), based on when the **CHEIFS** is settled.

In the table below, we assume 3% home price appreciation. If you decide to pay off the **CHEIFS** after 1 year, you pay Cornerstone 21.94% of the home value. The **CHEIFS** settlement amount increases from 21.94% of the home value in year 1 to 45% of the home value in year 9. If you decide to pay off the **CHEIFS** in year 15, you pay Cornerstone 45% of the home value, and your annualized cost is 8.72%. As demonstrated in the table below, no matter the year you decide to settle the **CHEIFS**, the annualized cost can never exceed 12.99%, which is known as the **Annualized Cost Cap Percentage**.

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Original Agreed Home Value	\$1,000,000.00
Capped Equity Share Return Percentage	45%
Assumed Home Price Appreciation	3%
Investment Payment	\$200,000.00
Annualized Cost Cap Percentage	12.99%

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
0	\$ 1,000,000	20.00%	
1	\$ 1,030,000	21.94%	12.99%
2	\$ 1,060,900	24.07%	12.99%
3	\$ 1,092,727	26.40%	12.99%
4	\$ 1,125,509	28.96%	12.99%
5	\$ 1,159,274	31.77%	12.99%
6	\$ 1,194,052	34.85%	12.99%
7	\$ 1,229,874	38.23%	12.99%
8	\$ 1,266,770	41.94%	12.99%
9	\$ 1,304,773	45.00%	12.71%
10	\$ 1,343,916	45.00%	11.70%
11	\$ 1,384,234	45.00%	10.88%
12	\$ 1,425,761	45.00%	10.20%
13	\$ 1,468,534	45.00%	9.63%
14	\$ 1,512,590	45.00%	9.14%
15	\$ 1,557,967	45.00%	8.72%
16	\$ 1,604,706	45.00%	8.35%
17	\$ 1,652,848	45.00%	8.03%
18	\$ 1,702,433	45.00%	7.75%
19	\$ 1,753,506	45.00%	7.49%
20	\$ 1,806,111	45.00%	7.26%
21	\$ 1,860,295	45.00%	7.06%
22	\$ 1,916,103	45.00%	6.87%
23	\$ 1,973,587	45.00%	6.70%
24	\$ 2,032,794	45.00%	6.54%
25	\$ 2,093,778	45.00%	6.40%
26	\$ 2,156,591	45.00%	6.26%
27	\$ 2,221,289	45.00%	6.14%
28	\$ 2,287,928	45.00%	6.03%
29	\$ 2,356,566	45.00%	5.92%
30	\$ 2,427,262	45.00%	5.82%

## Example 2

The table below uses the same scenario as in the prior example but assumes home prices remain flat. If you decide to pay off the **CHEIFS** after 1 year, you pay Cornerstone 22.60% of the home value. The **CHEIFS** settlement amount increases from 22.60% of the home value in year 1 to 45% of the home value in year 7. If you decide to pay off the **CHEIFS** in year 15, you pay Cornerstone 45% of the home value, and your annualized cost is 5.56%. As demonstrated in the table below for this example as well, no matter the year you decide to settle the **CHEIFS**, the annualized cost can never exceed at 12.99%, the **Annualized Cost Cap Percentage**.

Original Agreed Home Value	\$1,000,000.00
Capped Equity Share Return Percentage	45%
Assumed Home Price Appreciation	0%
Investment Payment	\$200,000.00
Annualized Cost Cap Percentage	12.99%

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
0	\$ 1,000,000	20.00%	
1	\$ 1,000,000	22.60%	12.99%
2	\$ 1,000,000	25.53%	12.99%
3	\$ 1,000,000	28.85%	12.99%
4	\$ 1,000,000	32.60%	12.99%
5	\$ 1,000,000	36.83%	12.99%
6	\$ 1,000,000	41.62%	12.99%
7	\$ 1,000,000	45.00%	12.28%
8	\$ 1,000,000	45.00%	10.67%
9	\$ 1,000,000	45.00%	9.43%
10	\$ 1,000,000	45.00%	8.45%
11	\$ 1,000,000	45.00%	7.65%
12	\$ 1,000,000	45.00%	6.99%
13	\$ 1,000,000	45.00%	6.44%
14	\$ 1,000,000	45.00%	5.96%
15	\$ 1,000,000	45.00%	5.56%
16	\$ 1,000,000	45.00%	5.20%
17	\$ 1,000,000	45.00%	4.89%

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Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
18	\$ 1,000,000	45.00%	4.61%
19	\$ 1,000,000	45.00%	4.36%
20	\$ 1,000,000	45.00%	4.14%
21	\$ 1,000,000	45.00%	3.94%
22	\$ 1,000,000	45.00%	3.75%
23	\$ 1,000,000	45.00%	3.59%
24	\$ 1,000,000	45.00%	3.44%
25	\$ 1,000,000	45.00%	3.30%
26	\$ 1,000,000	45.00%	3.17%
27	\$ 1,000,000	45.00%	3.05%
28	\$ 1,000,000	45.00%	2.94%
29	\$ 1,000,000	45.00%	2.84%
30	\$ 1,000,000	45.00%	2.74%

**Your CHEIFS will never cost more than your Capped Equity Share Return Percentage of your home value, and your annualized cost will never exceed 12.99% - 14.99% (depending upon starting home value and total liens).**

## Your Maximum CHEIFS Amount And Equity Share Percentage

Depending on the **Homeowner's** circumstances (including home value, existing mortgage debt, occupancy status, credit score and other factors), and our guidelines, there is a maximum **CHEIFS** amount that will be available.

There are also a few other guideline restrictions which can impact how much proceeds may be available:

- Minimum **Investment Payment**: \$70,000
- Maximum **Original Agreed Home Value**: \$10,000,000
- Minimum **Original Agreed Home Value**: \$315,000
- **Maximum Allowable Equity Share Return Percentage**: up to 50%; varies based on **Property** value and occupancy

Let's review a few examples below.

### Example 1

- The home is a **Primary Residence**, and its current value is estimated at \$1,000,000
- There is no existing mortgage on the home
- The **Maximum Allowable Equity Share Return Percentage** is 50% based on home value and occupancy
- **CHEIFS Proceeds Percentage** = 45%

The **Maximum Available Equity Share Return Percentage** is the following:

<i>Maximum Allowable Equity Share Return Percentage</i>	–	<i>Existing mortgages as % of value</i>	=	<i>Maximum Available Equity Share Return Percentage</i>
50%	–	0%	=	50%

The **Initial Equity Share Return Percentage** is the following:

<i>CHEIFS Proceeds Percentage</i>	x	<i>Maximum Available Equity Share Return Percentage</i>	=	<i>Initial Equity Share Return Percentage</i>
45%	x	50%	=	22.50%

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The **Maximum Available Proceeds to Homeowner** is the following:

$$\begin{array}{rclcl} \text{Original Agreed} & & \text{Initial Equity Share} & & \\ \text{Home Value} & \times & \text{Return Percentage} & = & \text{Maximum Available} \\ & & & & \text{Proceeds to Homeowner} \\ \$1,000,000 & \times & 22.50\% & = & \$225,000 \end{array}$$

## Example 2

- The home is a **Primary Residence**, and its current value is estimated at \$1,000,000
- There is an existing \$200,000 mortgage on the home which is 20% of the home's value
- **CHEIFS Proceeds Percentage** = 45%

The **Maximum Available Equity Share Return Percentage** is the following:

$$\begin{array}{rclcl} \text{Maximum Allowable} & & \text{Existing mortgages} & & \\ \text{Equity Share Return} & - & \text{as \% of value} & = & \text{Maximum Available Equity Share} \\ \text{Percentage} & & & & \text{Return Percentage} \\ 50\% & - & 20\% & = & 30\% \end{array}$$

The **Initial Equity Share Return Percentage** is the following:

$$\begin{array}{rclcl} \text{CHEIFS Proceeds} & & \text{Maximum Available Equity Share} & & \\ \text{Percentage} & \times & \text{Return Percentage} & = & \text{Initial Equity Share} \\ & & & & \text{Return Percentage} \\ 45\% & \times & 30\% & = & 13.50\% \end{array}$$

The **Maximum Available Proceeds to Homeowner** is the following:

$$\begin{array}{rclcl} \text{Original Agreed} & & \text{Initial Equity Share} & & \\ \text{Home Value} & \times & \text{Return Percentage} & = & \text{Maximum Available} \\ & & & & \text{Proceeds to Homeowner} \\ \$1,000,000 & \times & 13.50\% & = & \$135,000 \end{array}$$

## CHEIFS Settlement Payment Examples

In the next few examples, we'll demonstrate in more detail the cost of the **CHEIFS** outlined in the prior examples upon **CHEIFS** settlement.

### Example 1

The example below is based on the following assumptions:

- The **Original Agreed Home Value** is \$1,000,000
- There is no existing mortgage on the home
- The **Investment Payment** is \$225,000
- The **Initial Equity Share Return Percentage** is 22.5%
- The **Capped Equity Share Return Percentage** is 50%
- The **Annualized Cost Cap Percentage** is 12.99%
- Assumed 3% Home Price Appreciation

As the table below shows, if you decide to pay off the **CHEIFS** after 1 year, you pay Cornerstone 24.68% of the home value in return for having received the **Initial Equity Share Return Percentage** of 22.5% of your home value one year prior. The **CHEIFS** payoff amount increases from 24.68% of the home value in year 1 to 50% of the home value in year 9. If you decide to pay off the **CHEIFS** in year 15, you pay Cornerstone 50% of the home value, and your annualized cost is 8.63%. No matter the year you decide to settle the **CHEIFS**, the annualized cost can never exceed 12.99%, and you never owe more than the **Capped Equity Share Return Percentage** of your home value which is called the **Equity Share Return**<sup>2</sup>.

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<sup>2</sup> Note: In addition to the **Equity Share Return**, the final **Settlement Payment** will include unpaid **Post- Funding Administrative Fees and Costs** and **Protective Advances**, if any. (See **Chapter 4** – Settling your **CHEIFS** for further details.)

**Product Guide**

Original Agreed Home Value \$1,000,000.00  
 Capped Equity Share Return Percentage 50%  
 Assumed Home Price Appreciation 3%  
 Investment Payment \$225,000.00  
 Annualized Cost Cap Percentage 12.99%

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
0	\$ 1,000,000	22.50%	
1	\$ 1,030,000	24.68%	12.99%
2	\$ 1,060,900	27.08%	12.99%
3	\$ 1,092,727	29.70%	12.99%
4	\$ 1,125,509	32.58%	12.99%
5	\$ 1,159,274	35.74%	12.99%
6	\$ 1,194,052	39.21%	12.99%
7	\$ 1,229,874	43.01%	12.99%
8	\$ 1,266,770	47.19%	12.99%
9	\$ 1,304,773	50.00%	12.56%
10	\$ 1,343,916	50.00%	11.56%
11	\$ 1,384,234	50.00%	10.76%
12	\$ 1,425,761	50.00%	10.09%
13	\$ 1,468,534	50.00%	9.52%
14	\$ 1,512,590	50.00%	9.05%
15	\$ 1,557,967	50.00%	8.63%
16	\$ 1,604,706	50.00%	8.27%
17	\$ 1,652,848	50.00%	7.95%
18	\$ 1,702,433	50.00%	7.67%
19	\$ 1,753,506	50.00%	7.42%
20	\$ 1,806,111	50.00%	7.20%
21	\$ 1,860,295	50.00%	6.99%
22	\$ 1,916,103	50.00%	6.81%
23	\$ 1,973,587	50.00%	6.64%
24	\$ 2,032,794	50.00%	6.48%
25	\$ 2,093,778	50.00%	6.34%
26	\$ 2,156,591	50.00%	6.21%
27	\$ 2,221,289	50.00%	6.09%
28	\$ 2,287,928	50.00%	5.98%
29	\$ 2,356,566	50.00%	5.88%
30	\$ 2,427,262	50.00%	5.78%

If we assume 0% home price appreciation and you decide to pay off the **CHEIFS** after 1 year, you pay Cornerstone 25.42% of the home value in return for having received the **Initial Equity Share Return Percentage** of 22.5% of your home value one year prior. The **CHEIFS** payoff amount increases from 25.42% of the home value in year 1 to 50% of the home value in year 7. If you decide to pay off the **CHEIFS** in year 15, you pay Cornerstone 50% of the home value, and your annualized cost is 5.47%. No matter the year you decide to settle the **CHEIFS**, the annualized cost can never exceed 12.99%, and you never owe more than the **Capped Equity Share Return Percentage** of your home value which is called the **Equity Share Return**<sup>3</sup>.

Original Agreed Home Value	\$1,000,000.00
Capped Equity Share Return Percentage	50%
Assumed Home Price Appreciation	0%
Investment Payment	\$225,000.00
Annualized Cost Cap Percentage	12.99%

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
0	\$ 1,000,000	22.50%	
1	\$ 1,000,000	25.42%	12.99%
2	\$ 1,000,000	28.73%	12.99%
3	\$ 1,000,000	32.46%	12.99%
4	\$ 1,000,000	36.67%	12.99%
5	\$ 1,000,000	41.44%	12.99%
6	\$ 1,000,000	46.82%	12.99%
7	\$ 1,000,000	50.00%	12.08%
8	\$ 1,000,000	50.00%	10.50%
9	\$ 1,000,000	50.00%	9.28%
10	\$ 1,000,000	50.00%	8.31%
11	\$ 1,000,000	50.00%	7.53%
12	\$ 1,000,000	50.00%	6.88%
13	\$ 1,000,000	50.00%	6.33%
14	\$ 1,000,000	50.00%	5.87%
15	\$ 1,000,000	50.00%	5.47%

<sup>3</sup> Note: In addition to the **Equity Share Return**, the final **Settlement Payment** will include unpaid **Post-Funding Administrative Fees and Costs** and **Protective Advances**, if any. (See **Chapter 4 – Settling Your CHEIFS** for further details.)

## Product Guide

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
16	\$ 1,000,000	50.00%	5.12%
17	\$ 1,000,000	50.00%	4.81%
18	\$ 1,000,000	50.00%	4.54%
19	\$ 1,000,000	50.00%	4.29%
20	\$ 1,000,000	50.00%	4.07%
21	\$ 1,000,000	50.00%	3.88%
22	\$ 1,000,000	50.00%	3.70%
23	\$ 1,000,000	50.00%	3.53%
24	\$ 1,000,000	50.00%	3.38%
25	\$ 1,000,000	50.00%	3.25%
26	\$ 1,000,000	50.00%	3.12%
27	\$ 1,000,000	50.00%	3.00%
28	\$ 1,000,000	50.00%	2.89%
29	\$ 1,000,000	50.00%	2.79%
30	\$ 1,000,000	50.00%	2.70%

## Example 2

The example below is based on the following assumptions:

- The **Original Agreed Home Value** is \$1,000,000
- The **Investment Payment** is \$135,000
- The **Initial Equity Share Return Percentage** is 13.5%
- The existing \$200,000 mortgage at closing remains outstanding at the time of **CHEIFS** settlement
- The **Capped Equity Share Return Percentage** is 30%
- The **Annualized Cost Cap Percentage** is 12.99%
- Assumed 3% Home Price Appreciation

As the table below shows, if you decide to pay off the **CHEIFS** after 1 year, you pay Cornerstone 14.81% of the home value in return for having received the **Initial Equity Share Return Percentage** of 13.5% of your home value one year prior. The **CHEIFS** payoff amount increases from 14.81% of the home value in year 1 to 30% of the home value in year 9. If you decide to pay off the **CHEIFS** in year 15, you pay Cornerstone 30% of the home value, and your annualized cost is 8.63%. No matter the year you decide to settle the **CHEIFS**, the annualized cost can never exceed 12.99%, and you never owe more than the **Capped Equity Share Return Percentage** of your home value which is the **Equity Share Return**.<sup>4</sup>

<sup>4</sup> In addition to the **Equity Share Return**, the final **Settlement Payment** will include unpaid **Post- Funding Administrative Fees and Costs** and **Protective Advances**, if any. (See **Chapter 4 – Settling Your CHEIFS** for further details.)

Original Agreed Home Value \$1,000,000.00  
 Capped Equity Share Return Percentage 30%  
 Assumed Home Price Appreciation 3%  
 Investment Payment \$135,000.00  
 Annualized Cost Cap Percentage 12.99%



Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
0	\$ 1,000,000	13.50%	
1	\$ 1,030,000	14.81%	12.99%
2	\$ 1,060,900	16.25%	12.99%
3	\$ 1,092,727	17.82%	12.99%
4	\$ 1,125,509	19.55%	12.99%
5	\$ 1,159,274	21.45%	12.99%
6	\$ 1,194,052	23.53%	12.99%
7	\$ 1,229,874	25.81%	12.99%
8	\$ 1,266,770	28.31%	12.99%
9	\$ 1,304,773	30.00%	12.56%
10	\$ 1,343,916	30.00%	11.56%
11	\$ 1,384,234	30.00%	10.76%
12	\$ 1,425,761	30.00%	10.09%
13	\$ 1,468,534	30.00%	9.52%
14	\$ 1,512,590	30.00%	9.05%
15	\$ 1,557,967	30.00%	8.63%
16	\$ 1,604,706	30.00%	8.27%
17	\$ 1,652,848	30.00%	7.95%
18	\$ 1,702,433	30.00%	7.67%
19	\$ 1,753,506	30.00%	7.42%
20	\$ 1,806,111	30.00%	7.20%
21	\$ 1,860,295	30.00%	6.99%
22	\$ 1,916,103	30.00%	6.81%
23	\$ 1,973,587	30.00%	6.64%
24	\$ 2,032,794	30.00%	6.48%
25	\$ 2,093,778	30.00%	6.34%
26	\$ 2,156,591	30.00%	6.21%
27	\$ 2,221,289	30.00%	6.09%
28	\$ 2,287,928	30.00%	5.98%
29	\$ 2,356,566	30.00%	5.88%
30	\$ 2,427,262	30.00%	5.78%

## Product Guide

If we assume 0% home price appreciation and you decide to pay off the **CHEIFS** after 1 year, you pay Cornerstone 15.25% of the home value in return for having received the **Initial Equity Share Return Percentage** of 13.5% of your home value one year prior. The **CHEIFS** payoff amount increases from 15.25% of the home value in year 1 to 30% of the home value in year 7. If you decide to pay off the **CHEIFS** in year 15, you pay Cornerstone 30% of the home value, and your annualized cost is 5.47%. No matter the year you decide to settle the **CHEIFS**, the annualized cost can never exceed 12.99%, and you never owe more than the **Capped Equity Share Return Percentage** of your home value which is the **Equity Share Return**.

Original Agreed Home Value	\$1,000,000.00
Capped Equity Share Return Percentage	30%
Assumed Home Price Appreciation	0%
Investment Payment	\$135,000.00
Annualized Cost Cap Percentage	12.99%

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
0	\$1,000,000	13.50%	
1	\$1,000,000	15.25%	12.99%
2	\$1,000,000	17.24%	12.99%
3	\$1,000,000	19.47%	12.99%
4	\$1,000,000	22.00%	12.99%
5	\$1,000,000	24.86%	12.99%
6	\$1,000,000	28.09%	12.99%
7	\$1,000,000	30.00%	12.08%
8	\$1,000,000	30.00%	10.50%
9	\$1,000,000	30.00%	9.28%
10	\$1,000,000	30.00%	8.31%
11	\$1,000,000	30.00%	7.53%
12	\$1,000,000	30.00%	6.88%
13	\$1,000,000	30.00%	6.33%
14	\$1,000,000	30.00%	5.87%
15	\$1,000,000	30.00%	5.47%

Settlement Year	Home Value	Equity Share Percentage	Annualized Cost
16	\$ 1,000,000	30.00%	5.12%
17	\$ 1,000,000	30.00%	4.81%
18	\$ 1,000,000	30.00%	4.54%
19	\$ 1,000,000	30.00%	4.29%
20	\$ 1,000,000	30.00%	4.07%
21	\$ 1,000,000	30.00%	3.88%
22	\$ 1,000,000	30.00%	3.70%
23	\$ 1,000,000	30.00%	3.53%
24	\$ 1,000,000	30.00%	3.38%
25	\$ 1,000,000	30.00%	3.25%
26	\$ 1,000,000	30.00%	3.12%
27	\$ 1,000,000	30.00%	3.00%
28	\$ 1,000,000	30.00%	2.89%
29	\$ 1,000,000	30.00%	2.79%
30	\$ 1,000,000	30.00%	2.70%

## Upfront Expenses

As in most real estate transactions, with **CHEIFS**, there are typical upfront third-party expenses, such as appraisal, flood certification, inspection, title, escrow, document preparation, credit and recording fees. You will have the option to reimburse Cornerstone at closing or finance any fees incurred by us on your behalf during the process with the exception of the Appraisal fee which is paid by you directly to the Appraisal Company. There is also an **Origination Fee** paid to Cornerstone in an amount not to exceed the greater of 2.99% of the Investment Proceeds or \$2,000 of the **Investment Proceeds** that offset a portion of the costs we incur to process, underwrite, close and administer your **CHEIFS Agreement**. The **Origination Fee** on a \$100,000 investment is \$2,990, and other third-party expenses may add up to about \$5,390 - \$6,190<sup>5</sup>, so net proceeds at funding might be between approximately \$93,810 - \$94,610. More detail about upfront expenses is provided in the **Appendix**.

<sup>5</sup> It is difficult to provide exact figures prior to processing an application. We have provided estimated price ranges. Actual amounts may be higher or lower.

### Some Final Thoughts on The Cost of Your CHEIFS

- Regardless of when your **CHEIFS** settles, your annualized cost can never exceed the **Annualized Cost Cap Percentage**.
- Your **Equity Share Percentage** may increase from the **Initial Equity Share Return Percentage** up to the **Capped Equity Share Return Percentage**, and the amount you owe can never exceed the **Capped Equity Share Return Percentage** of your home value.
- Regardless of the **CHEIFS** settlement year, your annualized cost is capped at 12.99%-14.99% (depending on starting home value and total liens), and you will never owe more than the **Capped Equity Share Return Percentage** of your home value.
- The cost of your **CHEIFS Agreement** is all paid at the end, versus a loan for which the cost is paid along the way. For many people, this is very valuable.

# Chapter 3:

## CHEIFS® Agreement Important Details

When you enter into a **CHEIFS Agreement**, you commit to following specific requirements designed to maintain and protect the value of your home. This chapter contains a summary of those requirements.

### The Legal Documents

What's at the core of **CHEIFS**? Legally speaking, it's a "forward sale and exchange agreement" made up of three interconnected legal documents.

- **Cornerstone Home Equity Investment Funding Solutions Agreement (the "Agreement")**

This is the **Primary Residence** document. It contains all of the financial terms, conditions, requirements, rights, responsibilities, and protections, and it defines the various ways in which the **CHEIFS Agreement** can end.

- **Cornerstone Home Equity Investment Funding Solutions Mortgage/Deed of Trust (the "Security Instrument")**

This document creates a secured lien on the home during the **Term**. It is recorded in the jurisdiction where the **Property** is located and is typically subordinate to any existing mortgage on your **Property**.

- **Memorandum of Cornerstone Home Equity Investment Funding Solutions Agreement (the "Memorandum")**

This document is recorded in the county or local jurisdiction where the **Property** is located. It also highlights specific features of the **CHEIFS Agreement** for public notice.

### Occupancy And Use

You will enjoy sole right of occupancy during the **Term** of the **CHEIFS Agreement**. Cornerstone has no occupancy rights.

You will declare your occupancy intention in your application as one of the following:

- **Principal Residence:** your principal living and sleeping residence that you occupy for at least 183 days in every 365-day period
- **Second Home:** an owner-occupied second home

## Product Guide

In real estate investment, it's generally understood that a **Second Home** is considered a riskier investment than a **Primary Residence**. Consequently, if the **Property** is not your **Primary Residence**, the **Total Home Encumbrance Limit** (outlined later in **Chapter 3** and the **Appendix**) for your **CHEIFS** will be lower.

If you start with the **Property** as your **Primary Residence** but later convert it to a **Second Home** during the **Term**, Cornerstone will adjust the **Total Home Encumbrance Limit** to what it would have been if the **Property** had initially been designated as a **Second Home**, reflecting the increased risk.

Whether your **Property** is your **Primary Residence** or a **Second Home**, you may rent it for up to total of 90 days per calendar year, provided it remains classified as your **Primary Residence** or **Second Home** and it is not treated as a rental or **Investment Property**.\*

At the end of your **CHEIFS Agreement**, if a rental agreement or tenant adversely affects the **Equity Share Return**, you must either terminate the rental agreement or remove the tenant and otherwise compensate Cornerstone for any resulting loss.

Your home must be used solely as a residential **Property**, except for a “home office.” You must ensure that your use and occupancy of the **Property** comply with all applicable state, federal, and local laws, zoning ordinances, and regulations, including environmental restrictions.

\*Cornerstone does not offer a **CHEIFS** on Investment/Rental properties. Conversion to an **Investment Property** is also not allowed.

## Keeping Your Home in Good Repair

To protect the value of your home, you are required to maintain it in good condition, allowing for normal wear and tear. All repairs should comply with local building codes. If you neglect to maintain the **Property** or fail to address significant defects or issues during the **Term** of your **CHEIFS Agreement**, a **Deferred Maintenance Adjustment Amount** may be applied when the **CHEIFS Agreement** concludes. Further details on this can be found in **Chapter 4** and the **Appendix**.

## Staying Current on Your Payments

You must promptly pay your mortgage, property taxes, property insurance and any other housing obligations, such as homeowners association dues or condominium fees.

## Maintaining Homeowner's Insurance

Our insurance requirements align closely with those typically mandated by mortgage lenders. Under the **CHEIFS Agreement**, you are required to maintain hazard insurance that covers the replacement cost of your home. As replacement costs increase, you must adjust your coverage accordingly. Your policy should include coverage for fire and other hazards typical for homes in your area. If your home is in a flood zone, flood insurance will be required, and there may be additional location-specific insurance requirements.

Cornerstone Financing LLC must be listed as a “mortgagee” and/or “additional insured” on all **Property** insurance policies for the duration of the **CHEIFS Agreement**, even if you change insurance carriers. Adding us as a loss payee is a straightforward process handled by your insurance provider. Should your home sustain damage that significantly impacts its value during the **CHEIFS Agreement**, you are expected to file an insurance claim and restore or repair the **Property** to its prior condition. If the **Property** is underinsured, you will need to cover the restoration or repair costs using your other assets.

## Observing The Total Home Encumbrance Limit

To ensure that you retain significant equity in your home throughout the **CHEIFS Agreement**, Cornerstone has established a provision called the **Total Home Encumbrance Limit**. This limit restricts the amount of liens that can be secured by your home to a certain percentage of its value, safeguarding both your equity and Cornerstone’s investment.

Typically, the limit ranges from 45% to 50% for a **Primary Residence** and 40% to 45% for a **Second Home**, though it can vary based on individual circumstances. This limit encompasses all outstanding mortgage balances, any available but undrawn credit lines (such as a home equity line of credit), and the value of the **Equity Share Return**, assuming there is no **Annualized Cost Cap Percentage**. It does not apply to unsecured financing, such as credit cards, car loans, or personal loans. If you switch from a **Primary Residence** to a **Second Home** during the **Term**, the **Total Home Encumbrance Limit** may be adjusted accordingly.

You are generally permitted to take out additional loans against your home during the **Term** of your **CHEIFS Agreement**, and we will typically subordinate our lien to the new loan, if you do not exceed the **Total Home Encumbrance Limit**. However, we will not subordinate to reverse mortgages, shared appreciation loans, or loans with negative amortization features. If the value of your home decreases during the **Term**, we may decline to subordinate to new or modified debt if it would increase the total debt on the **Property**.

If you obtain a new loan or refinance an existing one, we will assess a reasonable Administrative Fee to process the subordination of our lien to the new debt. Additionally, you will be responsible for any associated third-party expenses, such as recording fees.

Please note we cannot guarantee that a lender will offer the same **Terms** or extent of financing on a **Property** with a **CHEIFS** as they would on one without it. There may be instances where you need to terminate your **CHEIFS Agreement** to secure a future home loan.

The **Appendix** provides more details about the **Total Home Encumbrance Limit**, including a numerical example.

## Events of Default

If you default on your **CHEIFS Agreement**, we may need to take steps to safeguard our investment, which often also protects you. Defaults can occur due to uncontrollable life events, such as job loss or serious illness, or from violations of the **CHEIFS Agreement**, whether intentional or unintentional.

## Product Guide

**Events of Default** include:

- Falling behind on your mortgage, property taxes, homeowner's association dues and assessments or property insurance
- Failing to maintain insurance on the **Property**
- Allowing the condition of your home to deteriorate significantly or failing to restore your home to its previous condition after damage
- Taking on additional debt that exceeds the **Total Home Encumbrance Limit** or permitting a lien on your home other than as agreed to by Cornerstone
- Violating home usage law such as using your home for commercial purposes or constructing an addition to your home in violation of zoning restrictions or without building permits
- Renting or leasing the home for a cumulative total period exceeding 90 calendar days in the calendar year without Cornerstone's written approval
- Becoming insolvent or declaring bankruptcy
- Misrepresenting or omitting material facts when communicating with Cornerstone
- Attempting to sell or transfer your **Property** except as permitted by the **CHEIFS Agreement**
- Failing to provide the annual **Periodic Certification**
- Failing to notify us of a **Subsequent Marriage or Domestic Partnership**
- Any other occurrence, action, or inaction by **Homeowner** that may have a material adverse effect on the **Property**, the legal ownership of the **Property**, the value of the **Property**, or our rights under the **CHEIFS Agreement**

Not all defaults necessitate immediate action, but some do. We will inform you of any issues that need your attention and provide you with time to address them before declaring a default, unless the issue poses an immediate and significant risk. You have the option to resolve the issue or, alternatively, choose to settle your **CHEIFS Agreement**.

## Post-Funding Administrative Fees and Costs

Cornerstone will sometimes charge reasonable **Post-Funding Administrative Fees and Costs** in connection with the handling of various events that can occur during the **Term** of your **CHEIFS Agreement**. We have already mentioned this in connection with processing a:

- Change to title
- Subordination in connection with new or refinanced debt
- **Event of Default, Protective Advance and/or Orderly Sale**

**Post-Funding Administrative Fees and Costs** are payable when incurred. We understand that at certain times (such as in connection with an **Orderly Sale**) cash might be tight, so Cornerstone might sometimes be willing to defer payment of **Post-Funding Administrative Fees and Costs** until a later date, or even until the **CHEIFS Agreement** ends.

Cornerstone's current **Post-Funding Administrative Fees and Costs** schedule can be found in the **Appendix**.

## Periodic Certification

During the **Term** of your **CHEIFS Agreement**, you will be required to complete and provide updated information to us periodically. The Periodic Certification requests the following:

- The names and other information relating to the current occupants of the **Property** and confirmation that the **Homeowner** is responsible for informing all occupants of the **Property** of the existence, terms, and potential impact of the **CHEIFS Agreement** on their ability to inherit, or continue living in the **Property**
- If this is a **Primary Residence Agreement**, whether the **Property** is the **Primary Residence** of the **Occupying Homeowner(s)** and whether such **Occupying Homeowner** intends to occupy the **Property** as a **Second Home** or intends a **Permanent Move-out**
- If this is a **Primary Residence Agreement**, whether the **Property** is the **Primary Residence** of a **Non-Owner Spouse or Domestic Partner**, and whether such **Non-Owner Spouse or Domestic Partner** intends to occupy the **Property** as a **Second Home** or intends a **Permanent Move-out**
- If this is a **Second Home Agreement**, whether the **Property** is the **Second Home** of the **Occupying Homeowner(s)** and whether such **Occupying Homeowner(s)** intends/intend a **Permanent Move-Out**
- Whether the **Property** has been leased or rented for a total period exceeding 90 calendar days in the calendar year without the approval of Cornerstone, and if **Homeowner** intends to lease or rent the **Property** for a cumulative total period exceeding 90 calendar days in the calendar year without the written approval of Cornerstone
- Information concerning **Occupying Homeowner's** current successor trustees, administrators, heirs, or representatives
- Whether any material loss or damage to the **Property** has occurred and, if so, a description of the nature of such loss and whether insurance proceeds have been made available for the repair or restoration of the **Property** (including the amount of such insurance proceeds)
- Whether there has been any change in the ownership of the **Property**, including if a **Homeowner** is a limited liability company or corporation, or any change in the membership, ownership or management of such **Homeowner**
- Whether an **Occupying Homeowner** or a **Qualifying Non-Owner Spouse or Domestic Partner** has married or entered into an agreement or arrangement for cohabitation with a Domestic Partner
- Whether any improvements **Homeowner** has made, or plans to make, on or to the **Property** will increase the value of the **Property** or the useful life of the **Property**

### Informing Cornerstone About Changes

You (or your Estate) are required to promptly notify us of any developments that could have a material impact on your home or our rights under the **CHEIFS Agreement**, including, but not limited to:

- Your decision to sell or transfer your home, or receiving an offer to purchase your home
- The death or divorce of any **Occupying Homeowner** or **Spouse or Domestic Partner**
- The death or removal of any Trustee or Trustor, or the appointment of any substitute or additional Trustee or Trustor under a Revocable Trust
- A non-signatory to the **CHEIFS Agreement** becomes an owner of your home
- If **Homeowner** is a limited liability company or corporation, the death, removal, or any change in the ownership, or management of such **Homeowner**
- Any lien is placed on your home
- A change in occupancy status
- Filing for personal bankruptcy
- Failing to maintain required property insurance
- Falling behind on your mortgage, property taxes or property assessments
- Significant **Property** damage due to fire or some other hazard
- Environmental matters affecting the **Property**
- Commencement of any legal action affecting the **Property**
- A condemnation of your home

### Annual Statements

During the **Term** of your **CHEIFS Agreement**, you will receive annual statements from Cornerstone, which will provide an estimate of your home's current value and an estimate of the **Equity Share Return**, assuming you were to sell your home or request a **Homeowner Termination** at that time.

## Chapter 4: Settling Your CHEIFS®

Your **CHEIFS Agreement** will typically end when one of the following **Settlement Events** occurs:

1. You decide to sell your home ("**Permitted Sale**")
2. You choose to buy Cornerstone out ("**Homeowner Termination**")
3. The **Last Surviving Managing Homeowner** passes away or permanently moves out of the home and the **Qualifying Non-Owner Spouse or Domestic Partner Settlement Option** is not exercised – See **Qualifying Non-Owner Spouse or Domestic Partner Settlement Option** for requirements/eligibility
4. You reach the **CHEIFS Agreement End Date**, which is the 150<sup>th</sup> birthday of the youngest **Occupying Homeowner**, if no other **Settlement Event** has occurred

This chapter will outline the process for each type of ending. Before that, however, we will explore some particular circumstances that may lead to adjustments in the **Settlement Event Home Value**.

### Property Improvement Adjustment Amount

Enhancing your home through improvements can boost its value and enjoyment. As a supportive partner in homeownership, the **CHEIFS Agreement** is designed to accommodate your efforts. When you invest in home improvements at your own expense and increase your home's value, it's only fair that you retain the added value. To reflect this, the **CHEIFS Agreement** includes a provision known as the **Property Improvement Adjustment Amount**.

Here's an example to illustrate how it works:

- You enter into a **CHEIFS Agreement**, and soon after, you improve your home by adding two new bedrooms and a bathroom
- At the end of year ten, you sell your home for \$1,000,000 (the **Settlement Event Home Value**)
- You request a **Property Improvement Adjustment Amount** as part of the sales process. An appraiser determines that the improvements you made ten years ago added \$100,000 to the current value of your home
- Cornerstone applies a \$100,000 **Property Improvement Adjustment Amount** to the **Settlement Event Home Value**
- The **Equity Share Return** is calculated based on a value of \$900,000. We call this the **Net Home Worth**
- The result: Cornerstone does not share any value your home improvements created

It's important to understand that the cost of your home improvement project does not influence the **Property Improvement Adjustment Amount**. Instead, this amount reflects the increase in your home's value directly attributable to your improvements at the time of sale or when you settle the **CHEIFS Agreement**. An independent third-party appraisal will determine this amount.

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To help the appraiser assess the added value, you must provide clear, detailed photographic evidence of your **Property** before the improvements, along with supporting documents such as building permits and project descriptions. This will allow the appraiser to compare the **Property's** condition before and after your improvements.

For your project to be eligible for a **Property Improvement Adjustment Amount**, you must adhere to local building codes and obtain any necessary work permits and certificates of occupancy.

A more detailed example of how the **Property Improvement Adjustment Amount** is calculated can be found in the **Appendix**.

## Deferred Maintenance Adjustment Amount

Throughout the **Term** of the **CHEIFS Agreement**, you are responsible for keeping your home in good condition, allowing normal wear and tear. Cornerstone's investment is based on the expectation that you will uphold this responsibility. If you fail to do so, the value of your home at the end of the **CHEIFS Agreement** could be lower than if it had been well-maintained, which would adversely affect all parties.

To address that, the **CHEIFS Agreement** contains a provision called the **Deferred Maintenance Adjustment Amount**. It's essentially the opposite of the **Property Improvement Adjustment Amount**.

- Suppose you decide to sell your home 10 years after entering into a **CHEIFS Agreement**, and the **Settlement Event Home Value** is \$50,000 less than it should be due to extensive termite damage. In that case, we will have the right to make a **Deferred Maintenance Adjustment Amount**.
- To calculate the **Equity Share Return**, the **Settlement Event Home Value** would be adjusted upward by \$50,000 (to arrive at the **Net Home Worth**), so Cornerstone would not share in the loss.
- Cornerstone determines the **Deferred Maintenance Adjustment Amount** based on independent third-party appraisals, inspections, and repair estimates.

You can think of the **Property Improvement Adjustment Amount** and **Deferred Maintenance Adjustment Amount** as opposite sides of the same coin. In each case, something happened during the **Term**; the resulting adjustment preserves the spirit of our agreement.

A more detailed example of the **Deferred Maintenance Adjustment Amount** can be found in the **Appendix**.

In some cases, both a **Property Improvement Adjustment Amount** and a **Deferred Maintenance Adjustment Amount** can be applied to the **Settlement Event Home Value**.

$$\begin{array}{ccccccc} \textit{Settlement Event} & - & \textit{Property} & + & \textit{Deferred} & = & \textit{Net Home Worth} \\ \textit{Home Value} & & \textit{Improvement} & & \textit{Maintenance} & & \\ & & \textit{Adjustment Amount} & & \textit{Adjustment Amount} & & \end{array}$$

	Property Improvement Adjustment	Deferred Maintenance Adjustment
<b>What Happened During The Term</b>	You made home improvements which increased your home's value	You did not properly maintain your home, which decreased it's value
<b>The Spirit of Our Agreement</b>	You paid for the improvements; you keep all of that additional value	Cornerstone invests assuming you will maintain the home; we are negatively impacted if you don't
<b>What Happens When the CHEIFS Ends</b>	Property Improvement Adjustment decreases Settlement Event Home Value	Deferred Maintenance Adjustment increases Settlement Event Home Value
<b>Result</b>	Cornerstone does not share in the value added by your improvements	Cornerstone does not share in the value lost by improper maintenance

## Agreement End Date/Maximum Term

The **CHEIFS Agreement** usually will end on the occurrence of a **Settlement Event**, which is typically a sale of the **Property**, exercise by the **Homeowner** of the **Homeowner Termination Right**, or the **Permanent Move-Out** or death of the **Last Surviving Managing Homeowner**. However, in no event will the **CHEIFS Agreement** extend beyond the 150th birthday of the youngest **Occupying Homeowner**. If you are still in your home when the **CHEIFS Agreement** ends, you must settle your **CHEIFS Agreement**. You can choose to sell your home or do a **Homeowner Termination**. If you qualify for a mortgage, you may be able to pay some or all of the cost of a **Homeowner Termination** by refinancing your mortgage or obtaining an additional loan against your **Property**. Since the **Homeowner Termination** would end your **CHEIFS Agreement**, the **Total Home Encumbrance Limit** described in **Chapter 3** would no longer be restricted.

## Selling Your Home / Permitted Sale

You are free to sell your home at any time. Once you decide to sell, you must notify Cornerstone and provide all relevant documentation. If you plan to request a **Property Improvement Adjustment Amount**, please inform us and submit evidence of the **Property's** condition before the improvements. We need to establish the **Settlement Event Home Value** and **Net Home Worth** to determine the **Equity Share Return**. This value generally equals the sale price from a genuine, arm's-length transaction with a third-party buyer. It includes the fair market value of any non-cash considerations (like seller concessions) but excludes deductions for closing costs, taxes, fees, mortgages, other liens, sales commissions, or appraisal costs.

Upon receiving your notice to sell, we will, at our discretion, arrange for an independent valuation (e.g., property valuation report or broker price opinion) and/or a third-party appraisal or appraisals. You also have the right to request one additional independent appraisal. This appraisal and a potential property

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inspection will be necessary if you seek a **Property Improvement Adjustment Amount**. The **Settlement Event Home Value** will be the highest of the independent valuation, appraised value (or the average if multiple appraisals are obtained), or sale price.

Once the **Settlement Event Home Value** and **Net Home Worth** are determined, we will send the **Closing Services Provider** a settlement statement detailing the amount of the **Equity Share Return** and any outstanding **Post-Funding Administrative Fees and Costs** and unpaid **Protective Advances** (the “**Settlement Payment**”) required to release our lien. At closing, the **Closing Services Provider** will pay us the **Settlement Payment** from the sale proceeds and release our lien, satisfying the **CHEIFS Agreement**. Your proceeds from the sale will be affected by the amount owed to us, any remaining loan balances, and costs associated with the the sale of your home.

### Distribution Of Sale Proceeds

Let’s take a quick look at how sale proceeds are distributed when you sell your home. We’ll assume the following:

- **The Original Agreed Home Value** was \$1,000,000. You chose an **Investment Payment** of \$200,000, which was 20% of your home’s value. Your **Capped Equity Share Percentage** is 45%
- You had one mortgage on your **Property** with a remaining balance of \$300,000
- You sell your home seven years later for \$1,250,000. Although the **Equity Share Percentage** is 45% of that amount, or \$562,500, the **Annualized Cost Cap Percentage** limits the **Equity Share Return** to \$470,230
- Proceeds from a home sale are typically distributed by the **Closing Services Provider** in the following order:
  1. Selling expenses are paid first, including realtor commissions and escrow fees. This can typically add up to about 6-9% of the sale price. We’ll assume 7%.  $\$1,250,000 \times 7\% = \$87,500$
  2. The remaining balance on your mortgage is paid next. We’ll assume that after seven years of monthly payments, your loan balance has declined from \$300,000 to \$250,000
  3. The **Equity Share Return** of \$470,230 is paid next
  4. You receive the remainder of the sale proceeds, which is \$442,270

#### Distribution of Sale Proceeds

Sale Price	7% Selling Expenses	Loan Balance	Equity Share Return	Net Proceeds from Sale
\$1,250,000	- \$87,500	- \$250,000	- \$470,230	= \$442,270

## Homeowner Termination Right

During the **Term** of your **CHEIFS Agreement**, you have the option to terminate the agreement without selling your home by buying out Cornerstone. This is known as the **Homeowner Termination Right**. To initiate this process, a **Homeowner Termination Request** must be submitted at least 60 calendar days before your desired **Settlement Date**. There are no prepayment penalties.

The calculation and payment of the **Equity Share Return** and **Settlement Payment** are handled similarly to a home sale, including adherence to the **Annualized Cost Cap Percentage**. Since there's no sales price to determine the **Settlement Event Home Value** and **Net Home Worth**, it will be established by an independent appraisal or, if multiple appraisals are obtained, by averaging them. If applicable, the appraisals will also determine the **Property Improvement Adjustment Amount**. We might also arrange for a **Property** inspection to assess if a **Deferred Maintenance, Non-Compliant** and/or **Negative Property Improvement Adjustment Amount** is necessary.

Once we determine the **Settlement Event Home Value** and **Net Home Worth**, we will send a settlement statement detailing the amount of the **Equity Share Return** and any outstanding **Post-Funding Administrative Fees and Costs** and unpaid **Protective Advances** (the "**Settlement Payment**"). Upon receipt of the **Settlement Payment** required to satisfy the **CHEIFS Agreement**, Cornerstone will release our lien.

If you qualify for a mortgage loan, you may be able to finance some or all of the **Homeowner Termination** costs by refinancing or securing an additional loan against your **Property**. With the termination of your **CHEIFS Agreement**, the **Total Home Encumbrance Limit** outlined in Chapter 3 will no longer apply.

## Partial Buyout

To provide even more flexibility, you can request a **Partial Buyout** at any time during your **CHEIFS Agreement's Term**. The process and calculations are the same as with a **Homeowner Termination**, except you identify your intention as a **Partial Buyout** and let us know what portion of your **CHEIFS Agreement** you want to buy out.

**Partial Buyouts** require approval from Cornerstone, though such approval will be granted so long as the remaining equity is not reduced below 25% of the original amount. There is no set limit on the number of **Partial Buyouts** you can perform during the **Term** if you cover the costs for each required appraisal (and a home inspection, if necessary). Here's an example:

- You enter a **CHEIFS Agreement**
  - **Original Agreed Home Value** is \$1,000,000
  - Your **Investment Payment** is \$200,000, which is 20% of your home's value
  - Your **Capped Equity Share Percentage** is 45%
- Two years later you request a **Partial Buyout** for 40% of your **CHEIFS Agreement**
  - Cornerstone approves your request

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- Let's assume the **Net Home Worth** after 2 years for purpose of the **Partial Buyout** is established by appraisal at \$1,100,000. The **Equity Share Return** amount due is the lesser of the following:

- (i) **Capped Equity Share Return Percentage** (45%) x **Net Home Worth** (\$1,100,000) = **\$495,000**  
or
- (ii) **Cost Cap Equity Share Return** = **Investment Payment** (\$200,000.00) X (1 + **Annualized Cost Cap Percentage** (12.99%) ^ (Term Days (730) / 365) )

$$\text{Cost Cap Equity Share Return} = \$200,000 \times (1.1299)^{(2.00)}$$

$$\text{Cost Cap Equity Share Return} = \$200,000 \times 1.27667401$$

$$\text{Cost Cap Equity Share Return} = \$255,334.80$$

The **Equity Share Return** is \$255,334.80

- Assuming a **Partial Buyout Payment** of \$102,133.92
- Partial Buyout Percentage** = \$102,133.92/\$255,334.80
- Partial Buyout Percentage** = 40%

The payment needed to buy out 40% of your **CHEIFS Agreement** is, therefore, \$102,133.92 (\$255,334.80 X 40%).

<i>Capped Equity Share Return Percentage (before Partial Buyout)</i>	X	<i>1-Partial Buyout Percentage</i>	=	<i>Equity Share Percentage (post-Partial Buyout) (1-40%)</i>
45%	x	1-40%	=	27%

After the partial buyout of 40%, 60% of your **Equity Share Percentage** results in 27% remaining.

Upon making this **Partial Buyout Payment** plus the unpaid **Post Funding Administrative Fees and Costs** and **Protective Advances**, your **Equity Share Percentage** is reduced from 45% to 27%, your **Investment Payment** is reduced by 40 % to \$120,000, and your **CHEIFS Agreement** continues.

## Death or Permanent Move-out Of the Last Surviving Managing Homeowner

At the beginning of the **CHEIFS Agreement**, all property owners (as listed on the title policy) and their spouses or domestic partners, regardless of ownership status, must sign the **CHEIFS Agreement**. If the **Last Surviving Managing Homeowner** dies or permanently vacates the **Property**, it's a **CHEIFS Settlement Event** unless a **Qualifying Non-Owner Spouse or Domestic Partner** timely exercises the **Settlement Event Option**. (Refer to the **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option** requirements below for more details.)

In the event of your death and if there is no surviving **Occupying Homeowner**, your heirs or estate will need to settle the **CHEIFS Agreement** by either selling the home or initiating a **Homeowner Termination**. It is crucial to discuss the implications of the **CHEIFS Agreement** with your heirs and executor while you are alive, so they understand its impact on your estate. Additionally, if a spouse or domestic partner ("Subsequent Spouse or Domestic Partner") is added to the **Property** title during the **Term** of the **CHEIFS Agreement**, you must inform Cornerstone, as this person will be bound by the **CHEIFS Agreement** but will **NOT** have the right to exercise the **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option**.

If your heirs choose to settle through a **Homeowner Termination** and are eligible for a mortgage, they might be able to finance some or all the termination costs by refinancing or taking out an additional loan against the **Property**. Since a **Homeowner Termination** ends the **CHEIFS Agreement**, the **Total Home Encumbrance Limit** described in **Chapter 3** would no longer apply. If your heirs cannot cover the **Homeowner Termination** costs, they will need to sell the **Property** to pay the **Settlement Payment** and settle the **CHEIFS Agreement**.

The **CHEIFS Agreement** grants your heirs or estate a 180-day period to decide their settlement method. Cornerstone may extend this period by 180 days if the sale of the **Property** is the chosen settlement method.

## Other Ways of Settling Your CHEIFS Agreement

There are a few highly unusual circumstances under which the **CHEIFS Agreement** can end:

- The **Property** is badly damaged by fire or other hazards and not rebuilt
- The **Property** is condemned
- The **Property** is foreclosed upon
- As a result of a material and uncured default by you

More information about each can be found in **Chapter 5** or the **Appendix**.

### Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option

A **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option** is a one-time option available to a **Qualifying Non-Owner Spouse or Domestic Partner** to remedy a **Settlement Event** triggered by the **Permanent Move-Out** or death of the **Last Surviving Managing Homeowner**. If applicable, and if the **Qualifying Non-Owner Spouse or Domestic Partner** elects to timely exercise this option, the **Equity Share Percentage** will be increased to the amount agreed to in the contract documents.

#### Eligibility

A **Non-Owner Spouse or Domestic Partner** may be eligible to exercise the **Settlement Event Option** provided the **Non-Owner Spouse or Domestic Partner** has (i) continuously occupied the **Property** as his/her **Primary Residence** following the **Effective Date** of the **CHEIFS Agreement** through the **Permanent Move-Out** of the **Occupying Homeowner(s)**, or the death of the **Last Surviving Managing Homeowner**, (ii) such **Non-Owner Spouse or Domestic Partner** continues to occupy the **Property** as his/her/their **Primary Residence** following such death or **Permanent Move-Out**; (iii) such **Non-Owner Spouse or Domestic Partner** has continuously been the **Non-Owner Spouse or Domestic Partner** of the **Occupying Homeowner** since the **Effective Date**, and (iv) such **Non-Owner Spouse or Domestic Partner** has **Good and Marketable Title** to the **Property** on or before the **Permanent Move-Out** of the **Occupying Homeowner(s)**, or the death of the **Last Surviving Managing Homeowner** (the “**Qualifying Non-Owner Spouse or Domestic Partner**”).

### Settlement Expenses

You are responsible for covering all third-party transaction expenses related to any **Settlement Event** unless these are paid by a buyer if the **Property** is sold. These expenses may include appraisal fees, inspection fees, recording fees, reconveyance fees, escrow fees, title reports, insurance fees and sales commissions as well as federal, state, local, and documentary transfer taxes and sales commissions. Additionally, we will charge reasonable **Post-Funding Administrative Fees and Costs** for processing the **Settlement Event**.

### Protective Advances/Orderly Sale

In the rare event of a significant and unresolved default, Cornerstone may need to take measures to protect its investment, which could include initiating foreclosure proceedings in accordance with the law. You will be given ample opportunity to resolve the issue, but failure to do so could result in losing the **Property**. In cases of foreclosure or other distressed situations, we will use one or more appraisals to determine the **Settlement Event Home Value** and **Net Home Worth** for calculating the **Equity Share Return**.

We will charge **Post-Funding Administrative Fees and Costs** and invoice you for reasonable and customary third-party expenses related to the default, such as legal fees, in accordance with applicable law.

Foreclosure is always a last resort. As co-investors in your home, our interests are generally aligned, and we will typically seek alternative remedies to help you address the problem, such as:

### Protective Advances

If a default materially jeopardizes the value of the **Equity Share Return**, we will have the right to take action to protect your home's value. We can sometimes do this by making a **Protective Advance**, which is money that Cornerstone spends on your behalf. For example, if you fail to pay your property tax bill, we might decide to correct the problem by making a **Protective Advance** to pay it.

The **CHEIFS Agreement** gives us the right to make **Protective Advances** when we deem necessary. You will always be responsible for repaying any **Protective Advances** we make on your behalf, and you will typically be charged a **Post-Funding Administrative Fee** when we make one. You may also be charged interest on the balance of any **Protective Advance** until it is repaid. This is the only circumstance in which interest is ever paid under the **CHEIFS Agreement**.

### Orderly Sale

If you fall behind on your mortgage and the lender starts a foreclosure process, it's in our best interest to help you get the best sale price possible for your home. To do this, Cornerstone might decide to offer you something called an **Orderly Sale** which is designed to prevent your home from going to foreclosure and becoming a "distressed" property.

For example, we might offer to make a payment to the lender to bring the mortgage loan current, which would stop the foreclosure process, and then you and we, working together, would market your home for sale in the normal way. We might also make the monthly mortgage payments on your behalf until the sale closes. This can help preserve your home's value so it can be sold for the maximum possible price. It can also protect your credit since you would not have a foreclosure on your record. This feature is a good example of how our interests are aligned as co-investors in your home.

Note that Cornerstone is not obligated to offer an **Orderly Sale** and would evaluate doing so based on the circumstances of the default, home value, **Total Home Encumbrance** and other considerations. Any payments made by Cornerstone in connection with an **Orderly Sale** would be deemed **Protective Advances**, and Cornerstone would have the right to charge **Post-Funding Administrative Fees and Costs** and incur typical third-party costs at your expense.

### Handling Disagreement

During the **Term** of your **CHEIFS Agreement**, disagreements may arise regarding matters such as the **Settlement Event Home Value**, the **Property Improvement Adjustment Amount**, or the **Deferred Maintenance Adjustment Amount**. It's crucial for both you and Cornerstone to agree on accurate figures, and we are dedicated to ensuring a fair process for resolving any disputes.

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Should any disagreement arise, a simple two-step process may apply:

1. After reviewing appraisals, inspection reports of value, repair estimates and any other information either party may request a reconsideration of value. One or more additional appraisals, appraisal reviews, alternative property valuations, inspection reports, or repair estimates may be obtained. Our goal is to obtain additional information if useful and have a constructive discussion resulting in a friendly agreement.
2. If we are still unable to agree in good faith, the issue will be determined through binding arbitration, which is a relatively easy and inexpensive process in which the relevant materials are provided to an independent, neutral arbitrator who makes the final determination.

## Settlement Payment

Throughout this Product Guide we have referred to the payment you make to Cornerstone when the **CHEIFS Agreement** ends as the **Equity Share Return**. There can be circumstances in which the payment to Cornerstone can exceed the amount of the **Equity Share Return**.

**Post-Funding Administrative Fees and Costs** are the sum of any unpaid Administrative Fees, appraisal and inspection expenses, unreimbursed **Protective Advances**; unpaid interest, fees and other charges associated with **Protective Advances**; as well as any other amounts expended by Cornerstone to protect its rights or the value of the **Property** in an **Event of Default**.

If there are any **Post-Funding Administrative Fees and Costs** or **Protective Advances** outstanding at the time the **CHEIFS Agreement** ends, they must be repaid. The total amount due to Cornerstone is called the **Settlement Payment**, and it equals the **Equity Share Return** plus any **Post-Funding Administrative Fees and Costs** along with unpaid **Protective Advances**. **Post-Funding Administrative Fees and Costs** and unpaid **Protective Advances** are also payable at the time of a **Partial Buyout**.

$$\begin{array}{l} \textit{Protective} \\ \textit{Advances} \end{array} + \begin{array}{l} \textit{Post-Funding} \\ \textit{Administrative} \\ \textit{Fees and Costs} \end{array} + \begin{array}{l} \textit{Equity Share} \\ \textit{Return} \end{array} = \begin{array}{l} \textit{Settlement Payment} \end{array}$$

# Chapter 5: Other Important Information

## Title, Ownership, and Cornerstone's Lien

**CHEIFS** permits you to hold title to your **Property** in the name of a revocable inter vivos family trust, provided that at least one trustor lives in the home as their **Primary Residence** or **Secondary Residence**. All trustees and trustors sign the **CHEIFS Agreement** in their official capacities and as individuals. A corporate entity, such as an LLC, may also hold the title, though this is subject to specific restrictions and Cornerstone review and approval.

### Corporate Entity Restrictions and Requirements

- An **Occupying Homeowner** must be the member/manager or shareholder with a controlling interest in the Corporate Entity
- The members/managers or shareholders must have the authority to mortgage the real **Property** expressly granted in the Corporate Entity documents
- The Corporate Entity must be in good standing in the state of origin

Life events may occur during the **Term** of the **CHEIFS Agreement** that require changes to the title or ownership of your home or Cornerstone's lien. We will help you manage such changes as they relate to **CHEIFS**, including:

- Placing your home in a family trust
- Adding or removing one or more persons from the title of your home
- Subordinating to a new loan

Depending on the type and amount of work required to accommodate the changes, there will be a reasonable **Post-Funding Administrative Fees and Costs** charged, and you will pay or reimburse Cornerstone for any third-party expenses related to the work.

## Appraisal and Inspection Standards and Procedures

It is essential to determine the fair market value of your home and assess its condition both at origination and at settlement. This evaluation is also necessary for any termination of the **CHEIFS Agreement** and may involve calculating various adjustments, such as the **Property Improvement Adjustment Amount**, **Deferred Maintenance Adjustment Amount**, **Non-Compliant Property Improvement Adjustment**, and others. Ensuring objectivity and accuracy in the appraisal and inspection process is crucial for the **CHEIFS Agreement**, and we are dedicated to maintaining these standards through our established procedures, including:

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- Appraisers and inspectors must be neutral third parties unaffiliated with either of us
- Appraisers must comply with the Uniform Standards of Professional Appraisal Practice, all applicable federal and state laws and regulations, and satisfy the requirements of Fannie Mae, Freddie Mac or the Federal Housing Administration
- Inspectors must be experienced experts in the local community and be licensed where required. In support of these goals, Cornerstone requires **Homeowners** to cooperate with appraisers and inspections by:
  - Granting full and prompt access to the **Property**
  - Making all relevant documentation available
  - Ensuring that the home is presented in reasonable condition to be appraised or inspected

Cornerstone orders appraisals through an independent appraisal management company or a third-party appraiser. Inspections, on the other hand, are generally arranged by the **Homeowner** through a local inspection company upon Cornerstone's request. In some situations, alternative property valuations, such as a Broker Price Opinion (BPO) or Automated Valuation Model (AVM), may be used alongside or instead of a traditional appraisal. Specialized inspections, including those for pests or roofing, might also be required. The **Homeowner** typically covers the cost of appraisals ordered by Cornerstone and any inspections needed for the origination, termination, or calculation of the **Equity Share Return**, upon a **Settlement Event** or **Partial Buyout**.

If there is a concern about the accuracy of an appraisal, either you or Cornerstone can request a timely reconsideration or an additional appraisal, with the requesting party generally responsible for the associated costs.

## Tax Impact

It is our understanding that the cash you receive from us when you enter into a **CHEIFS Agreement** should not be taxable at that time, and there should be typical real estate capital gains tax treatment when the **CHEIFS Agreement** ends. Cornerstone does not provide tax advice. Since each **Homeowner's** tax situation is unique, you must consult with and rely on the advice provided by your tax advisor, not Cornerstone, for a full explanation of the tax impact of the **CHEIFS Agreement**. Cornerstone does not make any representations or warranties concerning tax matters or the tax treatment of payments made, or obligations owed under the **CHEIFS Agreement**.

**Home Equity Investment Agreements solve problems that debt cannot.**



Cornerstone Financing was established to transcend the limitations of traditional financial planning. Drawing on our extensive expertise in finance, we recognized an opportunity to create a more innovative approach.

Thus, CHEIFS was born — a solution designed to empower homeowners with greater control and smarter financial planning. With CHEIFS, you can navigate your financial future without having to liquidate assets or investments. Our goal is to enhance your liquidity, enabling future-focused planning without the burden of tax implications or missed investment opportunities.

It's a true win-win.

This guide has been thoughtfully crafted to help you fully grasp the value of CHEIFS and its positive financial impact. We are excited to collaborate with you and your advisors to achieve holistic and comprehensive financial planning.

***The Cornerstone Team***

# Appendix

## Upfront Expenses

As with most real estate transactions, there are upfront expenses with a **CHEIFS Agreement**, including fees payable to third parties and the Cornerstone **Origination Fee**. Each transaction is unique, so the types and amounts of expenses can vary greatly with the location and home value. It is difficult to provide exact figures prior to processing an application.

Here we provide descriptions and estimated price ranges. Actual amounts may be higher or lower. Your transaction may not include all of the expenses outlined and/or it may involve additional expenses not detailed here. Some fees may be collected by Cornerstone on behalf of third parties.

If we assume an **Original Agreed Home Value** of \$1,000,000, an **Investment Payment** of \$100,000, no recording tax or mortgage tax is payable, and no additional appraisal or inspection reports are needed, the cost of closing the **CHEIFS Agreement** might be between **\$3,965 - \$4,665**, as follows:

<b>Appraisal and property inspection fees:</b>	\$800
<b>Credit Report:</b>	\$50
<b>Flood Certification:</b>	\$15
<b>Title Report/Insurance:</b>	\$400 - \$1,100
<b>Settlement, recording and document fees:</b>	\$1,200
<b>Origination Fee:</b>	\$2,990
<b>TOTAL UPFRONT EXPENSES</b>	<b>\$5,455 - \$6,155</b>

The table below contains descriptions and typical amounts for the various expenses that may be applicable.

Service	Description	Amount
<b>Appraisal Report</b>	Paid to an independent third-party appraisal firm. Used to determine the value of your home. In some cases, two appraisals may be required. Alternative valuation reports such as an automated valuation method (AVM) or broker price opinion (BPO) may sometimes be used instead.	Typically \$600-\$1,000 per appraisal; can be higher on expensive properties.  Alternative valuation reports are typically less expensive.
<b>Credit Report</b>	Paid to an independent third-party credit reporting agency. Used to determine your credit history.	Typically \$50 per report.

<b>Flood Certification</b>	Paid to an independent third-party to certify whether a <b>Property</b> is located in a flood zone based on FEMA flood maps.	Typically \$15.
<b>Home Inspection Report</b>	Paid to an independent third-party inspection firm. Used to determine <b>Property</b> condition. Properties with condition issues may require more than one inspection such as a separate pest, roof or foundation inspection.	Typically \$300-\$550 per inspection; can be higher based on type of inspection or property value.
<b>Title Report and/or Title Insurance Premium</b>	Paid to an independent title and escrow provider. Used to confirm ownership and pre-existing liens. If Title Insurance is required, the premium will be based on <b>Property</b> state, <b>Investment Payment</b> and lien position.	Title report is typically about \$400. If title insurance is required, the fee is based on home value and may cost \$400-\$1,000 or more.
<b>Settlement and Escrow Fees and Mortgage or Intangible Tax</b>	Paid to independent vendors or the local government. May include, but are not limited to, the following: <ul style="list-style-type: none"> <li>- Settlement or Closing Fee</li> <li>- Notary Fee</li> <li>- Recording Fees</li> <li>- Courier/Delivery/Wire Fees</li> <li>- Mortgage and/or Intangible Taxes (City, County, State; not required in most jurisdictions)</li> </ul>	Typically \$1,200 or less if no mortgage or intangible taxes are required. (Note: These fees can vary; they are sometimes based on property value, and there may be additional taxes and fees in some jurisdictions.)
<b>Origination Fee</b>	Paid to Cornerstone. Offsets a portion of the processing, underwriting, closing and administration costs of your <b>CHEIFS Agreement</b> .	The greater of 2.99% of the Investment Proceeds or \$2000.
<b>Corporate Entity or Trust Review Fee</b>	Paid to Cornerstone approved counsel to determine if the entity or trust meets requirements to enter into the <b>CHEIFS</b> transaction.	Typically, \$300 per review.

## Post-Funding Administrative Fees & Costs

Cornerstone charges reasonable **Post-Funding Administrative Fees and Costs** in connection with the handling of various events that can occur during the **Term** of your **CHEIFS Agreement**. Fee descriptions and amounts are provided below.

Description	Amount
Processing changes to Title: <ul style="list-style-type: none"> <li>Addition or removal of <b>CHEIFS Agreement</b> signatory</li> <li>Other permissible changes to Title including change of Title into a Trust</li> </ul>	\$300
Processing <b>Protective Advances</b> made by Cornerstone (per advance) due to: <ul style="list-style-type: none"> <li>Non-payment of property insurance, property taxes, mortgage, or other obligation</li> <li>Deferred maintenance</li> <li>Other advances made to correct any defaults or to protect Cornerstone’s rights under the <b>Agreement</b> and the value of the Property</li> </ul>	\$250 <sup>6</sup>
Refinance Review Fee (Homeowner Right to Obtain a New Prior Lien or Increase, Modify, or Refinance an Existing Prior Lien): <ul style="list-style-type: none"> <li>Processing Subordination Requests</li> </ul>	\$500
Recording and Reconveyance (per document): <ul style="list-style-type: none"> <li>Release of lien</li> <li>Quitclaim deeds</li> <li>Other requested release documentation</li> </ul>	\$75
Processing an event requiring the determination of <b>Net Home Worth</b> : <ul style="list-style-type: none"> <li>Settlement Event (e.g., <b>Permitted Sale, Homeowner Termination</b>)</li> <li>Partial Buyout</li> </ul>	\$500
<b>Property Improvement Adjustment Amount</b> Review Fee, <b>Deferred Maintenance Adjustment</b> Review Fee, <b>Non-Compliant Property Improvement Adjustment Amount</b> Review Fee, or <b>Negative Property Improvement Adjustment Amount</b> Review Fee:	\$250
Administering an <b>Event of Default</b> :	\$500 - \$3,500 (estimated) <sup>7</sup>
Processing insurance or condemnation proceeds:	\$250

In addition to the fees itemized above, other actual, necessary, bona fide, reasonable, out-of-pocket fees and costs, customary to the area, which are paid by Cornerstone to third parties (including persons and entities retained by Cornerstone) may be charged to **Homeowner** (without mark-up by Cornerstone) from time to time during the **Term** or upon a **Settlement Event**, including fees and costs related to title, legal, recording, and appraisal, whether incurred in connection with an **Event Of Default**, a **Settlement Event**, or otherwise.

The above-listed fees are estimates based on the current costs of the service provided. These fees are subject to change as the costs of providing any such services change and may be adjusted annually in an amount that is no greater than increases in the Consumer Price Index for All Urban Consumers, U.S. City Average, for all items, 1982-84=100 (the “CPI-U”), published by the United States Department of Labor on its website at <http://www.bls.gov/cpi>, or any replacement or successor index as reasonably determined by Cornerstone if such index is no longer published.

<sup>6</sup> Plus interest on amounts advanced, in accordance with the **CHEIFS Agreement**.

<sup>7</sup> The range of **Post-Funding Administrative Fees and Costs** and/or **Protective Advances** which may be charged by Cornerstone in connection with an **Event Of Default** is an estimate only, given the difficulty of actually predicting the cost. As a result, the actual amount of such **Post-Funding Administrative Fees and Costs** and/or **Protective Advances** may vary depending on the duration, and difficulty of resolution, of any given **Event Of Default** and may significantly exceed the estimate given here. Under no circumstances, however, shall Cornerstone charge any **Post-Funding Administrative Fees and Costs** or **Protective Advances** in connection with an **Event Of Default** unless they are customary, reasonable, bona fide and actually incurred. Interest may be charged on such **Post-Funding Administrative Fees and Costs** and/or **Protective Advances**, in accordance with the **CHEIFS Agreement**.

## Unusual Situations

The **CHEIFS Agreement** contains several provisions that are intended to address unusual situations. They are mentioned here to make sure you are aware of them.

### Condemnation

If your **Property** is condemned in whole, condemnation proceeds will be allocated between you and Cornerstone as specified in the **CHEIFS Agreement** and the **CHEIFS Agreement** will end. In the case of a partial condemnation, your **CHEIFS Agreement** may continue.

### Damage

If your **Property** is damaged or destroyed by a hazard such as fire, all insurance proceeds will be applied to restore or repair the **Property** to at least the same condition as of the time immediately preceding its damage or destruction. If the **Property** was underinsured, you must pay for the restoration or repair out of your other assets. In situations where the **Property** is restored, your **CHEIFS Agreement** will continue. In situations where the **Property** is not restored, the **CHEIFS Agreement** will typically end.

If restoration or repair is not economically feasible, the insurance proceeds and remaining **Property** value will be allocated between you and Cornerstone as specified in the **CHEIFS Agreement**. We will be entitled to a share of the proceeds based on the market value of the home prior to the damage or destruction.

### Ensuring a fair sale price

The **CHEIFS Agreement** contains safeguards to assure that your home is being sold for its fair market value. If Cornerstone believes that a proposed sale price differs materially from the fair market value of your home, we may require one or more appraisals or other valuation reports to validate the sale price, to determine the **Settlement Event Home Value, Net Home Worth** and calculate the **Equity Share Return**.

### Sale by owner, non-MLS sales and intra-family sales

You are not required to use a real estate professional to assist with your home sale. However, if you sell your home without placing it on the open market through the Multiple Listing Service (MLS) and we determine that you are selling for less than fair market value, we may require one or more appraisals or other valuation reports to validate the sale price to determine the **Settlement Event Home Value, Net Home Worth** and calculate the **Equity Share Return**.

## More About CHEIFS Pricing

### CHEIFS Settlement Payment Examples

Here we will provide an example that further demonstrates the amount due at the time of the **CHEIFS** settlement.

The example below is based on the following assumptions:

- **CHEIFS Agreement** funds on May 12, 2023
- The home is sold on May 12, 2024
- **Original Agreed Home Value** is \$1,000,000
- The **Net Home Worth** is \$1,030,000
- There is no existing mortgage on the home
- The **Investment Payment** is \$200,000
- The **Initial Equity Share Return Percentage** is 20%
- The **Capped Equity Share Return Percentage** is 45%
- The **Annualized Cost Cap Percentage** is 12.99%

We'll start by calculating the amount due using the **Capped Equity Share Percentage** of 45%.

$$\begin{array}{rclcl}
 \textit{Net Home Worth} & \times & \textit{Capped Equity Share} & = & \textit{Uncapped Equity Share} \\
 & & \textit{Return Percentage} & & \textit{Return} \\
 \\ 
 \$1,030,000 & \times & 45\% & = & \$463,500 \textit{ (A)}
 \end{array}$$

Next, we'll calculate the amount due using the **Annualized Cost Cap Percentage**. To do that we need to know **Term Days**.

*Term Days = exact number of days that passed between the Funding Date and Settlement Date*

Starting May 12 and ending May 12 of the following year results in a **Term** of exactly 365 days. Now we can calculate the amount due using the **Annualized Cost Cap Percentage** using this formula:

$$\begin{array}{rclcl}
 \textit{Investment} & \times & 1 + \textit{Annualized Cost} & ^ & \textit{Term Days}/365 & = & \textit{Cost Cap Equity} \\
 \textit{Payment} & & \textit{Cap Percentage} & & & & \textit{Share Return} \\
 \\ 
 \$200,000 & \times & 1 + 12.99\% & ^ & 365/365 & = & \$225,980 \\
 \\ 
 \$200,000 & \times & 1.1299 & ^ & 1.0 & = & \$225,980 \textit{ (B)}
 \end{array}$$

The **Equity Share Return** due at the time of **CHEIFS** Settlement is the lesser of (A) or (B), **\$225,980 in the example above**, because your annualized cost is capped at the **Annualized Cost Cap Percentage** of 12.99%.

To conclude our example, the amount due at the time of **CHEIFS** Settlement is the **lesser** of (A) the amount due using the **Capped Equity Share Return Percentage** or (B) the amount due using the **Annualized Cost Cap Percentage** because the **Annualized Cost Cap Percentage** caps the **Equity Share Return**, and your **CHEIFS** will never cost more than the **Capped Equity Share Return Percentage** of your home value.

Note: The symbol ^ is used in mathematics to indicate the exponential function and means "raised to the power of."

## Annualized Cost Scenario Tables

The table below displays annualized cost calculations for various annual home price change and **Term** length assumptions, assuming a **Capped Equity Share Return Percentage** of 45% and an **Annualized Cost Cap Percentage** of 12.99%. The green highlighted area shows when the **Annualized Cost Cap Percentage** applies. This information can be useful when thinking about what your **CHEIFS Agreement** might cost based on your expectations for home prices and when you think you will end your **CHEIFS Agreement**.

### Annualized Cost Percentage

		Annual Home Price Change							
		-2%	-1%	0%	1%	2%	3%	4%	5%
Term Length	1	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%
	2	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%
	3	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%
	4	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%
	5	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%
	6	12.18%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%	12.99%
	7	10.04%	11.16%	12.28%	12.99%	12.99%	12.99%	12.99%	12.99%
	8	8.45%	9.56%	10.67%	11.77%	12.88%	12.99%	12.99%	12.99%
	9	7.24%	8.33%	9.43%	10.52%	11.62%	12.71%	12.99%	12.99%
	10	6.28%	7.36%	8.45%	9.53%	10.62%	11.70%	12.79%	12.99%
	11	5.50%	6.57%	7.65%	8.73%	9.80%	10.88%	11.96%	12.99%
	12	4.85%	5.92%	6.99%	8.06%	9.13%	10.20%	11.27%	12.34%
	13	4.31%	5.37%	6.44%	7.50%	8.57%	9.63%	10.69%	11.76%
	14	3.84%	4.90%	5.96%	7.02%	8.08%	9.14%	10.20%	11.26%
	15	3.44%	4.50%	5.56%	6.61%	7.67%	8.72%	9.78%	10.83%
	16	3.09%	4.15%	5.20%	6.25%	7.30%	8.35%	9.41%	10.46%
	17	2.79%	3.84%	4.89%	5.93%	6.98%	8.03%	9.08%	10.13%
	18	2.52%	3.56%	4.61%	5.65%	6.70%	7.75%	8.79%	9.84%
	19	2.27%	3.32%	4.36%	5.40%	6.45%	7.49%	8.53%	9.58%
	20	2.06%	3.10%	4.14%	5.18%	6.22%	7.26%	8.30%	9.34%

The second table provides an interesting way to think about the **Equity Share Return Percentage** when the **Annualized Cost Cap Percentage** applies. The table displays the **Equity Share Percentage** for various home price change and **Term** length scenarios, assuming a **CHEIFS Agreement** with a **Capped Equity Share Return Percentage** of 45% and an **Annualized Cost Cap Percentage** of 12.99%. The green highlighted area shows when the **Annualized Cost Cap Percentage** applies.

### Equity Share Percentage

		Annual Home Price Change							
		-2%	-1%	0%	1%	2%	3%	4%	5%
Term Length	1	23.06%	22.83%	22.60%	22.37%	22.15%	21.94%	21.73%	21.52%
	2	26.59%	26.05%	25.53%	25.03%	24.54%	24.07%	23.61%	23.16%
	3	30.65%	29.73%	28.85%	28.00%	27.19%	26.40%	25.65%	24.92%
	4	35.34%	33.94%	32.60%	31.33%	30.12%	28.96%	27.86%	26.82%
	5	40.75%	38.73%	36.83%	35.04%	33.36%	31.77%	30.27%	28.86%
	6	45.00%	44.20%	41.62%	39.21%	36.95%	34.85%	32.89%	31.06%
	7	45.00%	45.00%	45.00%	43.86%	40.94%	38.23%	35.73%	33.42%
	8	45.00%	45.00%	45.00%	45.00%	45.00%	41.94%	38.82%	35.96%
	9	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	42.18%	38.70%
	10	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	41.64%
	11	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	44.81%
	12	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	13	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	14	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	15	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	16	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	17	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	18	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	19	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
	20	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%

What is this table telling us? The **Annualized Cost Cap Percentage** caps the **Equity Share Percentage**, and your **CHEIFS Agreement** will never cost more than your **Capped Equity Share Return Percentage** of your home value. For example, if you end your **CHEIFS Agreement** after one year, and your home’s value increased by 3% that year, you will pay Cornerstone an amount that is equal to an **Equity Share Percentage** of approximately 21.94% of your home’s value (see the above matrix), and this **Equity Share Return Percentage** increases to the **Capped Equity Share Return Percentage** in year 9.

## More About the Total Home Encumbrance Limit

**Total Home Encumbrance** is the sum of:

- All outstanding mortgage loan balances
- Any available but undrawn credit lines secured by your home (for example, a home equity line of credit)
- The value of the **Capped Equity Share Return Percentage**, assuming no **Annualized Cost Cap Percentage**

You are generally free to borrow against your home during the **Term** of your **CHEIFS Agreement** as long as you don't exceed the **Total Home Encumbrance Limit**. Here we'll provide an example and demonstrate how much additional borrowing capacity may be available under the limit. Let's assume the following:

- **Original Agreed Home Value** of \$1,000,000
- **Investment Payment** of \$100,000
- **Capped Equity Share Return Percentage** of 22.50%
- **Total Home Encumbrance Limit** is set at 50%
- There is an existing first mortgage loan on the **Property** with an outstanding balance of \$140,000

The calculations below apply at the start of the **CHEIFS Agreement**. At any given time going forward, home value and outstanding loan balances may be different, which would impact the calculations.

<i>Existing First Mortgage Balance</i>		<i>\$140,000</i>	
<i>Value Of Equity Share At Origination</i>	+	<i>\$225,000</i>	<i>(\$1,000,000 X 22.50%; assumes no Annualized Cost Cap %)</i>
		<hr/>	
<i>Total Home Encumbrance</i>	=	<i>\$365,000</i>	
<i>Total Home Encumbrance Limit</i>		<i>\$500,000</i>	<i>(50% of current home value)</i>
<i>Total Home Encumbrance</i>	-	<i>\$365,000</i>	
<i>Available to Borrow</i>	=	<i>\$135,000</i>	

## More About the Property Improvement Adjustment Amount and Deferred Maintenance Adjustment Amount

Here we will provide more detailed examples of the **Property Improvement Adjustment Amount** and **Deferred Maintenance Adjustment Amount** that can apply when your **CHEIFS agreement** ends. Our examples will assume the following:

- **Original Agreed Home Value** is \$1,000,000

- **Investment Payment** of \$200,000 (20% of home value)
- **Capped Equity Share Return Percentage** of 45%
- You decide to sell your home at the end of year 8
- **Settlement Event Home Value** is \$1,300,000

## Property Improvement Adjustment Amount Example

To demonstrate the **Property Improvement Adjustment Amount** let's assume that:

- After the funding of your **CHEIFS Agreement**, you did a home improvement project which converted part of your basement into two new bedrooms and a bathroom at a cost of \$60,000
- At the end of year 8, you request a **Property Improvement Adjustment Amount** as part of the sale process, and provide all the proper documentation, including detailed “before” photos
- An appraiser determines that the improvements you made some years ago have added \$50,000 to the current value of your home
- Based on this, we would conclude that without the additional bedrooms and bathroom, your home would have been worth \$50,000 less
- Cornerstone would apply a \$50,000 **Property Improvement Adjustment Amount** to the **Settlement Event Home Value** to arrive at a **Net Home Worth** of \$1,250,000
- The **Net Home Worth** would then be used to calculate the **Uncapped Equity Share Return**

<i>Settlement Event Home Value</i>	–	<i>Property Improvement Adjustment Amount</i>	=	<i>Net Home Worth</i>
\$1,300,000	–	\$50,000	=	\$1,250,000
<i>Net Home Worth</i>	X	<i>Capped Equity Share Return Percentage</i>	=	<i>Uncapped Equity Share Return</i>
\$1,250,000	X	45%	=	\$562,500

Without the **Property Improvement Adjustment Amount** provision in the **CHEIFS Agreement**, the **Settlement Event Home Value** would be used to calculate the **Uncapped Equity Share Return** and the amount payable to Cornerstone would be \$22,500 higher.

<i>Settlement Event Home Value</i>	X	<i>Capped Equity Share Return Percentage</i>	=	<i>Uncapped Equity Share Return</i>
\$1,300,000	X	45%	=	\$585,000

The result: Cornerstone does not share in any value created by your home improvements.

## Deferred Maintenance Adjustment Amount Example

To demonstrate the **Deferred Maintenance Adjustment Amount** let's assume that:

- During the eight-year **Term** of your **CHEIFS Agreement**, you did not properly care for your home. At the time of your sale, the roof is leaking badly and there is some interior water damage
- Using independent third-party reports (such as appraisals, inspections, and repair estimates), Cornerstone determines that necessary repairs would cost \$40,000
- Based on this, we would conclude that the sale price of your home would have been \$40,000 higher if you had performed the required maintenance
- Cornerstone would apply a \$40,000 **Deferred Maintenance Adjustment Amount** to the **Settlement Event Home Value** to arrive at a **Net Home Worth** of \$1,340,000
- The **Net Home Worth** would then be used to calculate the **Uncapped Equity Share Return**

<i>Settlement Event Home Value</i>	+	<i>Deferred Maintenance Adjustment Amount</i>	=	<i>Net Home Worth</i>
\$1,300,000	+	\$40,000	=	\$1,340,000

<i>Net Home Worth</i>	X	<i>Capped Equity Share Return Percentage</i>	=	<i>Uncapped Equity Share Return</i>
\$1,340,000	X	45%	=	\$603,000

Without the **Deferred Maintenance Adjustment Amount** provision in the **CHEIFS Agreement**, the **Settlement Event Home Value** would be used to calculate the **Uncapped Equity Share Return** and the amount payable to Cornerstone would be \$18,000 less.

<i>Settlement Event Home Value</i>	X	<i>Capped Equity Share Return Percentage</i>	=	<i>Uncapped Equity Share Return</i>
\$1,300,000	X	45%	=	\$585,000

The result: Cornerstone does not share in any value lost due to improper maintenance.

As you can see, when calculating **Net Home Worth**, the **Property Improvement Adjustment Amount** decreased the **Net Home Worth**, and the **Deferred Maintenance Adjustment Amount** increased it. These adjustments are designed to ensure fairness and preserve the intended outcome of the **CHEIFS Agreement**.

In some cases, a **Property Improvement Adjustment Amount** and **Deferred Maintenance Adjustment Amount** can apply to the same **Property** when the **CHEIFS Agreement** ends, and the **Net Home Worth** would be impacted by both. If we combine the two examples above, the **Net Home Worth** would be \$1,290,000 and the **Uncapped Equity Share Return** would be \$580,500.

<i>Settlement Event</i>					
<i>Home Value</i>	-	<i>Property Improvement Adjustment</i>	+	<i>Deferred Maintenance Adjustment</i>	=
<i>\$1,300,000</i>	-	<i>\$50,000</i>	+	<i>\$40,000</i>	=
					<i>\$1,290,000</i>

<i>Net Home Worth</i>	X	<i>Capped Equity Share Return Percentage</i>	=	<i>Uncapped Equity Share Return</i>
<i>\$1,290,000</i>	X	<i>45%</i>	=	<i>\$580,500</i>

## GLOSSARY OF TERMS

<b>Agreement End Date/Term</b>	<p>The <b>Agreement</b> normally will end on the occurrence of a <b>Settlement Event</b>, which is typically a sale of the <b>Property</b>, exercised by <b>Homeowner</b> of the <b>Homeowner Termination Right</b>, or the <b>Permanent Move-Out</b> of the <b>Occupying Homeowner(s)</b> or death of the <b>Last Surviving Managing Homeowner</b> or the <b>Permanent Move-Out</b> of the <b>Non-Owner Spouse or Domestic Partner</b> or death of the <b>Last Surviving Non-Owner Spouse or Domestic Partner</b> who exercised the <b>Settlement Event Option</b>.</p> <p>However, in no event will the <b>Agreement</b> extend beyond the <b>Agreement End Date</b>, which is the 150th birthday of the youngest <b>Occupying Homeowner</b>.</p>
<b>Annualized Cost Cap Percentage</b>	<p>The maximum gain <b>Home Equity Investor</b> may achieve over the time period the <b>Agreement</b> is in effect, expressed as an annualized percentage of the <b>Investment Payment</b>.</p> <p>The <b>Annualized Cost Cap Percentage</b> may vary based on the circumstances of each transaction and is specified in the Disclosure Statement.</p>
<b>Business Day</b>	<p>Any day other than Saturday, Sunday, or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.</p>
<b>Capped Equity Share Return Percentage</b>	<p>The stated percentage of the <b>Property's</b> future value used as one of the components to calculate the <b>Uncapped Equity Share Return</b> upon a <b>Settlement Event</b>, or a <b>Partial Buyout</b>. The <b>Capped Equity Share Return Percentage</b> is subject to adjustment if (i) a <b>Qualifying Non-Owner Spouse or Domestic Partner</b>, if any, exercises the <b>Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option</b>, or (ii) <b>Homeowner</b> consummates a <b>Partial Buyout</b>, or (iii) <b>Homeowner</b> is offered and agrees to a loss mitigation remedy to cure an unpaid <b>Protective Advance</b> or other <b>Event of Default</b>.</p> <p><i>(Uncapped Equity Share Return / Net Home Worth) × 100 = Capped Equity Share Return Percentage</i></p>
<b>CHEIFS Agreement Term Days</b>	<p><b>Settlement Event</b> The exact number of calendar days that passed between the <b>Funding Date</b> and the <b>Settlement Event</b> (or the closing date of the <b>Settlement Event</b>.)</p> <p><b>Partial Buyout</b> The exact number of calendar days that passed between the <b>Funding Date</b> and the date <b>Home Equity Investor</b> has been paid the <b>Partial Buyout Payment</b>, unpaid <b>Protective Advances</b>, if any, and unpaid <b>Post-Funding Administrative Fees and Costs</b>.</p>
<b>Closing Costs</b>	<p>Costs in connection with any sale of the <b>Property</b>, a <b>Homeowner Termination Right</b> or a <b>Partial Buyout</b>, including, without limitation, recording fees and costs; re-conveyance fees; escrow fees; title report and insurance fees; federal, state, local, and documentary transfer taxes; real estate broker and other sales commissions.</p>
<b>Closing Services Provider</b>	<p>A title company or neutral third-party settlement agent, title agent or attorney closing firm reasonably acceptable to <b>Home Equity Investor</b> that closes or settles any transaction contemplated under the <b>Agreement</b>.</p>

<p><b>Cooling Off Period Expiration Date</b></p>	<p>Midnight of the date that is three days following the closing of the <b>CHEIFS Agreement</b> (the “Effective Date”), counting all days except Sundays and federal holidays recognized by Congress, and designated in Title V of the U.S. Code 6103 – Holidays.</p> <p><b><u>The Investment Payment is not distributed until the Cooling Off Period has expired.</u></b></p>
<p><b>Cornerstone Home Equity Insurance/ Investment Funding Solutions (a “CHEIFS”)</b></p>	<p>A lien placed on the <b>Property</b> in exchange for an <b>Equity Share Percentage</b> of the <b>Property’s</b> future value.</p>
<p><b>Cost Cap Equity Share Return</b></p>	<p>One of the amounts that is considered in determining the <b>Equity Share Return</b> upon the occurrence of a <b>Settlement Event</b>, a <b>Partial Buyout</b> or in connection with a <b>Partial Devaluation</b> and is the maximum gain <b>Home Equity Investor</b> may earn over the time period the <b>Agreement</b> is in effect applying the <b>Annualized Cost Cap Percentage</b>, expressed as a dollar amount.</p> <p><i>(Term Days / 365) ^ (1 + Annualized Cost Cap Percentage) x Investment Payment = Cost Cap Equity Share Return</i></p> <p><i>(The symbol ^ is used in mathematics to indicate the exponential function and means “raised to the power of.” For example, 2^3 means 2 raised to the power of 3, or 2X2X2, which is equal to 8.)</i></p>
<p><b>Deferred Maintenance</b></p>	<p>Any repair items, defects or conditions, or damage to the <b>Property</b> or its title that occurred or developed during the <b>Term</b>. <b>Deferred Maintenance</b> that results in the <b>Property’s</b> loss in value will require a <b>Deferred Maintenance Adjustment Amount</b>.</p> <p><b>Home Equity Investor</b> does not share in any loss in <b>Property</b> value attributable to <b>Homeowner’s</b> failure to properly maintain the <b>Property</b> during the <b>Term</b>.</p>
<p><b>Deferred Maintenance Adjustment Amount</b></p>	<p>The amount to be added to the <b>Settlement Event Home Value</b>, or in the case of a <b>Partial Buyout</b>, the <b>Partial Buyout Home Value</b>, upon any event requiring calculation of <b>Net Home Worth</b>, in recognition of any decrease in the value of the <b>Property</b> resulting from defect, damage, or deferred maintenance on or to the <b>Property</b>.</p>
<p><b>Domestic Partner</b></p>	<p>One of two individuals over the age of 18 who have chosen to engage in a commitment (generally, a civil union) that is legally equivalent to marriage and not related in a way that would prevent them from being married to each other.</p>
<p><b>Effective Date</b></p>	<p>The date the <b>Agreement</b> is executed by the <b>Homeowners</b>.</p>
<p><b>Electronic Signature</b></p>	<p><b>Electronic Signatures</b> (as that term is defined under the federal ESIGN Act, 15 U.S.C. § 7001 et seq.) may be used in place of written documents and handwritten signatures where permitted.</p>

An actual dollar amount that will be payable to **Home Equity Investor** upon the occurrence of a **Settlement Event** or, in the case of a **Partial Buyout**, the dollar amount that is used as part of the calculation to determine the adjustment and reduction of the **Equity Share Percentage** following payment to **Home Equity Investor** of the **Partial Buyout Payment**, Unpaid **Protective Advances**, and/or applicable unpaid **Post-Funding Administrative Fees** or **Costs**. The **Equity Share Return** shall be the lower of (i) the **Uncapped Equity Share Return** or (ii) the **Cost Cap Equity Share Return**.

*The Equity Share Return is the lower of:*

- (i) Uncapped Equity Share Return; or*
- (ii) the Cost Cap Equity Share Return*

In the case of a “**Tenant Obstacle**,” the **Equity Share Return** shall be the higher of the **Equity Share Return** calculated upon the occurrence of the related **Settlement Event** and the **Equity Share Return** calculated following resolution of the **Tenant Obstacle**.

Upon the occurrence of a **Settlement Event**, unpaid **Protective Advances** and unpaid **Post-Funding Administrative Fees** and **Costs** under the **CHEIFS Agreement**, if any, must also be paid by **Homeowner** to **Home Equity Investor** to secure the written release of the **Agreement** and **Security Instrument**.

<p><b>Equity Share Return</b></p>	<p>The percentage of the Property’s future value that is calculated based on the <b>Equity Share Return</b> due upon a <b>Settlement Event</b> or <b>Partial Buyout</b>.</p> <p><i>(Equity Share Return/Net Home Worth) x 100 = Equity Share Percentage</i></p>
<p><b>Equity Share Percentage</b></p>	<p>The percentage of the Property’s future value that is calculated based on the <b>Equity Share Return</b> due upon a <b>Settlement Event</b> or <b>Partial Buyout</b>.</p> <p><i>(Equity Share Return/Net Home Worth) x 100 = Equity Share Percentage</i></p>
<p><b>Escrow Agent</b></p>	<p>A title company or neutral third-party settlement agent, title agent or attorney closing firm reasonably acceptable to <b>Home Equity Investor</b> that closes or settles any transaction contemplated under the <b>Agreement</b>.</p>
<p><b>Estate</b></p>	<p>The person or persons who will acquire legal title to the <b>Occupying Homeowner’s</b> interest in the <b>Property</b> on account of <b>Occupying Homeowner’s</b> death. Depending on the terms of <b>Occupying Homeowner’s</b> estate plan or if <b>Occupying Homeowner</b> does not have an estate plan, <b>Occupying Homeowner’s</b> estate may include but is not limited to the executor(s), administrator(s) or personal representative(s) of <b>Occupying Homeowner’s</b> estate, if <b>Occupying Homeowner’s</b> interest in the <b>Property</b> will pass to such executor(s), administrator(s) or personal representative(s) on account of <b>Occupying Homeowner’s</b> death, or the successor trustee(s) of <b>Occupying Homeowner’s</b> revocable living trust if <b>Occupying Homeowner’s</b> interest in the <b>Property</b> will pass pursuant to <b>Occupying Homeowner’s</b> revocable living trust to such successor trustee(s) on account of <b>Occupying Homeowner’s</b> death, or the person who is a beneficiary under a revocable transfer on death deed or its equivalent under applicable state law if <b>Occupying Homeowner’s</b> interest in the <b>Property</b> will pass to such beneficiary on account of <b>Occupying Homeowner’s</b> death.</p>
<p><b>Event of Default</b></p>	<p>A breach of the terms of the <b>Agreement</b>.</p>
<p><b>Funding Date</b></p>	<p>The date the <b>Term</b> of the <b>Agreement</b> begins and the <b>CHEIFS</b> proceeds are disbursed.</p> <p><b><u>Investment Payment proceeds are not distributed until the Cooling Off Period has expired.</u></b></p>

<p><b>Good and Marketable Title</b></p>	<p>This means fee simple title as is insurable by a title insurance company licensed to do business in the state where the <b>Property</b> is located, under its standard form of ALTA owner's policy of title insurance, at its standard rates, subject to the <b>Prior Lien(s)</b> and <b>Permitted Encumbrances</b>.</p> <p>In the case of a <b>Non-Owner Spouse or Domestic Partner</b> who seeks to exercise the <b>Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option</b>, such <b>Non-Owner Spouse or Domestic Partner</b> shall be deemed <u>not</u> to possess <b>Good and Marketable Title</b> to the <b>Property</b> prior to, or upon, the death of the <b>Last Surviving Managing Homeowner</b> if probate proceedings are required to establish <b>Good and Marketable Title</b> in the name of such <b>Non-Owner Spouse or Domestic Partner</b>.</p>
<p><b>Home Equity Investor</b></p>	<p>The party disbursing the proceeds for the benefit of the <b>Occupying Homeowner</b> in exchange for a fractional ownership interest in the future value of the home. Cornerstone Financing LLC is the <b>Home Equity Investor</b>.</p>
<p><b>Homeowner Termination Right</b></p>	<p>A <b>Settlement Event</b> in which <b>Homeowner</b> chooses to buyout the <b>Home Equity Investor</b> as per the <b>Agreement</b>.</p>
<p><b>Improvement Adjustment Review Fee</b></p>	<p>A fee upon the occurrence of any request by <b>Homeowner</b> for an allowed adjustment in the calculation of the <b>Net Home Worth</b> due to Home Improvements made to the <b>Property</b> by <b>Homeowner</b>.</p>
<p><b>Independent Appraisal</b></p>	<p>An appraisal of the <b>Property</b>, conducted by an appraiser selected by <b>Home Equity Investor</b> and unaffiliated with either <b>Homeowner</b> or <b>Home Equity Investor</b>, which satisfies the requirements of Fannie Mae, Freddie Mac, or Federal Housing Administration and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and related regulations, and any applicable state laws, as of the date of the appraisal, and in compliance with the Uniform Standards of Professional Appraisals.</p>
<p><b>Independent Valuation</b></p>	<p>A property valuation report or broker price opinion ordered by <b>Home Equity Investor</b> from an independent valuation firm selected by <b>Home Equity Investor</b>.</p>
<p><b>Initial Equity Share Return Percentage</b></p>	<p>The <b>Investment Payment</b> expressed as a percentage of <b>Original Agreed Home Value</b>.</p> <p><i>(Investment Payment/Original Agreed Home Value) x 100 = Initial Equity Share Return Percentage</i></p>
<p><b>Insurance Company</b></p>	<p>A company that sells and fulfills insurance contracts.</p>

The amount disbursed by **Home Equity Investor**, for the benefit of **Occupying Homeowner**, as consideration for the purchase of **Home Equity Investor's** rights under the **Agreement** which may include certain costs associated with the funding of the **Agreement**.

*Financed Origination Funding Costs + Investment Proceeds = Investment Payment*

**Investment Payment**

Following consummation of a **Partial Buyout**, and in connection with calculation of the **Cost Cap Equity Share Return** upon either (i) a **Settlement Event**, or (ii) further **Partial Buyout**, the **Investment Payment** amount shall be adjusted and reduced.

In the event of a **Partial Devaluation**, the **Investment Payment** shall be reduced by a percentage amount equal to the value of the **Property** taken, lost, or destroyed by the **Partial Devaluation** divided by the value of the **Property** immediately before the **Partial Devaluation**.

*This is not a loan. No interest is charged on the **Investment Payment** and there are no monthly payments due.*

<p><b>Investment Proceeds</b></p>	<p>The dollar amount of the proceeds disbursed by <b>Home Equity Investor</b> for the benefit of the <b>Occupying Homeowner</b>.</p>
<p><b>Investment Property</b></p>	<p>A <b>Property</b> not used as a <b>Primary Residence</b>/Principal Residence or <b>Second Home</b>/Vacation Home, or a <b>Property</b> that is rented for more than 90 calendar days per calendar year. An <b>Investment Property</b> may not be used as collateral for a <b>CHEIFS</b>.</p>
<p><b>Last Surviving Managing Homeowner</b></p>	<p>The last surviving natural person who is an <b>Occupying Homeowner</b> under the <b>Agreement</b>.</p>
<p><b>Legal Fees</b></p>	<p>Reasonable attorney fees and other related costs, including, as allowed by applicable law, court costs and other dispute resolution costs, experts' fees and costs, and fees and disbursements of in-house counsel.</p>
<p><b>Losses</b></p>	<p>Any and all losses, liabilities, claims, damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all actions, demands, assessments, judgments, settlements and compromises relating thereto and reasonable costs of investigation and attorneys' fees and expenses in connection therewith) with respect to any claim for indemnification.</p>
<p><b>Material Modifications</b></p>	<p>Any improvements <b>Homeowner</b> elects to make on or to the <b>Property</b> that increases the value of the <b>Property</b> or the useful life of the <b>Property</b> in contrast to ordinary and necessary maintenance and repairs, which maintain the condition and value of the <b>Property</b> in its general condition.</p>
<p><b>Maximum Allowable Equity Share Return Percentage</b></p>	<p>The maximum <b>Total Home Encumbrance Limit</b> on the <b>Property</b> that is permitted by the <b>Agreement</b>, as a percentage of the <b>Property's</b> fair market value.</p>

<p><b>Maximum Available Proceeds To Homeowner</b></p>	<p>The maximum dollar amount of the proceeds available to <b>Homeowner</b> based on home value and existing liens secured by the <b>Property</b>.</p> <p><i>Original Agreed Home Value x Initial Equity Share Return Percentage = Maximum Available Proceeds to Homeowner</i></p>
<p><b>Miscellaneous Proceeds</b></p>	<p>Any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the <b>Homeowner's</b> policy) for: (i) damage to, or destruction of, the <b>Property</b>; (ii) condemnation or other taking of all or any part of the <b>Property</b>; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the <b>Property</b>.</p> <p>The <b>Miscellaneous Proceeds</b> will be applied to payment of a <b>Prior Lien</b> (to the extent provided under such <b>Prior Lien</b>), if any, then to payment of the <b>Equity Share Return</b>, with the excess, if any paid to <b>Homeowner</b>.</p>
<p><b>Monthly Payments</b></p>	<p>This is not a loan, so <b>Homeowners</b> are not required to make monthly, scheduled, or periodic payments. Instead, a single Settlement Payment is due at maturity or at a time determined by the <b>Homeowner</b> to settle the <b>CHEIFS Agreement</b>.</p>
<p><b>Negative Property Improvement Adjustment Amount</b></p>	<p>The amount to be added to the <b>Settlement Event Home Value</b>, or in the case of a <b>Partial Buyout</b>, the <b>Partial Buyout Home Value</b>, upon any event requiring calculation of <b>Net Home Worth</b>, in recognition of any decrease in the value of the <b>Property</b> resulting from improvements <b>Homeowner</b> elects to make on or to the <b>Property</b>.</p> <p>Examples of remodeling that can decrease the value of the home include converting multiple bedrooms into a large den or removing usable square footage.</p>
<p><b>Net Home Worth</b></p>	<p><b>Net Home Worth</b> shall be calculated as the amount equal to the greater of (i) zero, or (ii) the <b>Settlement Event Home Value</b> (in the case of a <b>Partial Devaluation</b>, the <b>Settlement Event Home Value</b> shall be the fair market value of the <b>Property</b> immediately before the <b>Partial Devaluation</b>) or, in the case of a <b>Partial Buyout</b>, the <b>Partial Buyout Home Value</b>, less (1) the <b>Property Improvement Adjustment Amount</b> credited to <b>Homeowner</b>, if any, plus (2) the <b>Deferred Maintenance Adjustment Amount</b>, if any, plus (3) the <b>Non-Compliant Property Improvement Adjustment Amount</b>, if any, (4) plus the <b>Negative Property Improvement Adjustment Amount</b>, if any.</p> <p><i>Settlement Event Home Value - Property Improvement Adjustment Amount + Deferred Maintenance Adjustment Amount + Non-Compliant Property Improvement Adjustment Amount + Negative Property Improvement Adjustment Amount = Net Home Worth</i></p> <p><i>Partial Buyout Home Value - Property Improvement Adjustment Amount + Deferred Maintenance Adjustment Amount + Non-Compliant Property Improvement Adjustment Amount + Negative Property Improvement Adjustment Amount = Net Home Worth</i></p>
<p><b>Non-Compliant Property Improvement Adjustment</b></p>	<p>The amount to be added to the <b>Settlement Event Home Value</b>, or in the case of a <b>Partial Buyout</b>, the <b>Partial Buyout Home Value</b>, as calculated by <b>Home Equity Investor</b>, upon any event requiring calculation of <b>Net Home Worth</b>, in recognition of any decrease in the value of the <b>Property</b> resulting from improvements <b>Homeowner</b> elects to make on or to the <b>Property</b> that are not in full compliance with Applicable Law, Building &amp; Fire Codes.</p>

**Non-Occupying Homeowner**

A **Non-Occupying Homeowner** is a natural person, trust or LLC or corporation that holds a vested interest in title to the **Property** but does not occupy the **Property**.

A **Non-Occupying Homeowner** must be a **Signatory** to the **Agreement**.

A **Non-Occupying Homeowner** includes a **Spouse** or **Domestic Partner** who owns but does NOT occupy the **Property**.

A **Non-Occupying Homeowner** is ineligible for the **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option** (See **Non-Owner Spouse or Domestic Partner**).

A **Non-Occupying Homeowner** is referred to as the **Non-Managing Homeowner** in the legal/contract documents.

**Non-Owner Occupants (NOO)**

All residents of legal age who occupy the **Property** but do not have an ownership interest in the **Property** or do not otherwise have an interest in the **Property** under applicable law (e.g., community property, homestead rights).

A **Non-Owner Occupant** does not include the **Non-Owner Spouse or Domestic Partner** of the **Homeowner**. (See **Non-Owner Spouse or Domestic Partner**)

A **Non-Owner Occupant** is not a **Signatory to the Agreement**.

A **Non-Owner Occupant** is not eligible for the **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option**.

**Non-Owner Spouse/ Domestic Partner**

A **Non-Owner Spouse or Domestic Partner** is the spouse or domestic partner of an **Occupying Homeowner** or **Non-Occupying Homeowner** as of the **Effective Date**.

A **Non-Owner Spouse or Domestic Partner** may or may not occupy the **Property** as of the **Effective Date**.

A **Non-Owner Spouse or Domestic Partner** does NOT own the **Property** as of the **Effective Date**. (If they own and occupy, they are considered an **Occupying Homeowner**. If they own and do not occupy, they are considered a **Non-Occupying Homeowner**.)

A **Non-Owner Spouse or Domestic Partner** must be a **Signatory** to the **Agreement**.

An occupying **Non-Owner Spouse or Domestic Partner** who acquires **Good and Marketable Title** to the **Property** on or before the **Permanent Move-Out** or death of the **Last Surviving Managing Homeowner** may be eligible for the **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option** if they meet certain requirements. (See **Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option**)

**Occupancy**

**Occupancy** intention must be either **Primary Residence/Principal Residence** or **Second Home/Vacation Home**.

**Occupancy - Investment**

The **Property** is not used as a **Primary Residence/Principal Residence** or **Second Home/Vacation Home**, or the **Property** is rented for more than 90 calendar days per calendar year. An **Investment Property** may not be used as collateral for a **CHEIFS**.

<p><b>Occupancy – Primary Residence/Principal Residence</b></p>	<p>The dwelling where the <b>Occupying Homeowner</b> maintains his or her permanent place of abode and occupies the <b>Property</b> for no less than 183 days out of any 365-day period. A person may only have one <b>Primary Residence/Principal Residence</b> at any one time. The <b>Property</b> shall be considered to be the <b>Primary Residence</b> of any person who is temporarily in a health care institution provided such person’s residency in a health care institution does not exceed twelve (12) consecutive months. The home may not be rented for more than 90 calendar days per calendar year.</p>
<p><b>Occupancy -Second Home/ Vacation Home</b></p>	<p>A residence that the <b>Occupying Homeowner</b> intends to occupy for part of the year in addition to a <b>Primary Residence/Principal Residence</b>. Typically, a <b>Second Home</b> is used as a <b>Vacation Home</b>. The home may not be rented for more than 90 calendar days per calendar year.</p>
<p><b>Occupying Homeowner(s)</b></p>	<p>An <b>Occupying Homeowner</b> is a natural person who occupies and holds a vested interest in title to the <b>Property</b>.</p> <p>An <b>Occupying Homeowner</b> must be a Signatory to the <b>Agreement</b>.</p> <p>An <b>Occupying Homeowner</b> is referred to as the <b>Managing Homeowner</b> in the legal/contract documents.</p>
<p><b>Orderly Sale</b></p>	<p>A remedy offered to <b>Homeowner</b> by <b>Home Equity Investor</b> to prevent the <b>Property</b> from going to foreclosure and becoming a distressed <b>Property</b>, and if agreed to by <b>Homeowner</b>, will provide <b>Home Equity Investor</b> the right to exclusively and unilaterally sell the <b>Property</b> pursuant to, among other things, an Irrevocable Limited Power of Attorney in form and content acceptable to <b>Home Equity Investor</b>, in its sole discretion, as consideration for <b>Home Equity Investor’s</b> agreement to cure an <b>Event of Default</b> through <b>Protective Advances</b>, or otherwise.</p>
<p><b>Original Agreed Home Value</b></p>	<p>The fair market value of the <b>Property</b> as of the <b>Effective Date</b> of the <b>Agreement</b>, typically based on one or more <b>Property Appraisals</b>, or other third-party valuation report, as agreed to by <b>Home Equity Investor</b> and <b>Occupying Homeowner</b>.</p>
<p><b>Origination Fee</b></p>	<p>A fee charged to the <b>Occupying Homeowner</b> and payable to <b>Home Equity Investor</b> at <b>Funding</b> that offsets a portion of the costs the <b>Home Equity Investor</b> incurs to process, underwrite, close and administer the transaction.</p>
<p><b>Origination Funding Costs</b></p>	<p>Costs incurred in connection with the funding of the <b>CHEIFS</b>, including, without limitation, appraisal, an origination or commitment fee recording fees and costs, credit reports, flood zone certification fee, trust review, reconveyance fees, escrow fees, settlement fees, notary fees, tax service, title report and insurance fees, federal, state, local and documentary transfer taxes.</p>
<p><b>Partial Buyout</b></p>	<p><b>Homeowner’s</b> right, without terminating the <b>Agreement</b>, to pay <b>Home Equity Investor</b> a sum of money (as determined by <b>Homeowner</b>) to buy down and reduce the <b>Equity Share Percentage</b> that will be used to calculate the <b>Equity Share Return</b> upon the occurrence of a <b>Settlement Event</b>, or further <b>Partial Buyout</b>, following payment to <b>Home Equity Investor</b> of the <b>Partial Buyout Payment</b> and applicable fees and costs.</p>
<p><b>Partial Buyout Home Value</b></p>	<p>The value of the <b>Property</b> as determined by an <b>Independent Appraisal</b> upon the occurrence of a <b>Partial Buyout</b>.</p>

**Partial Buyout Payment**

The dollar amount paid by **Homeowner** to **Home Equity Investor** to consummate a **Partial Buyout** of the **Equity Share Percentage**.

Unpaid **Protective Advances** and/or unpaid **Post-Funding Administrative Fees and Costs** under the **Agreement**, if any, must also be paid by **Homeowner** to **Home Equity Investor** as a condition to consummation of the **Partial Buyout**.

**Partial Buyout Percentage**

The **Partial Buyout Payment** divided by the **Equity Share Return**, calculated in connection with a **Partial Buyout**. The **Partial Buyout Percentage** is used to determine the adjusted and reduced **Equity Share Percentage** and the adjusted and reduced **Investment Payment** following the **Partial Buyout** in connection with the occurrence of a **Settlement Event** or the occurrence of a further **Partial Buyout**.

$$\text{Partial Buyout Payment} / \text{Equity Share Return} = \text{Partial Buyout Percentage}$$

**Partial Devaluation**

This is when the fair market value of the **Property** immediately before the partial taking, destruction, or loss of value is greater than the fair market value of the **Property** immediately after partial taking, destruction, or loss of value.

The **Equity Share Return** in connection with such **Partial Devaluation** shall be multiplied by a percentage amount equal to the value of the **Property** taken, lost, or destroyed by the **Partial Devaluation** divided by the value of the **Property** immediately before the **Partial Devaluation**.

The **Investment Payment** shall be reduced by a percentage amount equal to the value of the **Property** taken, lost, or destroyed by the **Partial Devaluation** divided by the value of the **Property** immediately before the **Partial Devaluation**.

**Periodic Certification**

A certification required to be completed periodically by the **Occupying Homeowner** stating (i) the names and other information relating to the current occupants of the **Property**, (ii) if the **Agreement** is a **Primary Residence Agreement**, whether the **Property** is the **Primary Residence** of the **Occupying Homeowner(s)** and whether such **Occupying Homeowner(s)** intend(s) to occupy the **Property** as a **Second Home** or intends a **Permanent Move-Out**; (iii) if the **Agreement** is a **Primary Residence Agreement**, whether the **Property** is the **Primary Residence** of the **Non-Owner Spouse or Domestic Partner** and whether such **Non-Owner Spouse or Domestic Partner** intends to occupy the **Property** as a **Second Home** or intends a **Permanent Move-Out**; (iv) if the **Agreement** is a **Second Home Agreement**, whether the **Property** is the **Second Home** of the **Occupying Homeowner(s)** and whether such **Occupying Homeowner(s)** intends a **Permanent Move-Out**, (v) whether the **Property** has been leased or rented for a total period exceeding 90 calendar days in the calendar year, and/or if **Homeowner** intends to lease or rent the **Property**, for a cumulative total period exceeding 90 calendar days in the calendar year without the written approval of **Home Equity Investor**, (vi) information concerning **Homeowner's** current successor trustees, administrators, heirs, or representatives, (vii) whether any material loss or damage to the **Property** has occurred and, if so, a description of the nature of such loss and whether insurance proceeds have been made available for the repair or restoration of the **Property**; (viii) whether there has been any change in the ownership of the **Property**, (ix) whether the **Occupying Homeowner** or a **Qualifying Non-Owner Spouse or Domestic Partner** has married or entered into an agreement or arrangement for cohabitation with a **Domestic Partner**, (x) whether any improvements **Homeowner** has made, or plans to make, on or to the **Property** will increase the value of the **Property** or the useful life of the **Property** and (xi) any other information requested by **Home Equity Investor**.

<p><b>Permanent Move-out</b></p>	<p>The failure of the <b>Last Surviving Managing Homeowner</b> or the <b>Non-Owner Spouse or Domestic Partner</b> who exercised the <b>Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option</b> to occupy the <b>Property</b> as his/her <b>Primary Residence/Principal Residence or Second Home/Vacation Home</b>.</p>
<p><b>Permitted Encumbrances</b></p>	<p>The liens, security interests, mortgages, hypothecations, encumbrances or other restrictions on title or interest in the <b>Property</b> that are approved by <b>Home Equity Investor</b> as of the <b>Effective Date</b>.</p>
<p><b>Permitted Sale</b></p>	<p>The sale or transfer of the <b>Property</b> to a third-party buyer that adheres to the following requirements: (1) <b>Homeowner</b> notifies <b>Home Equity Investor</b> in writing of the decision to market, sell, or transfer the <b>Property</b>, and whether <b>Homeowner</b> will seek a <b>Property Improvement Adjustment Amount</b> in connection with such sale of the <b>Property</b>, at least one hundred twenty (120) calendar days prior to the proposed closing of such sale or transfer; (2) <b>Homeowner</b> timely provides <b>Home Equity Investor</b> with copies of: inspection report(s), listing agreements, staging agreements, preliminary title reports, preliminary escrow instructions, all offers to purchase the <b>Property</b>, appraisals, escrow instructions, pest reports, and any other documents relating to the proposed sale or transfer of the <b>Property</b> and, in the event <b>Homeowner</b> requests a <b>Property Improvement Adjustment Amount</b>, <b>Homeowner</b> shall specify the <b>Material Modifications</b> for which an <b>Property Improvement Adjustment Amount</b> is sought and provide <b>Home Equity Investor</b> with photographic and supporting evidence of the <b>Material Modifications</b>; (3) If the third-party buyer does not obtain a standard pest report and standard contractor’s inspection report in connection with the <b>Property</b>, <b>Homeowner</b> may be required to obtain such reports (or, alternatively, <b>Home Equity Investor</b> may obtain such reports at <b>Homeowner’s</b> expense), and deliver these to <b>Home Equity Investor</b> at least 30 calendar days prior to the proposed closing of the <b>Permitted Sale</b>.</p> <p>These reports will be used by <b>Home Equity Investor</b> to review the terms of the <b>Permitted Sale</b> and, along with other reports deemed necessary by <b>Home Equity Investor</b>, for <b>Home Equity Investor’s</b> determination of any <b>Property Improvement Adjustment Amount</b>, <b>Deferred Maintenance Adjustment Amount</b>, <b>Non-Compliant Property Improvement Adjustment Amount</b>, or <b>Negative Property Improvement Adjustment Amount</b>, if any; (4) The sale is consummated through an appropriate real property escrow account using the services of an escrow holder or closing attorney; (5) the closing date is scheduled to allow <b>Home Equity Investor</b> the right to obtain (i) one or more <b>Independent Appraisals</b> and (ii) review relevant documents for a <b>Property Improvement Adjustment Amount</b>, if any, a <b>Deferred Maintenance Adjustment Amount</b>, if any, a <b>Non-Compliant Property Improvement Adjustment Amount</b>, if any, or a <b>Negative Property Improvement Adjustment</b>, if any; (6) The sale or transfer is at arm’s length, made on commercially reasonable terms, and entered into in good faith; (8) <b>Homeowner</b> conveys title to the <b>Property</b> free and clear of any liens and is responsible for satisfying any loans and other obligations secured by liens, if any, on the <b>Property</b>; (9) The sale or transfer does not convey title “subject to” the lien created by the <b>CHEIFS Agreement</b> or any other existing lien or payment obligation on the <b>Property</b>.</p> <p>A <b>Permitted Sale</b> is a <b>Settlement Event</b>.</p>
<p><b>Post-Funding Administrative Fees and Costs</b></p>	<p>Reasonable fees that may be charged to <b>Occupying Homeowner</b> by <b>Home Equity Investor</b> to perform various services during the <b>Term</b> of the <b>Agreement</b>. (e.g., a change to title, a subordination in connection with new or refinanced debt, a <b>Settlement Event</b>, an <b>Event of Default</b>, a <b>Protective Advance</b>, and/or <b>Non-Distressed Sale</b>)</p> <p><b>Post-Funding Administrative Fees and Costs</b> are due and payable by <b>Occupying Homeowner</b> when incurred. However, <b>Home Equity Investor</b> may elect, in its discretion, to defer payment of <b>Post-Funding Administrative Fees and Costs</b> until a later date, or until the occurrence of a <b>Settlement Event</b>.</p>

<b>Prior Lien</b>	The loan, if any, permitted by <b>Home Equity Investor</b> and secured by a lien with priority over this <b>Agreement</b> on the <b>Effective Date</b> or as later approved by <b>Home Equity Investor</b> , in writing.
<b>Property</b>	An interest in the future value of certain real <b>Property</b> that <b>Home Equity Investor</b> is being granted in return for the payment of the <b>Investment Payment</b> .
<b>Property Appraisal</b>	An independent determination of <b>Property</b> value obtained from a professional appraiser or appraisal management company selected by <b>Home Equity Investor</b> and unaffiliated with either <b>Homeowner</b> or <b>Home Equity Investor</b> , and who satisfies the requirements of Fannie Mae, Freddie Mac or Federal Housing Administration and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and related regulations, and any applicable state laws, as of the date of the <b>Property Appraisal</b> , and performed in compliance with all applicable laws and the Uniform Standards of Professional Appraisal Practice, or an alternative property valuation.
<b>Property Improvements</b>	<p>Material home improvements that were made during the <b>Term</b> of the <b>CHEIFS Agreement</b> that add value to the <b>Property</b>.</p> <p>Examples of property improvements that can increase the value of your home include adding square footage, bedrooms or bathrooms or substantially upgrading the quality of existing features such as major kitchen renovations. Routine home upkeep and maintenance (e.g., replacing carpet or paint) are not considered <b>Property Improvements</b>.</p>
<b>Property Improvement Adjustment Amount</b>	<p>The amount to be subtracted from the <b>Settlement Event Home Value</b>, or in the case of a <b>Partial Buyout</b>, the <b>Partial Buyout Home Value</b>, upon any event requiring calculation of <b>Net Home Worth</b>, in recognition of improvements <b>Homeowner</b> elects to make on or to the <b>Property</b>.</p> <p><b>Home Equity Investor</b> does not share in any property value increase attributable to <b>Property Improvements</b> made by <b>Homeowner</b> during the <b>Term</b>.</p> <p>Routine home upkeep and maintenance (e.g., replacing carpet or paint) do not qualify for a <b>Property Improvement Adjustment Amount</b>.</p>
<b>Property Inspection</b>	An independent determination of <b>Property</b> condition.
<b>Protective Advances</b>	Any advances made by <b>Home Equity Investor</b> to correct defaults or to protect their interests under the <b>CHEIFS Agreement</b> . <b>Protective Advances</b> include unpaid interest, fees and other charges associated with <b>Protective Advances</b> , and any other amounts expended by <b>Home Equity Investor</b> , including, but not limited to, taxes and insurance, to protect its rights or the value of the <b>Property</b> in an <b>Event of Default</b> under the <b>Agreement</b> as <b>Home Equity Investor</b> deems appropriate in its sole, but reasonable, discretion.

<p><b>Qualifying Non-Owner Spouse or Domestic Partner</b></p>	<p>A <b>Non-Owner Spouse or Domestic Partner</b> may be eligible to exercise the <b>Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option</b> provided the <b>Non-Owner Spouse or Domestic Partner</b> has (i) continuously occupied the <b>Property</b> as his/her <b>Primary Residence</b> following the <b>Effective Date</b> through the <b>Permanent Move-Out</b> of the <b>Occupying Homeowner(s)</b> or the death of the <b>Last Surviving Managing Homeowner</b> (ii) such <b>Non-Owner Spouse or Domestic Partner</b> continues to occupy the <b>Property</b> as his/her/their <b>Primary Residence</b> following such death or <b>Permanent Move-Out</b>; (iii) such <b>Non-Owner Spouse or Domestic Partner</b> has continuously been the <b>Non-Owner Spouse or Domestic Partner</b> of the <b>Occupying Homeowner</b> since the <b>Effective Date</b>, and (iv) such <b>Non-Owner Spouse or Domestic Partner</b> has <b>Good and Marketable Title</b> to the <b>Property</b> on or before the <b>Permanent Move-Out</b> or the death of the <b>Last Surviving Managing Homeowner</b> (the “Qualifying Non-Owner Spouse or Domestic Partner”).</p>
<p><b>Qualifying Non-Owner Spouse or Domestic Partner Settlement Event Option</b></p>	<p>A <b>Qualifying Non-Owner Spouse or Domestic Partner</b> may elect to exercise a one-time option to remedy (i) the <b>Settlement Event</b> triggered by the death of the <b>Last Surviving Managing Homeowner</b>, or (ii) the <b>Settlement Event</b> triggered by the <b>Permanent Move-Out</b> of the <b>Occupying Homeowner(s)</b>, in consideration for agreeing to increase the <b>Equity Share Percentage</b> (from [__]% to [__]%). <b>Homeowner</b> and <b>Home Equity Investor</b> agree that this increase in the <b>Equity Share Percentage</b> shall be in consideration for remedying such <b>Settlement Event</b> and extending the duration of the <b>CHEIFS Agreement</b>.</p> <p>Note: If the option is exercised, the <b>Equity Share Percentage</b> will increase by 1.5 times (i.e., initial ESP = 20% x 1.5 = 30%)</p>
<p><b>Right to Cancel</b></p>	<p>The <b>Homeowner</b> may exercise the <b>Right to Cancel</b> until midnight of the third (3rd) Precise Business Day following the <b>Effective Date</b> and receipt of the Final Disclosure Statement.</p>
<p><b>Sale Contract Price</b></p>	<p>The gross price agreed upon by <b>Homeowner</b> and a third-party buyer when the <b>Property</b> is being sold.</p> <p>The <b>Settlement Event Home Value</b> of the <b>Property</b> upon the occurrence of a <b>Permitted Sale</b> shall be the higher of the <b>Property’s</b> sale contract price or the average of all <b>Independent Appraisals</b>.</p>
<p><b>Settlement Date</b></p>	<p>The date the <b>Agreement</b> is terminated and settled in accordance with the <b>Agreement</b>.</p>
<p><b>Settlement Event</b></p>	<p>An event which leads to the termination and settlement of the <b>Agreement</b>.</p>
<p><b>Settlement Event Home Value</b></p>	<p>The <b>Property’s</b> future value, when calculated at any time during the <b>Term</b>; typically, at the time of <b>Settlement Event</b> or <b>Partial Buyout</b>.</p> <p><b>Permitted Sale</b> The higher of the (i) <b>Property’s</b> sale contract price to a bona fide, arms-length, third-party buyer, including the fair market value of any non-cash consideration (such as a seller concession), and not including deductions for <b>Closing Costs</b>, taxes, documentary fees, mortgage loans, other liens or secured loans, sales commissions, or appraisal expenses or (ii) the average of all <b>Independent Appraisals</b>.</p> <p><b>Other than Permitted Sale</b> Upon the occurrence of any <b>Settlement Event</b> other than a <b>Permitted Sale</b>, the value is determined by an <b>Independent Appraisal</b> or if more than one <b>Independent Appraisal</b> is ordered, the average of all <b>Independent Appraisals</b>.</p>

<b>Settlement Payment</b>	<p>The amount due to the <b>Home Equity Investor</b> on the <b>Settlement Date</b>. Upon payment, the <b>Home Equity Investor</b> will provide a written release of the <b>CHEIFS Agreement</b> and Security Instrument.</p> <p><i>Unpaid Protective Advances + Post-Funding Administrative Fees and Costs + Equity Share Return = Settlement Payment</i></p>
<b>Settlement Statement</b>	<p>A statement provided by <b>Home Equity Investor</b> to the <b>Occupying Homeowner</b> (or <b>Homeowner's Estate</b>) and <b>Closing Services Provider</b> in connection with a <b>Settlement Event</b> specifying the <b>Settlement Payment</b> amount necessary to release the <b>CHEIFS Agreement</b> and Security Instrument</p>
<b>Tenant Obstacle</b>	<p>An existing rental <b>Agreement</b> or tenant or squatter who is occupying, or has the right to occupy, the <b>Property</b>, or any portion of the <b>Property</b>, who is having a negative impact on the value of the <b>Property</b>, or the <b>Equity Share Return</b>.</p>
<b>Term</b>	<p>The period the <b>Agreement</b> remains in force and effect, beginning on the <b>Effective Date</b> and ending upon a <b>Settlement Event</b>, other than in connection with the survival of certain covenants, representations, warranties, and obligations. However, in no event will the <b>Agreement</b> extend beyond the <b>Agreement End Date</b>, which is the 150th birthday of the youngest <b>Occupying Homeowner</b>.</p>
<b>Total Home Encumbrance (%)</b>	<p>The sum of (i) the <b>Equity Share Percentage</b> plus (ii) the maximum unpaid principal balance of all liens secured by the <b>Property</b> (including any available but undrawn credit line), as a percentage of the <b>Property's</b> fair market value.</p> <p><i>Equity Share Percentage + (Total Liens/Property Value) x 100 = Total Home Encumbrance</i></p>
<b>Total Home Encumbrance Limit (%)</b>	<p>The maximum <b>Total Home Encumbrance</b> on the <b>Property</b> that is permitted by the <b>Agreement</b>, as a percentage of the <b>Property's</b> fair market value.</p>
<b>Transaction Documents</b>	<p>The <b>CHEIFS Agreement</b>, the Security Instrument, the Memorandum, or any other document related to the <b>CHEIFS Agreement</b>, and any notice, consent, amendment, communication, or other document or information provided or related to the <b>CHEIFS Agreement</b>.</p>
<b>Uncapped Equity Share Return</b>	<p>One of the amounts that is considered in determining the <b>Equity Share Return</b> upon the occurrence of a <b>Settlement Event</b>, a <b>Partial Buyout</b> or in connection with a <b>Partial Devaluation</b> and is determined by multiplying the <b>Net Home Worth</b> by the <b>Equity Share Percentage</b>.</p> <p><i>Net Home Worth x Equity Share Percentage = Uncapped Equity Share Return</i></p>