unison HomeOwner™

Program Guide

Introduction:
The Purpose of this Program Guide

Unison is a San Francisco-based real estate equity investment company that has been providing homeowners and home buyers with simple, common-sense alternatives to debt financing since 2004. We are backed by world-class institutional investors and managed by respected real estate finance veterans. We have earned national recognition from prominent newspapers and magazines including the Wall Street Journal, the New York Times, and BusinessWeek.

The Unison HomeOwner Agreement enables you to convert a portion of your home equity into cash. The cash you receive from Unison is not debt, so you pay no interest to Unison, and you make no monthly payments to Unison - ever. In exchange, we earn a return on our investment based on the future value of your home.

The purpose of this Program Guide is to provide you with a detailed explanation of the Unison HomeOwner Agreement.

Who Should Use This Program

The Unison HomeOwner Agreement is designed for use by homeowners who intend to occupy their home as their principal residence (or, in some cases, as an owner-occupied second home) for at least three years. The Unison HomeOwner Agreement is specifically <u>not</u> intended as a source of short-term funding. It is <u>not</u> designed for "flippers" or speculators or for use with an income property.

Homeowners who should consider using the Unison HomeOwner Agreement:

- Expect to own their home for at least three more years.
- Intend to use their home as an owner-occupied principal residence (or in some cases an owner-occupied second home).
- Are attentive to the condition and characteristics of their property and have fully disclosed everything they know about their property to Unison.

Homeowners who should <u>not</u> use the Unison HomeOwner Agreement:

- Are uncertain whether they will remain in their home for at least three years.
- Do not intend to occupy their home as a personal residence.
- Intend to "flip" (re-sell) their home or have some other speculative purpose.

The Unison HomeOwner Agreement contains numerous provisions and safeguards that are expressly intended to dissuade homeowners from using the Unison HomeOwner Agreement as short-term financing. These provisions and safeguards are outlined in detail in this Program Guide. Homeowners who are uncertain whether they will remain in their home for at least three years or homeowners who intend to rent, speculate in or flip property are advised to seek other options.

The Importance Of Reading Everything

We cannot overemphasize the importance of having a full understanding of the features of the Unison HomeOwner Agreement before making decisions. In addition to this Program Guide, you must also read the **Important Information Notice** and the Unison HomeOwner Agreement legal documents. You will receive these documents during the processing of your application. The Unison HomeOwner Agreement legal documents establish the legal and financial relationship between you and Unison.

If your Unison HomeOwner Agreement transaction requires special pricing, it is imperative that you read Section G and Part 2 of Section H of this Program Guide.

If there is any discrepancy or conflict between the information contained in this Program Guide and the information in the legal documents comprising the Unison HomeOwner Agreement, the Unison HomeOwner Agreement documents control.

TABLE OF CONTENTS

Please Seek Advice

You are also urged to carefully review the Unison HomeOwner Agreement legal documents and other materials with your legal, tax and financial advisors, and **family members**, to understand the following:

› Your responsibilities under the Unison HomeOwner Agreement.

› The cost of obtaining a Unison HomeOwner Agreement.

› What will happen when you decide to sell your home or otherwise end your Unison HomeOwner Agreement.

› The rights your Unison HomeOwner Agreement gives you.

› The rights your Unison Homeowner Agreement gives Unison.

› The tax implications of the Unison HomeOwner Agreement.

› The Unison HomeOwner Agreement will impact the amount of interest in your home that you can leave to your heirs. You are urged to discuss this impact, and your decision to enter into a Unison HomeOwner Agreement, with your children and anyone else who may have an inheritance interest in your property.

You've earned the equity in your home - and Unison offers a smart new way to make the most of it. Ready to realize the possibilities in your life?

Section A: Understanding The Unison HomeOwner Agreement

1. What The Unison HomeOwner Agreement Is

The Unison HomeOwner Agreement is not a loan, it is not a reverse mortgage, and in fact it is not debt of any kind. It is a real estate investment agreement that enables you to convert a portion of your home equity into immediate cash. The cash you receive from Unison is not debt, so there is no interest and you make no monthly payments to Unison - ever.

At the start of the Unison HomeOwner Agreement, we invest in your home by making a lump-sum cash payment to you. You continue living in your home, and you continue to enjoy the advantages of owning your home, including any tax advantages. Unlike a loan, there are no burdensome monthly payments to make to Unison in order to gain access to your home equity. As long as you pay your mortgage payments, real estate taxes, insurance, and any other obligations that are or may become a lien on your home, and abide by the provisions of the Unison HomeOwner Agreement, you make no payments to us of any kind until the Unison HomeOwner Agreement ends.

The lump sum payment we give to you at the start does not mean we own a part of your home today. Instead, in exchange for the cash you receive, you agree that we will earn a return on our investment equal to a share of the change in value of your home. You decide how much you are comfortable sharing (maximum 70%). The more you share, the more cash you can receive.

The Unison HomeOwner Agreement typically ends when you decide to sell your home.[A] At that time, we typically receive a portion of the sale proceeds. Our return on our investment can be positive or negative. If your home increases in value, we make money on our investment. If your home decreases in value, we typically lose money on our investment. It's that simple.

2. Uses For The Unison HomeOwner Cash

The Unison HomeOwner Agreement creates ***Possibilities, Not Payments***.™ by giving you access to a portion of your home equity without the monthly burden of making interest payments on the amount we provide. You can use the cash received from Unison for any purpose, including:

- Supplementing retirement income. Seniors with limited income can invest for retirement or fund the purchase of life or health insurance.
- Making home improvements. Remodeling can greatly increase the functionality and enjoyment of your home, but can be quite costly. With Unison HomeOwner you can make home improvements today and delay paying for them until you sell your home.
- Paying off debt. Typical debt reduction strategies reduce the monthly payment by consolidating high interest rate credit card debt into a lower interest rate loan. With Unison HomeOwner you can instead eliminate the monthly payment entirely.
- Qualifying for a refinance of your existing mortgage. If the amount of debt you currently have on your home exceeds the maximum refinance loan you can qualify for, Unison HomeOwner proceeds may be able to reduce your loan balance and help you qualify for a new mortgage.
- Recouping a portion of the down payment you made to purchase your home. For many buyers, pulling together a down payment can consume all of their financial resources. These new homeowners often wish they had more cash on hand after closing to help with the financial burden of home ownership. With Unison HomeOwner you can recoup up to 75% of your down payment if you purchased your home in the last 12 months.

> While there are no interest charges or monthly payments on the lump-sum cash payment provided by Unison using a Unison HomeOwner Agreement, you will be responsible for interest charges, monthly payments and financial obligations in connection with any mortgages, lines of credit or loans which you take on your home. You are also responsible for real estate taxes, hazard insurance, and any other obligations with regard to your home.

[A] The Unison HomeOwner Agreement typically ends when you decide to sell your home, but there are other ways it can end. They are discussed later in this Program Guide.

3. How The Unison HomeOwner Agreement Works

As the examples that follow illustrate, the Unison HomeOwner Agreement can be a smart way for you to access a portion of your home equity.

It is helpful to think of the Unison HomeOwner Agreement as having three stages: *Start*, *During* and *End*.

At the START of the Unison HomeOwner Agreement, we establish the terms and make an investment in your home.

- We pre-qualify you for the Unison HomeOwner Agreement and work with you to ensure you fully understand the program.[B] If you decide the Unison HomeOwner Agreement is right for you, you submit an application to us.
- The fair market value of your home is determined by obtaining an appraisal from a Unison-approved independent third-party appraisal firm. That value is called the **Original Agreed Value**.
- The cash we provide to you is called the **Unison Investment Payment**. It is the amount we invest in your home. In exchange for providing the **Unison Investment Payment**, we will earn a return on our investment equal to a specified share of the change in value of your home, up OR down, when you sell in the future. Our share is called the **Investor Percentage**. As a general rule, the more you are willing to share with us (**Investor Percentage**), the more cash you can receive (**Unison Investment Payment**).
- The specific **Unison Investment Payment** and **Investor Percentage** for your transaction depend on the **Original Agreed Value**, the condition and characteristics of your home, your credit profile, and the tradeoff between the **Unison Investment Payment** and the **Investor Percentage** that you are ultimately comfortable with.
- Unison completes the underwriting of your application. Upon final approval we present you with a written offer detailing the proposed terms of your Unison HomeOwner Agreement. You carefully review all of the terms,[B] and if you accept our written offer, we enter into the Unison HomeOwner Agreement together and you receive the **Unison Investment Payment**.

> In this Program Guide, we often speak about obtaining appraisals in connection with a Unison HomeOwner Agreement. Unison is committed to a fair process whenever it becomes necessary to obtain an appraisal on your home. To ensure fairness, appraisals are always obtained from licensed appraisers hired and managed by a Unison-approved independent, third-party appraisal firm.

During the term of the Unison HomeOwner Agreement, the following typically occurs:

- You use the **Unison Investment Payment** cash for your desired purpose.
- You make no regular payments to Unison of any kind.
- You live in your home and enjoy the advantages of doing so, including any tax advantages.
- You maintain your home in good condition and continue to pay the mortgage, property taxes and insurance premiums. If you have any mortgage debt on your home, you make the monthly payments on that debt. You remain responsible for any other obligations that are or could become a lien on your home.

At the END of the Unison HomeOwner Agreement, we typically receive a return on our investment based on the value of your home at that time.

- The Unison HomeOwner Agreement typically ends when you decide to sell your home.
- The value of your home at the end of the Unison HomeOwner Agreement is called the **Ending Agreed Value**. It is typically equal to the **Sale Price**. The change in value of your home during the term of the Unison HomeOwner Agreement is equal to the difference between the **Ending Agreed Value** and the **Original Agreed Value**. Our return on our investment is determined by the change in value of your home.
- Our return on our investment can be positive or negative.
- If your home increases in value during the term of the Unison HomeOwner Agreement, we will make money on our investment. If your home decreases in value

[B] We urge you to include legal and financial advisors and family members in this process.

during the term of the Unison HomeOwner Agreement, we will typically lose money on our investment.

- We make money when the home value rises, in which case you typically make money too.
- If your home drops significantly in value, we can lose our entire investment, but nothing more. We cannot lose more than the amount we invest at the start of the Unison HomeOwner Agreement.
- If the value of your home rises dramatically, we can earn a substantial return on our investment, but that would mean that you also make a significant profit on your home. The amount that Unison earns as its return on its investment may substantially exceed the amount of interest that you would have paid if you had borrowed a similar amount.
- Once you have settled our investment interest in accordance with the terms of the Unison HomeOwner Agreement, we have no further interest in your property, and the Unison HomeOwner Agreement ends.

4. Determining The Amount Of Cash You Receive And The Investor Percentage

The amount of cash you can receive from the Unison HomeOwner Agreement is typically based primarily on two things:

1. The value of your home (the **Original Agreed Value**). The more your home is worth, the more cash is available from the Unison HomeOwner Agreement.
2. The **Investor Percentage**, which is the portion of the future change in value of your home that you share with Unison as our return on investment. You decide what the **Investor Percentage** will be (subject to a minimum of 20% and a maximum of 70%). The larger the **Investor Percentage**, the more cash you can receive from the Unison HomeOwner Agreement.

To give you a feel for this, the table below displays several possible transaction structures, assuming **Original Agreed Values** of $500,000 and $1,000,000 and various **Investor Percentages**.

The numbers in the table assume a typical Unison HomeOwner Agreement application, where the homeowner has average or above-average credit and the home is typical for the neighborhood and occupied as a primary residence. In situations where the homeowner has below-average credit or is seeking a Unison HomeOwner Agreement on an owner-occupied second home, or the property is otherwise considered atypical, special pricing may apply. This is discussed in detail in Section G and Part 2 of Section H of this Program Guide.

Other ways to structure a Unison HomeOwner Agreement are possible, and in unusual circumstances related to your credit qualifications or your specific property, pricing may be different. Your Program Specialist will discuss your specific circumstances with you in detail.

Transaction Structure	Original Agreed Value	Share of Change in Value		
		Unison Share (Investor Percentage)	Your Share	Unison Investment Payment
A	$500,000	70%	30%	$87,500
B	$1,000,000	70%	30%	$175,000
C	$500,000	50%	50%	$62,500
D	$1,000,000	50%	50%	$125,000
E	$500,000	30%	70%	$37,500
F	$1,000,000	30%	70%	$75,000

Throughout this Program Guide, "your share of change in value" always reflects the distribution of gross equity in the property between you and Unison, based on Unison's **Investor Percentage**, upon settlement of the Unison HomeOwner Agreement. If the Unison HomeOwner Agreement is settled by sale of your property, then "your share of change in value," or "your share of gross sale proceeds," or "your share of increase in value" will always be reduced by the selling costs you pay to third parties (such as real estate commissions, transfer taxes, etc.) in connection with the sale. You, and not Unison, will be responsible for paying such costs from your gross share of sales proceeds. If your Unison HomeOwner Agreement is settled other than by sale of the property, such costs will not apply.

5. Basic Unison HomeOwner Examples

In this Part 5 of Section A, we present three basic examples. Example 1 starts with the following assumptions:

1. The value of your home at the start of the Unison HomeOwner Agreement (the **Original Agreed Value**) is established as $500,000.
2. You have an existing mortgage on your home and the remaining principal balance is approximately $350,000 (so your loan-to-value ratio is approximately 70%).
3. We enter into the Unison HomeOwner Agreement together and because you are seeking the maximum available proceeds you decide that the return we will earn on our investment will equal 70% (the **Investor Percentage**) of the change in value of your home. We invest in your home by making a cash payment to you of $87,500 (the **Unison Investment Payment**).
4. You decide to sell your home during year ten of your Unison HomeOwner Agreement.[C]
5. You adequately maintain your home.
6. You do not make any changes to your home that impact its value.

Example 2 is based on identical assumptions except:

› The value of your home at the start of the Unison Homeowner Agreement (the **Original Agreed Value**) is $1,000,000.

› You have an existing mortgage on your home and the remaining principal balance is approximately $700,000 (so your loan-to-value ratio is approximately 70%).

› We enter into the Unison HomeOwner Agreement together and because you are seeking the maximum available proceeds you decide that the return we will earn on our investment will equal 70% (the **Investor Percentage**) of the change in value of your home. We invest in your home by making a cash payment to you of $175,000 (the **Unison Investment Payment**).

Example 3 is based on identical assumptions except:

› The value of your home at the start of the Unison Homeowner Agreement (the **Original Agreed Value**) is $500,000.

› You have an existing mortgage on your home and the remaining principal balance is approximately $350,000 (so your loan-to-value ratio is approximately 70%).

› We enter into the Unison HomeOwner Agreement together and you are seeking less than the maximum available proceeds. You decide that the return we will earn on our investment will equal 50% (the **Investor Percentage**) of the change in value of your home. We invest in your home by making a cash payment to you of $62,500 (the **Unison Investment Payment**).

All of these examples assume a typical Unison HomeOwner Agreement application, where the homeowner has average or above-average credit and the home is typical for the neighborhood and occupied as a primary residence. In situations where the homeowner has below-average credit or is seeking a Unison HomeOwner Agreement on an owner-occupied second home, or the property is otherwise considered atypical, special pricing may apply. This is discussed in detail in Section G and Part 2 of Section H of this Program Guide.

As you review the examples, keep in mind that in each scenario you have debt-free, interest-free and payment free use of the **Unison Investment Payment** over the life of the Unison HomeOwner Agreement. Only when you sell your home or the Unison HomeOwner Agreement is otherwise terminated do we receive a payment. You may use those funds to reduce debt and therefore save substantial interest charges. Or, you may diversify your assets by investing those funds, reducing your risk and potentially earning attractive investment returns. Or, you may make home improvements, or pay for a child's college education. How you use the cash is up to you.

The three examples each contain five possible future outcomes when you sell your home. Remember, <u>the return we earn on our investment typically depends on how much the value of your home changes during</u>

[C] Special conditions apply if you sell your home before the third anniversary of your Unison HomeOwner Agreement. See Section B, Part 3 for more information.

Figures used in all examples in this Program Guide are for the purpose of illustration only. The terms offered in a specific Unison HomeOwner Agreement may be materially different. Your actual Unison HomeOwner Agreement terms will be based upon your property, your credit history and financial profile, and terms being offered at that time, and will always be disclosed to you in advance in writing in a formal offer issued upon final approval of your application. Note also that the examples featured in this Program Guide do not take into account any of the costs that you will incur when you sell your home (which you would incur whether or not you had a Unison HomeOwner Agreement). You, and not Unison, will be responsible for paying, either from your share of any sale proceeds or from your other assets, all loans that are secured by liens on the property and all costs you may incur in selling your home, including real estate sales commissions and other closing costs.

Important Note About Specially Priced Unison HomeOwner Agreements: If your Unison HomeOwner transaction requires special pricing, Unison's share of the change in value (the **Investor Percentage**) may be larger, the **Unison Investment Payment** may be smaller, other adjustments to terms may apply, and more restrictive credit requirements may apply. Under these circumstances, while the examples presented in Sections A and B of this Program Guide will still be essential to helping you understand the operation of the Unison HomeOwner Agreement, the financial terms of your transaction may differ significantly, so it is imperative that you read Section G and Part 2 of Section H of this Program Guide and speak with your Program Specialist to fully understand what financial terms will apply to you. If you have any questions about whether or not your Unison HomeOwner Agreement will require special pricing, please ask your Program Specialist.

the term of the Unison HomeOwner Agreement. The various outcomes are designed to demonstrate this important concept.

- **Outcome 1** assumes that your home increases modestly in value. You and Unison share in the gain.
- **Outcome 2** shows the flip side of the coin. When your home declines in value, Unison shares in the loss.
- **Outcome 3** explains what happens when there is no change in value to share.
- **Outcome 4** assumes that your home appreciates in value much more considerably, so there is more of a gain for you and Unison to share.
- **Outcome 5** demonstrates how Unison can lose its entire investment if the value of your home declines very significantly.

Example 1 - Basic Unison HomeOwner Agreement

$500,000 Home Value
70% **Investor Percentage**

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**.
- You are seeking the maximum available proceeds from your Unison HomeOwner Agreement, so you decide that the **Investor Percentage** will be 70%.
- We invest $87,500 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 70% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home - Unison has no ownership or occupancy rights.
- There are no interest charges on the $87,500 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.

			Share of Change in Value	
End (Assumes during year 10)	**Sale Price**	**Change in Value**	**Unison**	**You**
Outcome 1 **Moderate increase in value**	Your selling price is $550,000	Increase of $50,000	+ $35,000	+ $15,000
Outcome 2 **Moderate decrease in value**	Your selling price is $450,000	Decrease of $50,000	– $35,000	– $15,000
Outcome 3 **No change in value**	Your selling price is $500,000	$0	$0	$0
Outcome 4 **Large increase in value**	Your selling price is $650,000	Increase of $150,000	+ $105,000	+ $45,000
Outcome 5 **Large decrease in value**	Your selling price is $350,000	Decrease of $150,000	– $87,500[4]	– $62,500[4]

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison HomeOwner Agreement or not. Assuming you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $350,000, and in ten more years your loan balance would amortize down to approximately $260,000 (rounding to the nearest $10,000).

As the various outcomes demonstrate, you benefit in every case. You use the Unison Investment Payment cash for any purpose. You make no payments to Unison until you decide to sell your home. If the value of your home remains unchanged, the amount we receive typically equals the amount we invested, so you benefit from the use of our money at no cost. If the value of your home decreases, you benefit even more, because we typically incur a loss on our investment, which reduces your loss. If the value of your home increases, we make a profit, and you do too.

Distribution of Gross Sale Proceeds		
To Lender [2]	**To Unison**	**To You [3]**
$260,000	$122,500 Gain on our investment. $35,000 more than we invested at the start	$167,500
$260,000	$52,500 Loss on our investment. $35,000 less than we invested at the start	$137,500
$260,000	$87,500 No return on our investment. Equal to the amount we invested at the start	$152,500
$260,000	$192,500 Gain on our investment. $105,000 more than we invested at the start	$197,500
$260,000	$0 Total Loss on our investment. $87,500 less than we invested at the start	$90,000

3. When you sell your home you will also be responsible for paying all selling costs to third parties, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison HomeOwner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $550,000 as shown in Outcome 1 above, your selling costs would be $41,250. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

4. 70% of the $150,000 decrease in value is $105,000, but Unison's maximum loss under the Unison HomeOwner Agreement is the amount of the Unison Investment Payment, which is $87,500. Therefore, Unison will share $87,500 of the $150,000 loss, and you will share the balance of the loss, or $62,500.

Example 2 - Basic Unison HomeOwner Agreement

$1,000,000 Home Value
70% **Investor Percentage**

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $1,000,000. We agree that $1,000,000 is the **Original Agreed Value**.
- You are seeking the maximum available proceeds from your Unison HomeOwner Agreement, so you decide that the **Investor Percentage** will be 70%.
- We invest $175,000 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 70% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home - Unison has no ownership or occupancy rights.
- There are no interest charges on the $175,000 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.

			Share of Change in Value	
End (Assumes during year 10)	**Sale Price**	**Change in Value**	**Unison**	**You**
Outcome 1 **Moderate increase in value**	Your selling price is $1,100,000	Increase of $100,000	+ $70,000	+ $30,000
Outcome 2 **Moderate decrease in value**	Your selling price is $900,000	Decrease of $100,000	– $70,000	– $30,000
Outcome 3 **No change in value**	Your selling price is $1,000,000	$0	$0	$0
Outcome 4 **Large increase in value**	Your selling price is $1,300,000	Increase of $300,000	+ $210,000	+ $90,000
Outcome 5 **Large decrease in value**	Your selling price is $700,000	Decrease of $300,000	– $175,000[4]	– $125,000[4]

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison HomeOwner Agreement or not. Assuming you obtained a $750,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $700,000, and in ten more years your loan balance would amortize down to approximately $520,000 (rounding to the nearest $10,000).

As the various outcomes demonstrate, you benefit in every case. You use the Unison Investment Payment cash for any purpose. You make no payments to Unison until you decide to sell your home. If the value of your home remains unchanged, the amount we receive typically equals the amount we invested, so you benefit from the use of our money at no cost. If the value of your home decreases, you benefit even more, because we typically incur a loss on our investment, which reduces your loss. If the value of your home increases, we make a profit, and you do too.

Distribution of Gross Sale Proceeds		
To Lender [2]	**To Unison**	**To You [3]**
$520,000	$245,000 Gain on our investment. $70,000 more than we invested at the start	$335,000
$520,000	$105,000 Loss on our investment. $70,000 less than we invested at the start	$275,000
$520,000	$175,000 No return on our investment. Equal to the amount we invested at the start	$305,000
$520,000	$385,000 Gain on our investment. $210,000 more than we invested at the start	$395,000
$520,000	$0 Total loss on our investment. $175,000 less than we invested at the start	$180,000

3. When you sell your home you will also be responsible for paying all selling costs to third parties, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison HomeOwner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $1,100,000 as shown in Outcome 1 above, your selling costs would be $82,500. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

4. 70% of the $300,000 decrease in value is $210,000, but Unison's maximum loss under the Unison HomeOwner Agreement is the amount of the Unison Investment Payment, which is $175,000. Therefore, Unison will share $175,000 of the $300,000 loss, and you will share the balance of the loss, or $125,000.

Example 3 - Basic Unison HomeOwner Agreement

$500,000 Home Value
50% **Investor Percentage**

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**.
- You are seeking less than the maximum available proceeds from your Unison HomeOwner Agreement. You decide that the **Investor Percentage** will be 50%.
- We invest $62,500 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 50% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home - Unison has no ownership or occupancy rights.
- There are no interest charges on the $62,500 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.

			Share of Change in Value	
End (Assumes during year 10)	**Sale Price**	**Change in Value**	**Unison**	**You**
Outcome 1 **Moderate increase in value**	Your selling price is $550,000	Increase of $50,000	+ $25,000	+ $25,000
Outcome 2 **Moderate decrease in value**	Your selling price is $450,000	Decrease of $50,000	– $25,000	– $25,000
Outcome 3 **No change in value**	Your selling price is $500,000	$0	$0	$0
Outcome 4 **Large increase in value**	Your selling price is $650,000	Increase of $150,000	+ $75,000	+ $75,000
Outcome 5 **Large decrease in value**	Your selling price is $350,000	Decrease of $150,000	– $62,500[4]	– $87,500[4]

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison HomeOwner Agreement or not. Assuming you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $350,000, and in ten more years your loan balance would amortize down to approximately $260,000 (rounding to the nearest $10,000).

As the various outcomes demonstrate, you benefit in every case. You use the Unison Investment Payment cash for any purpose. You make no payments to Unison until you decide to sell your home. If the value of your home remains unchanged, the amount we receive typically equals the amount we invested, so you benefit from the use of our money at no cost. If the value of your home decreases, you benefit even more, because we typically incur a loss on our investment, which reduces your loss. If the value of your home increases, we make a profit, and you do too.

Distribution of Gross Sale Proceeds		
To Lender[2]	**To Unison**	**To You**[3]
$260,000	$87,500 Gain on our investment. $25,000 more than we invested at the start	$202,500
$260,000	$37,500 Loss on our investment. $25,000 less than we invested at the start	$152,500
$260,000	$62,500 No return on our investment. Equal to the amount we invested at the start	$177,500
$260,000	$137,500 Gain on our investment. $75,000 more than we invested at the start	$252,500
$260,000	$0 Total Loss on our investment. $62,500 less than we invested at the start	$90,000

3. When you sell your home you will also be responsible for paying all selling costs to third parties, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison HomeOwner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $550,000 as shown in Outcome 1 above, your selling costs would be $41,250. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

4. 50% of the $150,000 decrease in value is $75,000, but Unison's maximum loss under the Unison HomeOwner Agreement is the amount of the Unison Investment Payment, which is $62,500. Therefore, Unison will share $62,500 of the $150,000 loss, and you will share the balance of the loss, or $87,500.

6. The Nuts And Bolts Of The Unison HomeOwner Agreement

As the examples have shown, at the end of the Unison HomeOwner Agreement, Unison typically receives an amount equal to what we originally invested plus or minus our percentage share of the change in value. When the change in value is positive, we make a profit on our investment, and when it is negative we typically sustain a loss. Here we will introduce you to more of the Unison HomeOwner Agreement terminology, discuss the mechanics behind the Unison HomeOwner Agreement, and explain how the net result to Unison at the end is calculated in more detail.

You should already be familiar with the terms **Original Agreed Value**, **Unison Investment Payment** and **Investor Percentage**:

› **Original Agreed Value** – the value of your home at the start of the Unison HomeOwner Agreement, determined by obtaining an appraisal from a Unison-approved independent third-party appraisal firm.

› **Unison Investment Payment** – the cash investment we make in your home at the start of the Unison HomeOwner Agreement.

› **Investor Percentage** – the specified percentage of the future change in value that you will share with Unison in exchange for the investment we make in your home.

The Unison HomeOwner Agreement is an option contract. It gives Unison the right to purchase a share (equal to the **Investor Percentage**) of your home in the future for an amount called the **Unison Purchase Price**.[D] The **Unison Purchase Price** is equal to the **Original Agreed Value** times the **Investor Percentage**. In Example 1 above, the **Original Agreed Value** is $500,000 and the **Investor Percentage** is 70%. Therefore the **Unison Purchase Price** is $350,000.

Original Agreed Value	x	**Investor Percentage**	=	**Unison Purchase Price**
$500,000	x	70%	=	$350,000

You can think of the **Unison Investment Payment** as an initial installment on the **Unison Purchase Price**. The remaining portion of the **Unison Purchase Price** is called the **Unison Purchase Price Balance**. It is equal to the **Unison Purchase Price** minus the **Unison Investment Payment**. In Example 1, the **Unison Investment Payment** is $87,500. Therefore the **Unison Purchase Price Balance** is $262,500.

Unison Purchase Price	–	**Unison Investment Payment**	=	**Unison Purchase Price Balance**
$350,000	–	$87,500	=	$262,500

The Unison HomeOwner Agreement typically ends when you decide to sell your home. The value of your home at the end of the Unison HomeOwner Agreement is called the **Ending Agreed Value**. When you sell your home, the **Ending Agreed Value** will typically be equal to the **Sale Price**.

We have the right to "exercise our option" at the end of the Unison HomeOwner Agreement. Exercising our option is the mechanism by which we settle the Unison HomeOwner Agreement and receive the amount we are entitled to. When we exercise our option, two very important things happen.

1. We RECEIVE a payment equal to our percentage share (the **Investor Percentage**) of the **Ending Agreed Value**.
2. We simultaneously MAKE a payment equal to the **Unison Purchase Price Balance**.

Whenever we exercise our option, the amount of the payment we RECEIVE will always be greater than the amount of the payment we MAKE, so to calculate the net result we can deduct the payment we MAKE from the payment we RECEIVE. The **Net Result To Unison** is calculated as:

$$\overbrace{\textbf{Ending Agreed Value} \times \textbf{Investor Percentage}}^{\text{Unison RECEIVES a Payment}} - \overbrace{\textbf{Unison Purchase Price Balance}}^{\text{Unison MAKES a Payment}} = \textbf{Net Result To Unison}$$

Once the settlement process is complete, we have no further interest in your home, and the Unison HomeOwner Agreement ends.

[D] It is important to note that during the term of the Unison HomeOwner Agreement we own only an option right. We do not own a share in your home. Our right to purchase a share in your home is triggered only when you sell your home or upon some other event that terminates the Unison HomeOwner Agreement.

Let’s revisit Outcome 1 of Example 1 to see how this works. In Outcome 1 we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year ten of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000		70%	-	$262,500	=	$122,500
$385,000			-	$262,500	=	$122,500

If you refer back to Outcome 1 on pages 6-7, you will see that the $122,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a return on our investment equal to our share (the **Investor Percentage**) of the change in value of your home, up or down, that occurs during the term of the Unison HomeOwner Agreement. In this example, the $35,000 profit on our investment is equal to our 70% share of the $50,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

We will now repeat this explanation for Example 3. In Example 3, the **Original Agreed Value** is $500,000 and the **Investor Percentage** is 50%. Therefore the **Unison Purchase Price** is $250,000.

Original Agreed Value	x	**Investor Percentage**	=	**Unison Purchase Price**
$500,000	x	50%	=	$250,000

In Example 3, the **Unison Investment Payment** is $62,500. Therefore the **Unison Purchase Price Balance** is $187,500.

Unison Purchase Price	–	**Unison Investment Payment**	=	**Unison Purchase Price Balance**
$250,000	–	$62,500	=	$187,500

Let’s revisit Outcome 1 of Example 3. In Outcome 1 we assume that your home increases in value by $50,000, to $550,000 and that you sell it during year ten of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000		50%	-	$187,500	=	$87,500
$275,000			-	$187,500	=	$87,500

If you refer back to Outcome 1 on pages 10-11, you will see that the $87,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a return on our investment equal to our share (the **Investor Percentage**) of the change in value of your home, up or down, that occurs during the term of the Unison HomeOwner Agreement. In this example, the $25,000 profit on our investment is equal to our 50% share of the $50,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Fully detailed calculations for each of the examples presented in this Program Guide are provided in Section H.

Example 1 Made Simple

Start

- Unison receives an option to purchase 70% of the property for an amount equal to 70% of its current value. Since the property is worth $500,000, our purchase price is $350,000.
- Unison invests $87,500 in the property. This $87,500 will be applied towards our purchase price of $350,000, leaving a balance of $262,500.

During

- You enjoy all benefits of owning and living in your home. Unison does not co-own the home. You pay the mortgage, taxes and insurance but make no regular payments to Unison of any kind. You decide when to sell your home.

End (Outcome 1, During Year 10)

- When you sell, Unison has the right to exercise its option and pay the balance of our purchase price ($262,500) to complete our purchase of 70% of the property.
- Unison would then be entitled to receive 70% of the then-current value of the home. Since the home is being sold for $550,000, we would receive $385,000.
- Unison has the option to pay $262,500 in order to receive $385,000, so its net result is $122,500. Payment of this $122,500 net amount to Unison will settle Unison's option right on your home.
- A net settlement of the Unison option right will occur as part of your sale transaction.

Example 3 Made Simple

Start

- Unison receives an option to purchase 50% of the property for an amount equal to 50% of its current value. Since the property is worth $500,000, our purchase price is $250,000.
- Unison invests $62,500 in the property. This $62,500 will be applied towards our purchase price of $250,000, leaving a balance of $187,500.

During

- You enjoy all benefits of owning and living in your home. Unison does not co-own the home. You pay the mortgage, taxes and insurance but make no regular payments to Unison of any kind. You decide when to sell your home.

End (Outcome 1, During Year 10)

- When you sell, Unison has the right to exercise its option and pay the balance of our purchase price ($187,500) to complete our purchase of 50% of the property.
- Unison would then be entitled to receive 50% of the then-current value of the home. Since the home is being sold for $550,000, we would receive $275,000.
- Unison has the option to pay $187,500 in order to receive $275,000, so its net result is $87,500. Payment of this $87,500 net amount to Unison will settle Unison's option right on your home.
- A net settlement of the Unison option right will occur as part of your sale transaction.

7. Expenses You Pay When You Obtain A Unison HomeOwner Agreement

You will pay certain transaction costs during the application process or at closing of your Unison HomeOwner Agreement. Costs can include third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. Unison does not typically pay any portion of any third party fees. At closing you will reimburse Unison for any fees incurred by Unison on your behalf during the process and you will pay Unison a transaction fee. This will reduce the amount of cash you receive from the transaction at closing. Fees are discussed in more detail in Part 3 of Section C.

8. Expenses You Pay When You Sell Your Home

As mentioned previously, when you sell your home you are responsible for paying all of the costs associated with the sale, such as broker's commissions, just as you would if you did not have a Unison HomeOwner Agreement. These expenses can typically amount to 6-9% of the sale price of the home. You are also responsible for paying, from your share of the sale proceeds, any mortgage loans secured by the property and any other encumbrances on the property. If the sale proceeds are not sufficient to pay all of the mortgage loans, commissions and closing costs, and the amount due to us, you are required to make up any shortfall. For a detailed example of a shortfall situation, see Part 12 of Section E.

9. Special Termination

Beginning on the third anniversary, you have the right to end your Unison HomeOwner Agreement without selling your home by requesting a **Special Termination**. To do this, we obtain an appraisal from a Unison-approved independent third-party appraisal firm to determine the current market value of your property. Typically, you will make a payment to Unison equal to the amount of the **Unison Investment Payment** plus the profit, if any, Unison would have made if you had sold your home for the appraised value. This payment is called the **Special Termination Price**. Upon receiving the **Special Termination Price**, the Unison HomeOwner Agreement will end and Unison will release its lien and have no further interest in your property. This is discussed in more detail in Part 2 of Section E.

10. Determining When The Unison HomeOwner Agreement Ends

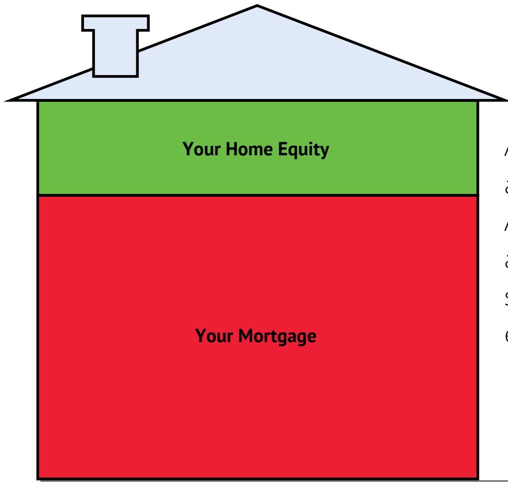
Under typical circumstances, the Unison HomeOwner Agreement ends when you decide to sell your home. It can also end if you request a **Special Termination**. There is a maximum term of 30 years, which gives you significant flexibility in deciding when to sell your home or request a **Special Termination**. If you do not sell your home or request a **Special Termination** during the term, then at the end of the term Unison will be entitled to exercise its option, and you will need to settle the Unison HomeOwner Agreement in order for Unison to release and reconvey its interest in your home.

We are not obligated to exercise our option when you sell your home. If it is not economically beneficial for us to exercise (for example, in situations where the value of your home has declined substantially, such as in Outcome 5 of Examples 1, 2 and 3), we may decide not to exercise. In that case, when you sell your home our option will expire, you will owe us nothing, we will release our lien, and the Unison HomeOwner Agreement will end.

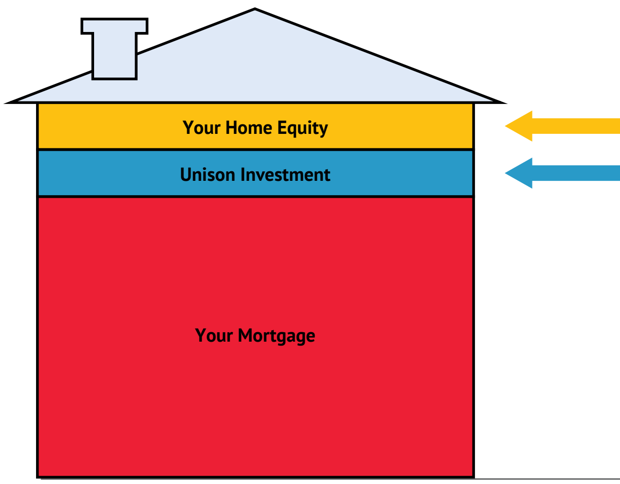
In rare circumstances, there are some other ways in which the Unison HomeOwner Agreement may end. If you fail to honor your obligations under the Unison HomeOwner Agreement and jeopardize the value of your home or our interest in your home, and you do not correct the situation within a reasonable amount of time, we may decide to exercise our option or take other action to protect our investment. See Part 11 of Section D and Part 5 of Section E for more information.

11. More About Unison's Return On Investment

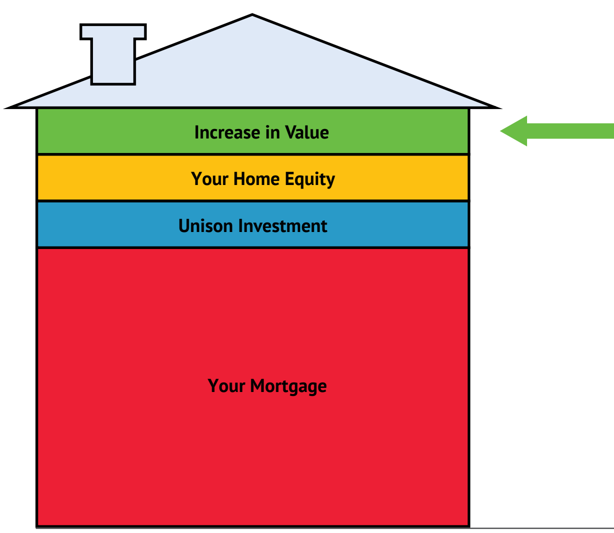
The Unison HomeOwner Agreement is based on equity sharing, but it is very important to understand that Unison does not share in all of the equity in your home. Unison's return on its investment comes ONLY from sharing in the change in value of your home, up or down. We don't share in additional equity you build over time by paying down your mortgage. We also don't share in additional equity you may create by remodeling your home. These concepts are illustrated here.



At the time you enter into a Unison HomeOwner Agreement, you own a home and have a significant amount of equity in your home.

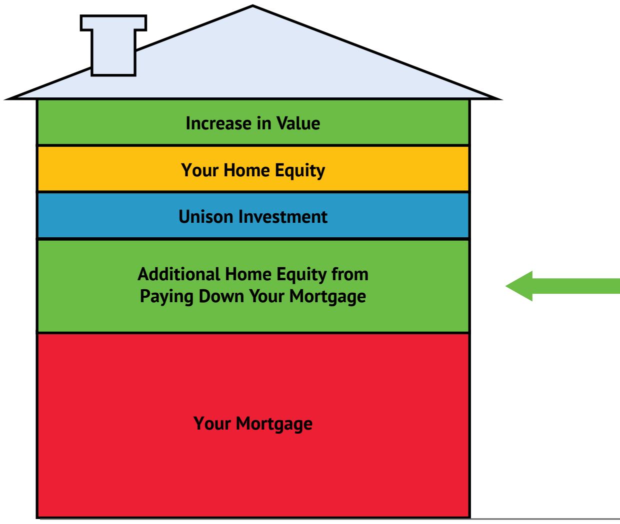


When you enter into the Unison HomeOwner Agreement, Unison converts a portion of your home equity to cash by making an investment in your home.

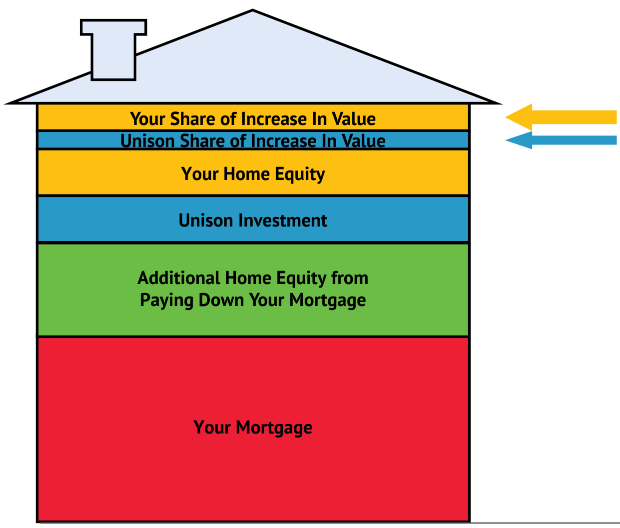


The amount of equity in your home will typically increase due to several factors.

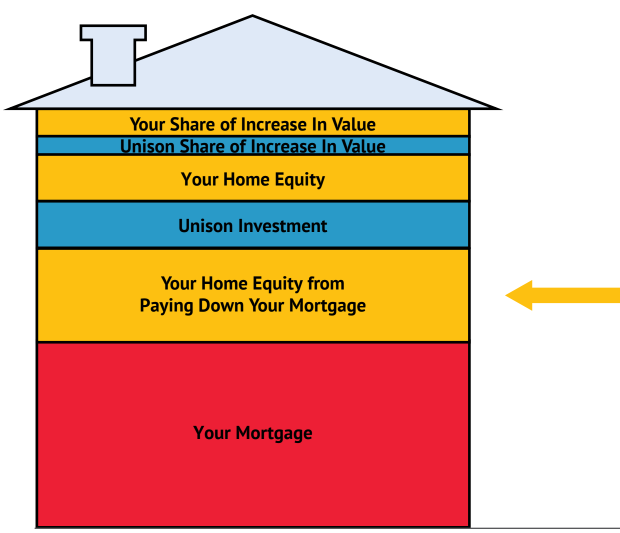
First, as shown here, the value of your home may increase over time. This increases home equity.



Second, by making your mortgage payment each month you are reducing the balance of your mortgage.[E] This also increases home equity.



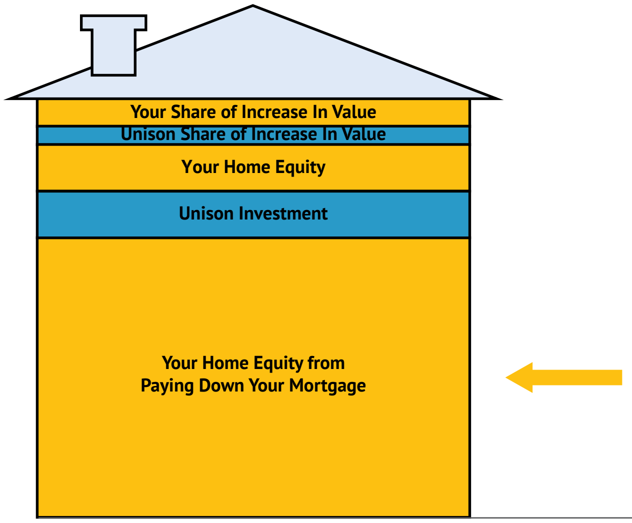
When you sell your home, you and Unison will share the increase in value.



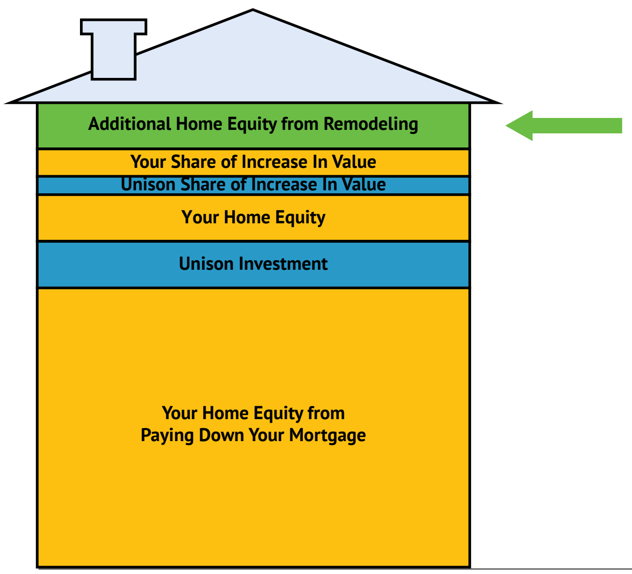
But Unison will NOT share in the additional home equity you built by paying down your mortgage over time. Simply put, that would not be fair. You made the monthly payments!

[E] This is true with most mortgage loans, which are ***amortizing*** loans. If you have an ***interest-only*** loan, the balance of your mortgage does NOT decrease each month.

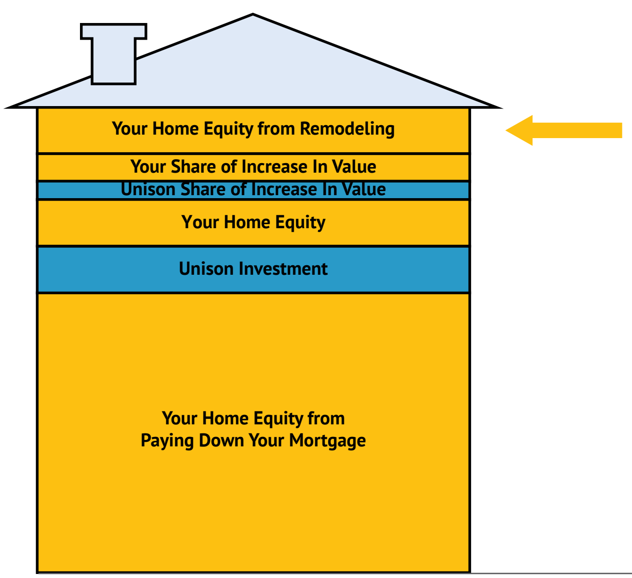
11. More About Unison's Return On Investment (continued)



Over time, you may pay your mortgage off entirely, all to your benefit.

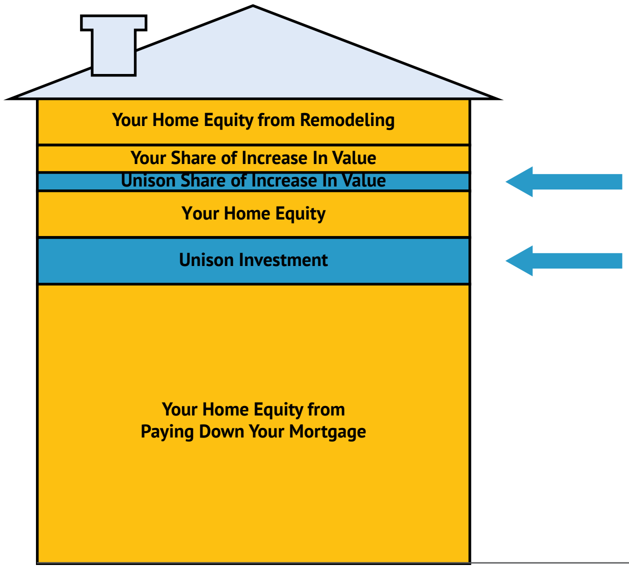


You may also create additional equity in your home by remodeling it (making home improvements).



Unison will NOT share in that additional home equity either.[F] That would not be fair. You paid for the improvements!

[F] Certain conditions will apply to ensure that your remodeling is appropriately documented and evaluated. You will learn more about this feature (called the Remodeling Adjustment) in Sections B and E of this Program Guide.



The payment we receive when you sell your home equals **only** our original investment plus or minus our share of the change in value due to market appreciation or depreciation.

With Unison HomeOwner, you are not giving up all the profit potential in your home. You are sharing a portion of it.

Section A of this Program Guide provides a basic understanding of how the Unison HomeOwner Agreement works, and how it might work for you. Much more detail is contained in the remaining sections, so please read them with care. If you have any questions, please call us at 1-800-330-9400 or contact your Program Specialist directly. We will be happy to assist you!

Remodeling can increase the enjoyment that you and your family get from living in your home.

Section B: More About The Unison HomeOwner Agreement

In Section A, we described the basics of the Unison HomeOwner Agreement. In Section B, we introduce a few more key features. Each of these features can have an impact on the outcome at the end of the Unison HomeOwner Agreement.

1. Remodeling Adjustment

Remodeling your home is a great pastime. Many homeowners decide to remodel their home, and we at Unison encourage you to do so.

Remodeling can create two types of value:

› It can increase the enjoyment you and your family get from living in your home.

› It can increase the market value of your home.

Although most homeowners understand that making improvements can increase the value of their home, sometimes they don't focus on that aspect. More often their goal is to make improvements because they will enjoy them, or because they need more living space.

As you may know, certain home improvements add a lot of value in relation to their cost, and certain improvements don't. For example, if you spend $80,000 adding an extension bedroom and bathroom, when you sell your home the value of that improvement might be $60,000. If you spend $50,000 adding an in-ground pool, when you sell your home the value of that improvement might only be $10,000. You do not need to consult with us about making home improvements, but you can count on us to refer you to resources that might help.

If you remodel your home in accordance with the provisions of the Unison HomeOwner Agreement and any laws, regulations, local ordinances, and permit requirements that apply, you can request that we make an adjustment (called a **Remodeling Adjustment**) when performing the calculations at the end of the Unison HomeOwner Agreement. This adjustment allocates all of the increase in your home's value due to the remodeling to you at the end of the Unison HomeOwner Agreement, so that we do not share in it. While you can remodel your home at any time, a **Remodeling Adjustment** will be applied <u>only</u> if you sell your home or otherwise terminate the Unison HomeOwner Agreement <u>after the third year anniversary date</u>.

To request a **Remodeling Adjustment**, you must notify Unison in writing of your request at least 45 days in advance of your property sale, **Special Termination**, or other termination of the Unison HomeOwner Agreement. With your written request, you will be required to submit photographic and other evidence of your home's appearance and condition before your remodeling work was completed. An appraisal will be obtained from a Unison-approved independent third-party appraisal firm to determine whether your home has increased in value as a result of your remodeling. This appraised increase in value, if any, will equal the amount of your **Remodeling Adjustment**. If you are requesting a **Special Termination** of your Unison HomeOwner Agreement, the appraiser assigned to determine the **Ending Agreed Value** of your property will be instructed to determine the amount of your **Remodeling Adjustment**, if any. If you are selling your home, an appraisal will be ordered by Unison (at your expense) to determine the amount of the **Remodeling Adjustment**.

To enable the appraiser to determine what, if any, increase in value of your property is attributable to your remodeling, Unison requires that you maintain and submit clear, detailed photographic supporting evidence of your property in its condition before the remodeling work, sufficient in detail and scope that the appraiser can visually compare your remodel with the prior condition of your property. This documentation must be submitted to Unison when you request a **Remodeling Adjustment**. Unison will in turn provide your materials to the appraiser. You should prepare this documentation with care, because in the event that the appraiser reasonably finds that this documentation is insufficient in detail, clarity or scope on which to base a valuation of the property in its unmodified condition, a **Remodeling Adjustment** may not be calculable.

Based on the physical documentation you provide, the appraiser will determine the hypothetical value of your property *without* your remodeling work. The difference between this hypothetical value and the current fair market value of your home, if any, will equal the **Remodeling Adjustment**.

› The **Remodeling Adjustment** is equal to the gain in value caused by your remodeling, determined at the end of the Unison HomeOwner Agreement by an independent appraiser. It is not based on the amount you spent on the remodeling project. The appraiser will be specifically instructed not to review the costs of your improvements, but only to determine what, if any, actual market value has been added to the property.

› Unison is committed to a fair process to determine the amount of the **Remodeling Adjustment**. For example, assuming all of the applicable conditions are met, if you spend $50,000 remodeling and it causes the value of your home to increase by $50,000, we will credit you $50,000. If you spend $50,000 remodeling and it causes the value of your home to increase by $30,000, we will credit you $30,000. If you spend $50,000 remodeling and it causes the value of your home to increase by $60,000, we will credit you $60,000.

› If we are unable to agree in good faith on the **Remodeling Adjustment**, the issue will be determined through arbitration.

Example 4 adds a **Remodeling Adjustment** to Outcome 1 of Example 3 to illustrate how this works.

You can get full credit for any increased market value you create with home improvements.

Example 4 - Remodeling Adjustment

To illustrate the impact of the **Remodeling Adjustment**, we start by reviewing Outcome 1 of Example 3.

In Outcome 1 of Example 3, market appreciation caused the value of your home to increase by $50,000. Our 50% share of that increase is $25,000, and your 50% share is $25,000. Example 4 builds on Example 3, with the following additional assumptions: During the term of the Unison HomeOwner Agreement, you remodel your home by adding a new bedroom and bathroom. The remodeling project costs $40,000. During year ten of your Unison HomeOwner Agreement you sell your home for $580,000, an increase in value of $80,000. An independent third party appraiser determines that the value of your home without the remodeling would have been $550,000, solely due to market appreciation, and that the remaining $30,000 is due to value added by the additional bedroom and bathroom. The Unison HomeOwner Agreement provides for an adjustment of the selling price when performing the settlement calculations at the end so that you keep all of the value created by your remodeling project, and we do not share in it.

Why The Remodeling Adjustment Is Not Available During The First Three Years

The Unison HomeOwner Agreement is designed for homeowners who intend to remain in their homes for at least three years. It is not designed for homeowners who intend to make rapid improvements to their property and then sell soon after. You can receive the benefits of a **Remodeling Adjustment** for improvements you make during the first three years of the Unison HomeOwner Agreement, provided you do not decide to sell before the third year anniversary.

<table>
<tr><th rowspan="2">End [2]
(Assumes during year 10)</th><th rowspan="2">Sale Price</th><th rowspan="2">Change in Value</th><th colspan="2">Share of Change in Value</th></tr>
<tr><th>Unison</th><th>You</th></tr>
<tr><td>Example 3
(Outcome 1)</td><td>Your selling price is
$550,000</td><td>Increase of
$50,000</td><td>+ $25,000</td><td>+ $25,000</td></tr>
<tr><td rowspan="2">Example 4
Remodeling Adjustment</td><td>Actual selling price is
$580,000</td><td>Actual increase of
$80,000</td><td rowspan="2">+ $25,000
Our 50% share is based on the adjusted increase</td><td rowspan="2">+ $55,000
Your share is equal to the balance of the actual increase</td></tr>
<tr><td>Adjusted selling price is
$550,000</td><td>Adjusted increase of
$50,000</td></tr>
</table>

The appraisal process determines that your remodeling project, which cost you $40,000, has added $30,000 to the market value of your home. The sale price is adjusted downward by $30,000 to $550,000, its appraised value without your remodeling improvements, so that the increase in value due to your remodeling project does not factor in calculating our share.

Our share of the increase in value is the same as it was in Example 3, and your share is $30,000 more than it was in Example 3. You receive the full benefit of the $30,000 increase in value caused by the remodeling.

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. This example of the Remodeling Adjustment calculation presumes that your Unison HomeOwner Agreement transaction is structured such that you and Unison will share the change in value of your home 50/50 when you sell. The calculations shown above will vary if your transaction is structured differently.

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**.
- You are seeking less than the maximum available proceeds from your Unison HomeOwner Agreement. You decide that the **Investor Percentage** will be 50%.
- We invest $62,500 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 50% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home - Unison has no ownership or occupancy rights.
- There are no interest charges on the $62,500 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.
- You spend $40,000 adding a new bathroom and bedroom to your home, and comply with the requirements of the Unison HomeOwner Agreement pertaining to a **Remodeling Adjustment**.

Distribution of Gross Sale Proceeds		
To Lender[3]	**To Unison**	**To You[4]**
$260,000	$87,500 Gain on our investment. $25,000 more than we invested at the start	$202,500
$260,000	$87,500 Gain on our investment. $25,000 more than we invested at the start	$232,500

3. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison Home-Owner Agreement or not. Assuming you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $350,000, and in ten more years your loan balance would amortize down to approximately $260,000 (rounding to the nearest $10,000).

4. When you sell your home you will also be responsible for paying all selling costs, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison Home-Owner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $580,000 as shown in Example 4 above, your selling costs would be $43,500. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

Below we compare Example 3 with Example 4.

	EXAMPLE 3 Without Remodeling Adjustment	EXAMPLE 4 With Remodeling Adjustment
Cost Of Remodeling	NA	$40,000
Value Of Remodeling At Time Of Sale	NA	$30,000
Original Agreed Value	$500,000	$500,000
Ending Agreed Value	$550,000	$580,000
Adjusted **Ending Agreed Value**	NA	$550,000
Increase In Home Value	$50,000	$80,000
Our Share Of Increase	$25,000	$25,000
Your Share Of Increase	$25,000	$55,000

The $40,000 that you spent on remodeling caused your home to increase in value by an additional $30,000. We do not share in any of that additional $30,000 increase in value. Your share of the change in value increases from $25,000 to $55,000 due to the impact of the **Remodeling Adjustment**. Our share is the same in both examples.

Although far less common, if you make changes to your home that an appraiser determines have decreased its value at the time of sale, such as converting three bedrooms to a large den, we may make a **Negative Remodeling Adjustment** that increases the amount Unison receives upon the sale so that we do not share in any decrease in value that results from your changes.

2. Deferred Maintenance Adjustment

During the term of the Unison HomeOwner Agreement, you are required to maintain your property in good condition, subject to normal wear-and-tear. If you do not, when the Unison HomeOwner Agreement ends the value of your property will most likely be less than it would have been if it had been properly maintained. When this is the case, a **Deferred Maintenance Adjustment** may apply when performing the settlement calculations at the end of the Unison HomeOwner Agreement. Since the loss in value would be due to your failure to maintain the property, the **Deferred Maintenance Adjustment** allocates all of the loss in value due to improper maintenance to you, so that we do not share in it.

To understand why this is important to Unison, imagine a situation in which we enter into a Unison HomeOwner Agreement with a homeowner that buys a home valued at $500,000, located in a neighborhood in which most of the homes are also valued at $500,000. Eight years later, our homeowner decides to sell their home. All of the homes in the neighborhood have increased in value over the eight year period to approximately $550,000, so we are expecting to earn a positive return on our investment. However, during the eight year period, termites invaded the home we invested in, and our homeowner ignored the problem. The damage is so bad that the value of the home has actually declined to $475,000 as a result. In this example, without the **Deferred Maintenance Adjustment** our gain on investment would become a loss on investment, due to the inaction of the homeowner. While this may be an extreme example, it demonstrates the importance of proper maintenance and the reason for the **Deferred Maintenance Adjustment**. We enter into Unison HomeOwner Agreements with the understanding that homeowners are agreeing to maintain their properties, and we must have a way to protect our investment when a homeowner fails to do that.

- Unison is committed to a fair process to determine the value of the **Deferred Maintenance Adjustment**.
- Typically, no **Deferred Maintenance Adjustment** will apply unless the aggregate cost of the required repairs is at least $5,000.
- One or more appraisals, inspections or repair estimates obtained from Unison-approved independent third-party providers are used to determine the amount of the **Deferred Maintenance Adjustment**.
- If we are unable to agree in good faith on the amount, the issue will be determined through arbitration.

Unlike the **Remodeling Adjustment**, a **Deferred Maintenance Adjustment** can be applied whenever the Unison HomeOwner Agreement ends.

Example 5 adds a **Deferred Maintenance Adjustment** to Outcome 1 of Example 3 to illustrate how this works.

Unison requires a home inspection as a condition to entering into Unison HomeOwner Agreements. The home inspection may occasionally reveal defects or conditions which can pose clear risks to the property or its value if not properly addressed. For example, if the inspection reveals significant rot in the framing under the home's main living area, or crumbling sections of the foundation, these defects could worsen over time and significantly and negatively impact the property's future value and desirability. Unison may note these defects and conditions in a Deferred Maintenance Addendum to the Unison HomeOwner Agreement and reserve them for the application of a **Deferred Maintenance Adjustment** if the homeowner chooses not to correct them during the term.

A **Deferred Maintenance Adjustment** may also be applied by Unison if your home has declined in value during the Unison HomeOwner Agreement term as the result of a significant defect or condition in the property which you knew or should have known about before or during the term but which was not disclosed to Unison.

EXAMPLE 5 - Deferred Maintenance Adjustment

To illustrate the impact of the **Deferred Maintenance Adjustment**, we start by reviewing Outcome 1 of Example 3.

In Outcome 1 of Example 3, market appreciation caused the value of your home to increase by $50,000. Our 50% share of that increase is $25,000, and your 50% share is $25,000. Example 5 builds on Example 3, with the following additional assumptions: During year ten of your Unison HomeOwner Agreement you sell your home for $540,000, an increase in value of $40,000. A home inspection performed in connection with the sale reveals that during the term of the Unison HomeOwner Agreement, you did not properly maintain your home. The roof is leaking and is badly in need of repairs costing $10,000. Therefore, your home would have been worth $550,000 if you had maintained it properly. The Unison HomeOwner Agreement provides for an adjustment of the selling price when performing the settlement calculations at the end so that Unison is not impacted by the loss in value due to your improper maintenance.

			Share of Change in Value	
End [2] (Assumes during year 10)	**Sale Price**	**Change in Value**	**Unison**	**You**
Example 3 **(Outcome 1)**	Your selling price is $550,000	Increase of $50,000	+ $25,000	+ $25,000
Example 5 Deferred Maintenance Adjustment	Actual selling price is $540,000	Actual increase of $40,000	+ $25,000 Our 50% share is based on the **adjusted** increase	+ $15,000 Your share is equal to the balance of the **actual** increase
	Adjusted selling price is $550,000	Adjusted increase of $50,000		

The leaky roof is determined by independent third party experts to have reduced your selling price by $10,000. The sale price is adjusted upward by $10,000 so that the decrease in value due to your improper maintenance does not factor in calculating our payment.

Our share of the increase in value is the same as it was in Example 3, and your share is $10,000 less than it was in Example 3. You absorb the full impact of the $10,000 loss in value caused by the deferred maintenance.

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. This example of the Deferred Maintenance Adjustment calculation presumes that your Unison HomeOwner Agreement transaction is structured such that you and Unison will share the change in value of your home 50/50 when you sell. The calculations shown above will vary if your transaction is structured differently.

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**.
- You are seeking less than the maximum available proceeds from your Unison HomeOwner Agreement. You decide that the **Investor Percentage** will be 50%.
- We invest $62,500 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 50% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home – Unison has no ownership or occupancy rights.
- There are no interest charges on the $62,500 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You pay the mortgage, property taxes, and property insurance.
- You fail to properly maintain the home, resulting in a leaky roof and a loss in market value.

Distribution of Gross Sale Proceeds

To Lender [3]	To Unison	To You [4]
$260,000	$87,500 Gain on our investment. $25,000 more than we invested at the start	$202,500
$260,000	$87,500 Gain on our investment. $25,000 more than we invested at the start	$192,500

3. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison Home-Owner Agreement or not. Assuming you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $350,000, and in ten more years your loan balance would amortize down to approximately $260,000 (rounding to the nearest $10,000).

4. When you sell your home you will also be responsible for paying all selling costs, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison Home-Owner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $540,000 as shown in Example 5 above, your selling costs would be $40,500. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

Below we compare Example 3 with Example 5.

	EXAMPLE 3 Without Deferred Maintenance Adjustment	EXAMPLE 5 With Deferred Maintenance Adjustment
Loss In Value Due To Deferred Maintenance	NA	$10,000
Original Agreed Value	$500,000	$500,000
Ending Agreed Value	$550,000	$540,000
Adjusted **Ending Agreed Value**	NA	$550,000
Increase In Home Value	$50,000	$40,000
Our Share Of Increase	$25,000	$25,000
Your Share Of Increase	$25,000	$15,000

Because you did not properly maintain the roof, as required by the Unison HomeOwner Agreement, the value of your home was $10,000 less than it should have been at the time of the sale. We do not share in any of that $10,000 loss in value. Your share of the change in value decreases from $25,000 to $15,000 due to the impact of the **Deferred Maintenance Adjustment**. Our share is the same in both examples.

Unison is committed to a fair process and will make a determination in good faith as to whether a **Deferred Maintenance Adjustment** is warranted, based on one or more property inspections, appraisals, or repair estimates produced by Unison-approved independent third-party professional inspectors.

Determining a fair and appropriate amount for any **Remodeling Adjustment** or **Deferred Maintenance Adjustment** at the end of the Unison HomeOwner Agreement is important to both you and Unison. Should any disagreement arise, a simple two-step process may be followed:

1. If, after reviewing the appraisal, inspection report, or repair estimate used to determine the amounts, either party may request a reconsideration, in which case additional reports or inspections may be obtained. Additional reports are typically paid for by the requesting party. If both parties are requesting additional reports, the cost is shared by both parties.
2. If you and Unison are still unable to agree in good faith on the amount, the issue will be determined through arbitration.

3. Selling Your Home During The First Three Years Of Your Unison HomeOwner Agreement

Unison does not charge any interest or receive any payments on its investment during the term of the Unison HomeOwner Agreement. We receive no return whatsoever until you decide to sell your home or the Unison HomeOwner Agreement is otherwise terminated. Unison's return on its investment depends entirely on the change in value of your home, and in order for home prices to change, up or down, time must pass. For these reasons, the Unison HomeOwner Agreement is not intended to be used as short term financing, and Unison does not recommend the Unison HomeOwner Agreement for homeowners who know they will not remain in their homes for more than three years.

You can sell your home at any time, but if you choose to sell your home during the first three years of your Unison HomeOwner Agreement and the value of your home has decreased, Unison will not share in any of that decrease in value. Unison's share of the gross sale proceeds of your home during the first three years will always equal the greater of the amount of the **Unison Investment Payment** or the amount of the **Unison Investment Payment** plus Unison's share of any increase in value of your home.

To implement this, when you choose to sell your home during the first three years of your Unison HomeOwner Agreement and the value of your home has decreased, Unison's share of the gross sale proceeds of your home will be calculated by setting the **Ending Agreed Value** of your home equal to the **Original Agreed Value**.

To demonstrate this, Example 6 revisits Example 3, but we now assume you are selling your home during the <u>third</u> year of your Unison HomeOwner Agreement instead of during the <u>tenth</u> year.

The Unison HomeOwner Agreement puts you in control – you decide how much of the future change in value of your home you share, how to use the cash you receive, how to manage your home, and when your Unison HomeOwner Agreement ends.

Example 6 - Sale in Years 1-3 When Value has Decreased

To illustrate the calculation that applies when you sell your home during the first three years and its value has decreased, we start by reviewing Outcome 2 of Example 3.

In Outcome 2 of Example 3, the **Original Agreed Value** of your home was $500,000, but market depreciation caused the value to decrease by $50,000. Our 50% share of that decrease is $25,000, and your 50% share is $25,000. Example 6 builds on Outcome 2 of Example 3, with the following additional assumption: You decide to sell your home in year three instead of year ten, therefore Unison does not share in any decrease in value.

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**.
- You are seeking less than the maximum available proceeds from your Unison HomeOwner Agreement. You decide that the **Investor Percentage** will be 50%.
- We invest $62,500 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 50% share of the change in value of your home (the **Investor Percentage**).

			Share of Change in Value	
End [2]	**Sale Price**	**Change in Value**	**Unison**	**You**
Example 3 (Outcome 2)	Your selling price is $450,000	Decrease of $50,000	- $25,000	- $25,000
Example 6 Sale In Years 1-3 When Value Has Decreased	Actual selling price is $450,000	Actual decrease of $50,000	$0 Our share is based on the **adjusted** decrease	- $50,000 Your share is equal to the **actual** decrease
	Adjusted selling price is $500,000	Adjusted decrease of $0		

*When you sell during the first three years, if the value of your home has decreased, Unison's payment will be based on an adjusted selling price equal to the **Original Agreed Value**, not the actual **Sale Price**.*

Because you are selling during the first three years, Unison does not share in any decrease in value. Since our share of the decrease in value is zero, your share is $50,000.

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. This example presumes that your Unison HomeOwner Agreement transaction is structured such that you and Unison will share the change in value of your home 50/50 when you sell. The calculations shown above will vary if your transaction is structured differently.

3. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison HomeOwner Agreement or not. Example 3 assumes you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, so you would have a current balance of approximately $350,000 when you entered into the Unison HomeOwner Agreement, and in ten more years your loan balance would

During

- You live in your home – Unison has no ownership or occupancy rights.
- There are no interest charges on the $50,000 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.

Distribution of Gross Sale Proceeds		
To Lender [3]	**To Unison**	**To You** [4]
$260,000	$37,500 Loss on our investment. $25,000 less than we invested at the start.	$152,500
$260,000	$62,500 No return on our investment. Equal to the amount we invested at the start.	$127,500 [5]

have amortized down to approximately $260,000 (rounding to the nearest $10,000). Example 6 assumes a holding period of less than three years, therefore the amortization would be much smaller and the remaining loan balance would be greater (with a holding period of 2.5 years, the amortization would be approximately $20,000 and the remaining loan balance would be approximately $330,000). For purposes of comparing Example 6 to Example 3, and to focus just on demonstrating the impact of selling your home during the first three years when its value has decreased, we hold the amount of loan amortization constant in both Examples.

4. When you sell your home you will also be responsible for paying all selling costs, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison Home-Owner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $450,000 as shown in Example 6 above, your selling costs would be $33,750. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

5. As described in footnote 3, amortization on the loan was held constant in this example. With a holding period assumption of 2.5 years, amortization would be approximately $20,000 and the remaining loan balance would be approximately $330,000. After paying the loan and the $62,500 amount due to Unison, your gross from the sale would be $57,500. After paying selling costs of $33,750, your net from the sale would be $23,750.

Below we compare Example 3 with Example 6

	EXAMPLE 3 Selling In Year 10	EXAMPLE 6 Selling In Year 3
Original Agreed Value	$500,000	$500,000
Sale Price	$450,000	$450,000
Ending Agreed Value	$450,000	$500,000
Decrease In Home Value	$50,000	$50,000
Our Share Of Decrease	$25,000	$0
Your Share Of Decrease	$25,000	$50,000

The comparison above illustrates the impact of selling your home during the first three years of the Unison HomeOwner Agreement when its value has decreased. Your share of the decrease in value is $50,000 instead of $25,000. Our share of the decrease in value is $0 instead of $25,000.

Because Unison does not share in any decrease in value of your home when you sell during the first three years of your Unison HomeOwner Agreement, if you are unsure about whether you will keep your Unison HomeOwner Agreement for at least three years, the Unison HomeOwner Agreement may not be suitable for you, and you should compare the Unison HomeOwner Agreement with other choices.

Remember, your Program Specialist is always available to help you with any of the information presented in this Program Guide.

The Unison HomeOwner Agreement is designed to promote fairness and minimize its impact on the way you live in and manage your home.

The Unison HomeOwner Agreement gives you the freedom to achieve your goals without adding to your monthly expense burden.

Section C: Obtaining A Unison HomeOwner Agreement

1. Understanding The Process

The process for obtaining a Unison HomeOwner Agreement is not significantly different than for other real estate transactions with which you are already familiar, such as buying a home or obtaining a home loan. Of course, unlike a home loan, with the Unison HomeOwner Agreement there are no monthly payments made to Unison.

We will take steps to verify the information you provide in your application, and review your credit, property title and history of financial responsibility. We will ask you to document your income, assets, loans, insurance and other information. We will determine the value of your home by obtaining an appraisal from a Unison-approved independent third-party appraisal firm.

If we determine that you (and your home) meet the criteria for a Unison HomeOwner Agreement, we will extend you a written offer (the **Offer Letter**) that outlines the specific terms of your Unison HomeOwner Agreement, including the **Original Agreed Value**, the **Unison Investment Payment**, and the **Investor Percentage**.

After you accept the offer, we will open escrow and schedule the closing. You will sign the Unison HomeOwner Agreement documents, and after a three-day cancellation period (during which time you will have the right to cancel the Unison HomeOwner Agreement) the transaction will close and you will receive the **Unison Investment Payment** (less fees, closing costs and other disbursements that you have authorized).

2. Step By Step

Step 1: Pre-Qualifying

Pre-qualifying is quick and easy - just a brief phone call with a Unison HomeOwner Agreement Program Specialist who will ask you some basic questions about your credit and income, your property, any loans secured by your property, and any other existing debt you might have. The Program Specialist will also answer any preliminary questions you have. If you pre-qualify and choose to proceed, the Program Specialist will be specifically assigned to work with you for the duration of the process. You will receive an **Application Package** including this Unison HomeOwner Agreement Program Guide, which contains a fully detailed description of the program.

Unison HomeOwner Education

Education is not a "step" but is essential and required for all homeowners. It is very important that you understand fully the terms and conditions of the Unison HomeOwner Agreement. Education includes reviewing the Unison HomeOwner Program Guide and the legal documents plus multiple conversations with your Unison Program Specialist, including a formal Program Knowledge Review, to ensure all of your questions have been answered. All homeowners should speak with their financial, tax, estate planning and legal advisors, and family or other heirs, before entering into a Unison HomeOwner Agreement. Your Program Specialist will be happy to discuss Unison HomeOwner with them as well, with your authorization.

Before proceeding with the application process, it is important that you understand the current qualifying criteria for the Unison HomeOwner Agreement, including:

- In general, you must intend to occupy the home as your primary residence, although some owner-occupied second homes may qualify. Rental properties do not qualify.
- In general, the home must be a single family residence, townhouse, or condominium.
- The home must be "typical" for the area. To better understand what we mean by "typical", think about what kind of property might not be considered typical. For example, imagine an eight bedroom home in the middle of a neighborhood in which all of the homes have three or four bedrooms, or a home built on a ten acre lot in the middle of an area in which the lot sizes are all less than one acre.
- The home must be in good condition and not at greater-than-average risk from natural or environmental hazards.
- The home must be located in an area served by Unison.

- You must have a history of financial responsibility and good credit. Certain credit exceptions may be allowed depending on circumstances.
- You must not have an excessive amount of debt on your property.

These criteria may not encompass all the factors considered by Unison in determining qualification for a Unison HomeOwner Agreement and may change over time.

Step 2: Education & Application

The **Application Package** includes an estimate of all fees and expenses related to the Unison HomeOwner Agreement and our property insurance requirements. You are urged to carefully review the entire **Application Package** and this Program Guide with your legal, tax and/or financial advisors, and family members.

If you decide to proceed, you will complete and return the application, and you will continue the mandatory Unison HomeOwner education process. The completed application must include information about, and be signed by, all persons who are on title. You will need to gather certain information that documents your income, assets, insurance and loans and attach it to the application.

Step 3: Underwriting & Approval

When we receive your completed application package, we will then begin processing your application, starting with a thorough credit check. We will review your application and supporting documentation that you provided. Your Program Specialist will contact you to acknowledge that your application has been received and will let you know if any additional documentation related to your income, assets, loans, property, insurance or other items is required in order to complete your file. We will also provide you with an updated estimate of all fees and expenses related to the Unison HomeOwner Agreement, insofar as those costs can be estimated at this point in the process.

If your credit history meets our guidelines, and you feel comfortable with your understanding of the features of the Unison HomeOwner Agreement, we will then order an appraisal of your home from a Unison-approved independent third party appraisal firm. Unison will also order a comprehensive property inspection report from a Unison-approved independent third party property inspection firm. The inspection requirement may be waived if you live in a newly constructed home.

Once the appraisal and inspection have been ordered, it is your responsibility as the homeowner to accommodate the appraisal and inspection appointments. You will be responsible for paying for the appraisal and inspection (although in some situations Unison will share the inspection cost). Typically, the cost will be charged to your credit card based on a payment authorization form that is included with the application. You will receive copies of the appraisal and inspection. Your assistance with promptly scheduling the appraisal and inspection and providing us with whatever additional information we require can greatly improve the efficiency with which your application can be processed.

Once we have received the appraisal, inspection and all requested additional information, we will underwrite the completed **Application Package** in accordance with our guidelines. We may obtain a preliminary title report and will determine if additional inspection or other reports may be required. Following approval, an **Offer Package** will be prepared and sent to you.

As with the Unison HomeOwner Agreement **Application Package**, you are expected to review the Unison HomeOwner Agreement **Offer Package** very carefully, and in consultation with family members and legal, tax, financial and other advisors. The **Offer Package** will include a document called the **Important Information Notice** and a copy of the **Total Unison Cost Estimate (TUCE).** It will include a list of any conditions that must be satisfied (for example, adding us as an "additional named insured" on your property insurance policy) and when conditions must be satisfied (either before the legal documents can be signed or prior to closing). This will vary from state to state. If you choose to accept our offer, you do so by signing and returning to us the **Offer Letter**, **Important Information Notice** and other disclosure documents. The value of your home as determined by the appraisal process is called the **Original Agreed Value**. The **Original Agreed Value** will be set forth in the **Offer Letter**. By accepting the offer, you are agreeing to that value.

At this stage of the process, time is of the essence. The offer will be valid until a stated expiration date and can be accepted before the deadline by following the stated instructions. The offer will also stipulate that the transaction must be closed within a specified deadline. If either the offer acceptance deadline or the transaction closing deadline passes, we will no longer be obligated to enter into the Unison HomeOwner Agreement with you. We may elect to extend either or both of the deadlines; however, any such extension must be made by us in writing to be valid. Of course, if a deadline passes you can always reapply for a Unison HomeOwner Agreement, but it is possible that you would have to pay for a new appraisal and the terms may not be same.

Step 4: Closing

The signing will be handled by the closing services provider (escrow company, settlement agent or closing attorney) in accordance with customary practice in the area where you live. Unison will deliver a **Closing Package** to the closing services provider, consisting of closing documents and closing instructions. All involved parties will work together to satisfy any remaining closing conditions. The closing services provider will schedule the signing appointment with you.

At the signing you will receive a final closing statement for the Unison HomeOwner Agreement, containing the exact dollar amounts involved in the transaction. You will sign the Unison HomeOwner Agreement legal documents and any other documents related to the transaction.

We will review the signed Unison HomeOwner Agreement documents and verify that all closing conditions have been met. Then, we will deposit funds into the escrow account and instruct the closing services provider to close the transaction. The closing services provider will then record the Unison HomeOwner Agreement legal documents with the county recorder and disburse funds according to the **Closing Statement**, including paying you the **Unison Investment Payment**. Note that closing costs, including but not limited to the Unison transaction fee and costs of closing services and title insurance, as well as any amounts that you have authorized the closing services provider to disburse to

Reviewing The Unison HomeOwner Legal Documents

During the application process, you may request a generic sample set of the Unison HomeOwner Agreement legal documents (described in Section F of this Program Guide). You are urged to carefully review these documents with your legal, tax and financial advisors, and family members.

Regarding Wills And Trusts

The Unison HomeOwner Agreement allows home-owners to hold title to the property in the name of a revocable inter vivos family trust if at least one trustor resides in the home as their primary residence, and all trustees and trustors sign the Unison HomeOwner Agreement in such capacities and as individuals, and agree to be bound by all of the terms of the Unison HomeOwner Agreement.

As long as the Unison HomeOwner Agreement remains in effect, upon the death of the last remaining signatory to the Unison HomeOwner Agreement, your representatives and heirs will need to either:

1) End the Unison HomeOwner Agreement by selling your home.

- or -

2) If your heirs wish to keep the home, they will need to pay Unison the value of its interest in the home at that time.

pay insurance premiums, taxes, and other payments, will be deducted from the funds you receive. This will result in you receiving net cash from the transaction that is less than the amount of the **Unison Investment Payment**. The process for closing your Unison HomeOwner Agreement may vary somewhat from state to state.

3. Fees Associated With The Unison HomeOwner Agreement

As in most real estate transactions, in a Unison HomeOwner transaction there are fees you will pay to third parties, such as appraisal, inspection, title, settlement and recording fees. Because each transaction is unique, the types and amounts of fees that are required to close a Unison HomeOwner Agreement can vary greatly with the location and value of the home. It is difficult to provide exact figures prior to processing an application. This section provides an example and description of the major categories of fees and the expected price range for each category.

Important Note About Specially Priced Unison HomeOwner Transactions: Certain homes may be subject to special pricing. Special pricing may also apply based on an evaluation of your financial picture. If your Unison HomeOwner transaction requires special pricing, Unison's share of the change in value (the **Investor Percentage**) may be larger, the **Unison Investment Payment** may be smaller, other adjustments to terms may apply, and more restrictive credit requirements may apply. Under these circumstances, while the examples presented in Sections A and B of this Program Guide will still be essential to helping you understand the operation of the Unison HomeOwner Agreement, the financial terms of your transaction may differ significantly, so it is imperative that you read Section G and Part 2 of Section H of this Program Guide to fully understand what financial terms will apply to you. If you have any questions about whether or not your Unison HomeOwner Agreement will require special pricing, please ask your Program Specialist.

The actual process and requirements for your particular Unison HomeOwner transaction may vary somewhat from the description provided in this Section C, depending on the state and locality where you live, and your specific circumstances. If you are using a Unison HomeOwner Agreement to help you refinance your mortgage, the mortgage loan portion of your transaction will be processed separately according to that particular lender's policies and guidelines, and Unison does not take part in the lender's actions or decisions, but the new loan and the Unison HomeOwner Agreement will close simultaneously. The four steps described above provide only a general outline of a typical Unison HomeOwner Agreement transaction.

Using The Unison HomeOwner Agreement To Help You Refinance Your Mortgage

If you are using the cash obtained from a Unison HomeOwner Agreement to help you refinance your first mortgage, you will also work with a participating lender and apply for a mortgage loan through them. The lender will review your loan application and, if you qualify, follow its standard procedures with respect to the processing of your loan.

The lender will obtain a preliminary title report and order a property appraisal according to their standard procedures. You will receive a copy of the appraisal from the lender. Unison will typically use the lender's appraisal to underwrite the Unison HomeOwner Agreement. Unison will provide you with an estimate of all fees and expenses related to the Unison HomeOwner Agreement to be paid at closing, including title, settlement, escrow and transaction fees, and title insurance (if required). The lender will separately provide you with an estimate of the fees related to your new loan.

Unison and the lender will separately process and underwrite your transaction. Either of us may ask you to provide additional documentation related to your income, assets, loans, insurance or other items, but we will typically share the information that you provide, with your permission, so that you do not need to provide the same information twice. You will be notified about property insurance requirements. Additional appraisal, inspection, or other reports may be required by Unison. Your assistance with providing whatever additional information is required will greatly improve the speed and efficiency of your transaction.

Upon approval, Unison and the lender will each provide you with a separate approval or commitment. Unison's commitment will consist of a formal offer outlining final terms and conditions of the Unison HomeOwner Agreement, including the **Original Agreed Value**, the **Unison Investment Payment**, and the **Investor Percentage**. The lender will provide a loan approval letter.

The closing will be facilitated by the closing services provider in accordance with customary practice in the area where you live. Unison and the lender will each deliver a package of closing documents and closing instructions to the closing services provider. All involved parties will work together to satisfy any remaining closing conditions. The closing services provider will schedule a signing appointment with you.

At the signing you will receive the final closing statement for the Unison HomeOwner Agreement and for the loan, containing the exact dollar amounts involved in the transaction. You will sign the Unison HomeOwner Agreement legal documents, the loan documents provided by the lender, and any other documents related to the transaction. Unison and the lender will deposit funds into the escrow account and the closing services provider will disburse funds and close the transaction. The lender's lien on the property will be recorded first, so that it is senior to Unison's lien. Closing costs, including but not limited to transaction fees and costs of escrow services and title insurance - as well as any other amounts that you have authorized the escrow agent to disburse - will be deducted from the funds in escrow.

<u>Participating lenders receive no fees from Unison for their participation, nor does Unison receive any fees from participating lenders. The participating lender's decision to extend credit is entirely independent of Unison</u>.

Obtaining A Unison HomeOwner Agreement - Process Steps

Step 1: Prequalifying

› A simple phone call with Unison pre-qualifies you for a Unison HomeOwner Agreement.

› A Unison HomeOwner Program Specialist is assigned to you. Your Program Specialist explains the basics and the program requirements and answers questions.

› You receive a Unison HomeOwner Application Package. You also receive the Unison HomeOwner Program Guide.

Step 2: Education & Application

› You review the Unison HomeOwner Program Guide and Application Package. Your Program Specialist answers all of your questions about Unison HomeOwner (we recommend that you include your advisors and family in the education process). You work to complete the mandatory Unison HomeOwner education requirements.

› You submit the Unison HomeOwner application, including information documenting your income, assets, insurance and loans.

› Upon request, we will send you a sample set of Unison HomeOwner Agreement legal documents for review (again, we recommend that you include your advisors and family in the process). You complete a Program Knowledge Review with your Program Specialist.

Step 3: Underwriting & Approval

› Unison begins the underwriting process by determining if any additional documentation is required relating to your income, assets, loans, property or insurance.

› Unison then orders an appraisal and property inspection with your authorization.

› Unison then underwrites the transaction including a thorough review of the appraisal and inspection, and determines final terms and closing conditions.

› Upon approval, you receive an **Offer Package** containing proposed terms for your Unison HomeOwner Agreement and required conditions to close. You sign and return the **Offer Package** to Unison in order to proceed.

› You work with Unison to satisfy all pre-closing conditions for your Unison HomeOwner Agreement, including providing Unison with any additional required documentation related to your income, assets, loans, or insurance.

Step 4: Closing

› Unison provides a **Closing Package** to the closing services provider. All parties cooperate to satisfy any remaining closing conditions. The closing services provider schedules the signing.

› You receive the final **Closing Statement** for the Unison HomeOwner Agreement and sign all documents related to the transaction.

› Unison deposits funds into escrow and instructs the closing services provider to close.

› The closing services provider records the legal documents and disburses funds to close the transaction.

Example Of The Costs Of Obtaining A Unison HomeOwner Agreement

Important note: The following is just one example of the costs of obtaining a Unison HomeOwner Agreement. The fees can change from time to time and can be quite different depending on where your property is located.

If we assume you are obtaining a Unison HomeOwner Agreement on a home with an **Original Agreed Value** of $1,000,000 and a **Unison Investment Payment** of $100,000, no recording tax or mortgage tax is payable, no additional appraisal or inspection reports are needed, and no title insurance is required, the cost of obtaining the Unison HomeOwner Agreement is estimated to be $4,900, calculated as follows:

> The fees shown in this section are only representative of those typically incurred when obtaining a Unison HomeOwner Agreement. The fees included here are estimates; actual amounts may be higher or lower. Your transaction may not involve all of the fees outlined and/or it may involve additional fees not detailed here. In addition to providing you with advance estimated statements of costs and fees following our receipt of your application, and again when you receive an **Offer Package**, you will receive a final Unison HomeOwner Agreement **Closing Statement** at the signing that itemizes the actual fees associated with your transaction. Some of these fees, such as the credit report fee, may be collected by Unison on behalf of third parties and will therefore be listed as payments to Unison on the **Closing Statement**. There may also be certain indirect costs associated with your Unison HomeOwner Agreement, such as additional insurance premiums should your insurance coverage need to be increased.

At every step along the way, your Unison HomeOwner Program Specialist is available toll-free at 1-800-330-9400 to answer any questions that you, your advisors, or your heirs may have about your Unison HomeOwner Agreement.

Fees paid at closing (escrow, processing and recording fees specific to the Unison HomeOwner Agreement)	$1,400
Transaction fee paid at closing (based on a percentage of the **Unison Investment Payment**)	$2,500
Appraisal and home inspection fees	$1,000
Total cost of obtaining the Unison HomeOwner Agreement	$4,900

The table below contains descriptions and typical amounts for the various fees that are (or may be) applicable.

ITEM	DESCRIPTION	AMOUNT
Appraisal Fees	This fee is paid to an independent third-party appraisal firm for the appraisal of your property. We use this appraisal to underwrite your application and to arrive at the **Original Agreed Value** of your home. You should review the appraisal carefully and feel comfortable that your **Original Agreed Value** is accurate before entering into the Unison HomeOwner Agreement. Because of the importance of an appraisal to you and to Unison, approved appraisers are screened for experience, expertise, and quality. The appraisers will carefully review comparable properties as well as complete a thorough assessment of your home. The exact cost can be quoted to you before the appraisal is scheduled.	Typically $450 - $800.
Property Inspection Fees	This fee is paid to an independent third-party property inspection firm for a comprehensive property inspection report. We use this inspection to underwrite your application and to determine the condition of your property. Unison sometimes pays a portion of this fee.	Depends on inspection type. Typically $300-$500 per inspection.
Additional Property Inspection / Appraisal Fees (if needed)	In addition to an initial property inspection, one or more physical inspections, such as home, pest or other inspections, may be required in order to accurately determine the condition of the home. These additional inspections will always be discussed with you prior to being scheduled. In certain instances, more than one appraisal, or a review of the initial appraisal, may be required.	Depends on inspection type. Typically $300-$500 per inspection. Appraisal fees are typically $450-$800.
Title Insurance Premium or Title Report Fees	Title insurance and/or title reports are used to help secure the option interest that is granted to Unison under the Unison HomeOwner Agreement. Title insurance is not always required. If it is, the premium will be based on the amount of the home value and can vary based on the title company.	Typically $200 or less. If title insurance is required, the fee is based on home value and can cost $1,000 or more. You will be notified of the amount in advance.

ITEM	DESCRIPTION	AMOUNT
Third-Party Report Fees	These fees are paid to independent third-party vendors that provide reports to us, such as your credit report.	Typically $50 or less.
Settlement and Escrow Fees and Recording or Mortgage Tax	These are additional closing fees which may include, but are not necessarily limited to, the following: - Settlement or Closing Fee - Tax Service Fee - Notary Fee - Recording Fees - Courier/Delivery/Wire Fees - Recording and/or Mortgage Tax – City, County, State (not required in most jurisdictions) (Note: These fees can vary; there may be additional taxes and fees in some jurisdictions.)	Typically $1400 or less if no recording or mortgage tax is required.
Transaction Fee	This fee offsets a portion of the underwriting, closing and administration costs of your Unison HomeOwner Agreement.	Typically based on a percentage of the **Unison Investment Payment**.[G]

[G] At the time of this publication, the fee is 2.5%. The fee is subject to change. Your Unison HomeOwner Program Specialist will provide you with the current fee when you apply.

The Unison HomeOwner Agreement leaves you in control - manage your home as you see fit.

Section D: Living With The Unison HomeOwner Agreement

When you sign your Unison HomeOwner Agreement documents, you agree to observe certain requirements that are intended to preserve your home's value. Parts 1-8 in this section provide a summary of those requirements.[H] Part 9 discusses provisions related to changes in title or ownership. Part 10 talks about fees you may incur in the future for administrative services related to your Unison HomeOwner Agreement. Part 11 addresses what happens if you fail to honor your responsibilities or otherwise jeopardize the value of Unison's interest in your property.

1. Keep Your Home As Your Principal Residence

You must keep the home that is subject to the Unison HomeOwner Agreement as your principal residence. In order to comply with this requirement, you must occupy your home as living and sleeping quarters:

- for a total of 180 days or more in every 365-day period
- and never be absent for 60 or more consecutive days.

If at any time you cannot meet this principal residence requirement, you will be required to end your Unison HomeOwner Agreement by selling the property or requesting a **Special Termination**. Leaving your home vacant - except for vacations or other temporary absences - or renting it out would violate the terms of your Unison HomeOwner Agreement. If you know that you will be away from your home for a period that exceeds that which is allowed in the Unison HomeOwner Agreement, you must contact us in advance to determine if you can make arrangements satisfactory to us for the care of the property during your absence.

> Some vacation homes may qualify for a Unison HomeOwner Agreement, provided they are owner occupied. In this case, Unison's principal residence requirement may be waived. Special pricing may apply. See Section G, Part 3 for more information.

2. Keep Your Payments Current

You must promptly pay your taxes, insurance, and any mortgage payments or other obligations that affect your home. For example, if you hire a roofer to replace the roof, you must pay the roofer promptly. Otherwise, the roofer could place a lien on your home. Allowing such a lien would violate the terms of your Unison HomeOwner Agreement.

If you receive a bill that is wrong, you should work diligently to get the bill corrected or withdrawn. For example, if the county tax authority assesses your home incorrectly, you must contact them promptly and pursue any appeals in a timely fashion. Once you have exhausted your appeals, you must pay the bill to keep your home free from any liens or encumbrances that have not been approved by Unison.

3. Maintain Proper Insurance

The Unison HomeOwner Agreement requires you to maintain hazard insurance equal to the replacement cost of your home, in very much the same way that mortgage lenders do. Each year, if the replacement costs have appreciated, you must increase your coverage. Your insurance policy must cover fire risk and other hazards that homeowners with similar homes typically maintain in your area (including, if appropriate, flood insurance). There may be other insurance requirements, depending on where your home is located. These requirements are similar to what a lender requires.

If there is damage to your home during the term of the Unison HomeOwner Agreement that affects its value, you will be expected to repair it using insurance proceeds or other funds if insurance proceeds are insufficient to repair the damage, just as your mortgage lender will require whether or not you have a Unison HomeOwner Agreement.

Unison must be named on all your home insurance policies (even if the particular coverage is not required by us), and you will need to provide us with copies of all policies upon issuance and provide proof of insurance upon request. Unison will also request permission to speak with your insurance representatives directly regarding insurance coverage.

[H] Please note that what is presented here is a summary of a number of relevant provisions. The Unison HomeOwner Agreement legal documents contain additional provisions and details regarding these requirements, so the legal documents should be reviewed carefully, as their actual wording governs the legal relationship between you and Unison.

4. Keep Your Home In Good Repair

Poorly maintained homes are worth less. To preserve your home's value, you are required to keep your home in good condition (subject to ordinary wear and tear) and to repair any defects and conditions on the property that may affect its future value. If you fail to maintain your property, or a significant defect or condition on your property is not addressed during the term of your Unison HomeOwner Agreement, a **Deferred Maintenance Adjustment** may be applied when your Unison HomeOwner Agreement ends. See Section B, Part 2 of this Program Guide for additional information.

5. Keep Unison Informed Of Major Changes

You must promptly notify us of any developments that could have a material effect on your home or our rights under the Unison HomeOwner Agreement. For example, you must notify us if:

- you decide to sell or transfer your home.
- you receive an offer to purchase your home.
- any lien is placed on your home.
- you file for bankruptcy or you have an involuntary bankruptcy proceeding filed against you.
- fire (or some other hazard) damages or destroys your home.
- you receive a notice of condemnation concerning your home.
- a non-signatory to the Unison HomeOwner Agreement becomes an owner or a principal resident of your home.
- any other event occurs which could have a significant impact on the value of your home.

6. Observe The Maximum Authorized Debt Limit

While your Unison HomeOwner Agreement is in effect, we will typically subordinate to new loans secured by your home up to a total principal amount called the **Maximum Authorized Debt** limit. The principal limit includes any available but undrawn credit lines secured by your home (for example, a home equity line of credit). We will not typically consent to a reverse mortgage, shared appreciation loan, or any loan with a negative amortization feature which could result in the total principal amount of all loans exceeding the **Maximum Authorized Debt** limit. If the value of your home has declined during the term of the Unison HomeOwner Agreement, we may refuse to subordinate to new or modified debt if the total amount of debt on the property will increase as a result.

If you get a new loan or refinance an existing one, you will be required to pay us a subordination fee for the administrative process of subordinating our interest in your property to the new debt.

The **Maximum Authorized Debt** limit does not apply to personal borrowing or financing that is not secured by your home, such as credit cards, car loans, unsecured loans, or secured loans in which your home is not the collateral, nor does any of this personal borrowing require that you provide notice to or obtain permission from us.

> While Unison will typically subordinate to new loans you get in an amount up to the **Maximum Authorized Debt** limit, we cannot guarantee whether mortgage lenders will agree to lend on a property with a Unison HomeOwner Agreement to the same extent or on the same terms as they would for a property without a Unison HomeOwner Agreement.

Example of the Maximum Authorized Debt limit

Assume that at some point in the future you have mortgage debt of $550,000 and the **Maximum Authorized Debt** limit under your Unison HomeOwner Agreement is $750,000. We will subordinate to additional debt secured by your home up to an amount of $200,000, subject to the restrictions mentioned above. If you borrow an additional $200,000, so that your debt increases to $750,000, and then some years later you have reduced your total mortgage debt to $450,000 and you have no other debt secured by your home, at that time we would subordinate to additional debt up to an amount of $300,000 (again subject to the restrictions mentioned above).

The **Maximum Authorized Debt** limit is set at a fixed dollar amount at the beginning of the Unison HomeOwner Agreement, typically equal to 75% or less of the **Original Agreed Value**. **Maximum Authorized Debt** limits of up to 80% of the **Original Agreed Value** may be allowed for certain transaction types.

7. Comply With All Applicable Laws

You must not violate any laws or regulations relating to your home or allow illegal activities to occur on your property. For example, if local housing codes require that certain repairs or other work be performed by licensed tradespeople, such as plumbers, electricians or contractors, you cannot allow unlicensed persons to perform such work. It is particularly important to keep your home free from any hazardous materials violations. For example, storing flammable liquids or other hazardous materials in your home or garage may be unlawful and, as such, would violate the terms of your Unison HomeOwner Agreement.

8. Assist Unison In Monitoring Its Investment

The Unison HomeOwner Agreement gives Unison the right to survey homeowners (by questionnaire) and inspect or appraise properties it has invested in, at no cost to the homeowner. This helps us manage our investments and reassess the current value of those investments for financial reporting purposes.

From time to time, but never more than once per year, we may provide you with a homeowner questionnaire. The questionnaire will ask a few simple questions about the condition of and changes to your property and the surrounding area. You are expected to complete and return the questionnaire promptly. Failure to do so can result in us arranging for a home inspection or appraisal at your expense in order to obtain the information. The questionnaire simply allows us to check in with you to see if everything is okay, and to offer any help we might be able to provide on issues having to do with your home.

In addition, each year, at our expense, we may select a limited number of properties for inspection or appraisal. If we happen to select your home, we will always provide you with plenty of advance notice. In most instances, these services will be performed by independent professionals in the area.

9. Addressing Changes That Affect Title And/Or Ownership Of Your Home

During the term of the Unison HomeOwner Agreement, life changes may occur that necessitate altering the status and/or ownership of your home. We will work to help you manage such changes as they relate to your Unison HomeOwner Agreement, including:

- placing your home in a family trust.
- adding a spouse to the title of your home.
- adding or removing one or more persons from the title of your home.
- notifying us if a person that is not a signatory to the Unison HomeOwner Agreement begins to occupy your home as their principal residence.

If you add a spouse, partner, or other new person onto title to your property during the term of your Unison HomeOwner Agreement, it is important that their interests be protected by ensuring that they become a signatory to the Unison HomeOwner Agreement, complete the Unison HomeOwner education process, and understand the operation of the Unison HomeOwner Agreement and all of its terms. Thus it is important that you contact Unison early in the process of adding a new title holder, so that we can ensure that they are included as a signatory to the Unison HomeOwner Agreement, and have the opportunity to review the Unison HomeOwner Agreement documents and to understand how the Unison HomeOwner Agreement operates.

Depending on the type and amount of work required to accommodate the changes, there may be reasonable fees charged. The Unison HomeOwner Agreement outlines the process and requirements for handling certain of these changes. The current fee schedule can be found in Section J of this Program Guide and will also be provided as part of your **Offer Package** as an exhibit in the sample and draft legal documents.

10. Pay Asset Administration Fees If And When They Are Charged

During the term of the Unison HomeOwner Agreement, Unison will charge homeowners reasonable event-related fees to cover the administrative cost of providing services such as subordinations, changes in title ownership, transfer of title to a trust, and other events, usually in response to homeowner requests. These fees are referred to as Asset Administration Fees. A current schedule of Asset Administration Fees and the events which occasion them is contained in Section J of this Program Guide. You will also be provided with a copy of the Asset Administration Fee Schedule when your transaction closes. You should note that Asset Administration Fees may change from time to time over the term of your Unison HomeOwner Agreement, but they will always reflect the actual, reasonable administrative costs to Unison, or the amounts paid to third parties, when processing events that affect your Unison HomeOwner Agreement. New fee schedules will be available as fees change, and you may request a copy of the current schedule of Asset Administration Fees from Unison at any time.

11. Failing To Honor Your Responsibilities

Types of Default

In certain cases - should you fail to honor certain responsibilities, jeopardize Unison's rights or impair the value of your property - you can be held in default under your Unison HomeOwner Agreement, and we may need to take action to protect our investment. We may also assess fees to cover costs and expenses associated with the default (legal, appraisal, etc.), but only where such fees are bona fide, actually expended, reasonable and customary in the jurisdiction where the property is located.

Below is a list of some of the key events that can result in a default under the Unison HomeOwner Agreement:

1. You cease using the property as your principal residence.

2. You jeopardize the value of your home or Unison's rights by:

- failing to make your mortgage payments.
- failing to pay real estate taxes when due or to promptly contest any delinquency asserted.
- failing to maintain required property insurance coverage.
- failing to maintain your home in essentially the same condition as when you entered into the Unison HomeOwner Agreement, such as allowing the condition of your home to deteriorate beyond normal wear-and-tear, or failing to correct a defect or condition that affects the value of the property.
- failing to restore your home to its original condition after damage - for example, your three-car garage is destroyed by a fire and you replace it with a one-car garage.
- violating the law in the use of your home - for example, you construct an addition in violation of local zoning restrictions or without proper building permits.
- using your home for commercial purposes.
- becoming insolvent, declaring bankruptcy, having bankruptcy proceedings brought against you, or having a receiver appointed for you or your property.
- leasing, selling or transferring your property (or the Unison HomeOwner Agreement) to another person, except as expressly permitted by the Unison HomeOwner Agreement.

3. You permit a lien on the home other than as agreed to by Unison, such as:

- taking on a mortgage loan that exceeds or may exceed the **Maximum Authorized Debt** limit.
- permitting any other lien - for example, not paying a contractor for work done on your home, resulting in a mechanic's lien.

4. You do not settle your Unison HomeOwner Agreement in accordance with its provisions at the end of its term.

5. Your heirs do not settle your Unison HomeOwner Agreement in accordance with its provisions at the end of its term.

Protective Advances

Should you fail to honor your responsibilities during the term of the Unison HomeOwner Agreement and your actions jeopardize the value of our interest in your property, we will have the right (after notifying you) to take action to protect the value of our interest. A **Protective Advance** is money that Unison spends, on your behalf, to correct a problem that you have caused. 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 Unison HomeOwner Agreement gives us the right to make **Protective Advances** when we deem necessary. You will always be responsible to repay any **Protective Advances** we make on your behalf, and you will be assessed a fee each time a **Protective Advance** is made. You will also be charged interest on the balance of any **Protective Advance** until it is repaid.[1] <u>This is the only circumstance in which interest is ever paid under the Unison HomeOwner Agreement; interest is never paid on the **Unison Investment Payment**</u>.

If there are any **Protective Advances** (and any associated fees or interest) still owed to us at the time your Unison HomeOwner Agreement ends, we will be repaid in full at that time, out of the sale proceeds, or by you if your Unison HomeOwner Agreement terminates other than by property sale.

Curing Problems Prior to Default

We will notify you of any problem we are aware of that requires your attention. You will always have time to cure any problem in advance of any default being declared under the Unison HomeOwner Agreement, unless in our reasonable judgment the problem can have an immediate, material, and permanent impact on the value of your property or our interest in your property. We will communicate with you regarding what action or inaction led to the problem and request action on your part to correct the problem (for example, payment of property taxes or repayment to us of **Protective Advances**) within 30 days. It is imperative that you respond promptly to these notices. You can choose not to correct the problem, and instead settle your Unison HomeOwner Agreement. However, if the problem remains uncured and you do not take steps to settle your Unison HomeOwner Agreement, you will be in default.

Protecting Our Investment

If you are in default under the Unison HomeOwner Agreement and that default is material and uncured, Unison will have the right to notify you that it intends to exercise its option by giving you an option exercise notice. If Unison does exercise its option, you will be obligated to cooperate and Unison may obtain ownership and possession of its **Investor Percentage** in and to your property as a co-owner. Moreover, although Unison always regards foreclosure as a last resort, the performance of your material obligations under the Unison HomeOwner Agreement is a secured interest of Unison under the **Unison HomeOwner Security Instrument**. Thus your material and continuing default will give rise to Unison's right to commence foreclosure proceedings against your property under the **Unison HomeOwner Security Instrument** according to its provisions and those of applicable state law. This right is very similar to the right that a mortgage lender has to protect its interest if you default on your mortgage loan. In any foreclosure proceedings, your property would be sold through a judicial sale or public auction, according to the law of the state where your property is located, and title to your home would be transferred to the purchaser.

Before any foreclosure sale, you will always have an opportunity to cure the circumstances that caused the foreclosure action. Unison will notify you about any foreclosure proceeding as required by applicable state law. The amount that Unison is entitled to receive through a foreclosure sale is referred to as a liquidated investor bid amount. This amount is essentially the value of Unison's interest in your property determined according to the terms of the Unison HomeOwner Agreement plus the amount of any **Protective Advances** and any interest thereon, plus any bona fide, actual, reasonable and customary costs and fees incurred by Unison as a result of the default

[1] Interest is charged at a contractually determined rate that is reasonably calculated to reflect the possibility of unknown future losses.

and foreclosure. Applicable state law will always govern and protect you in any such proceedings, and you will have the opportunity to settle your Unison HomeOwner Agreement within statutory time limits before such proceedings culminate in an actual foreclosure. See Section E, Part 5 of this Program Guide for additional information.

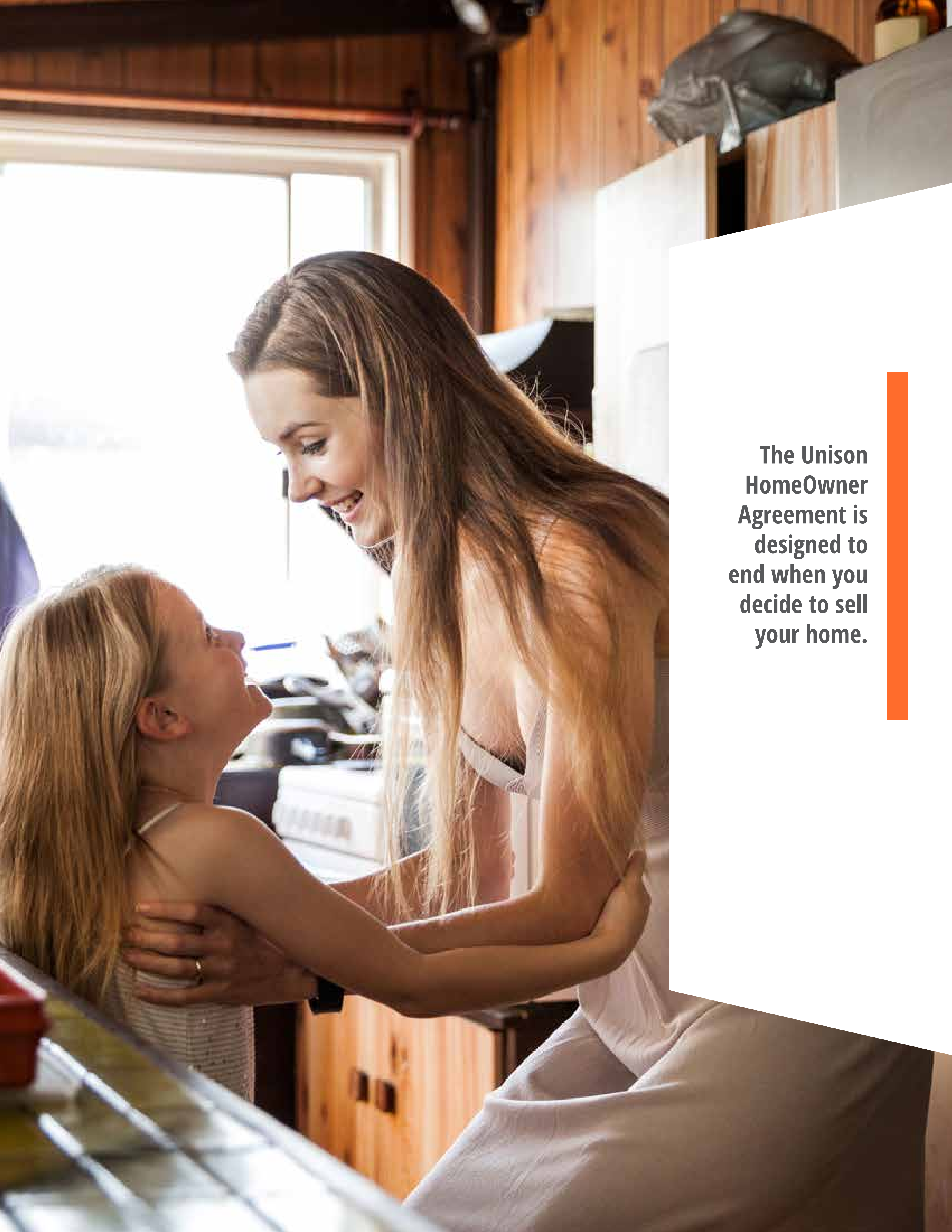
In certain cases of very serious default, such as intentional fraud or misrepresentation, or a material, prolonged and uncured circumstance of default, Unison will have a contractual right to increase the amount it receives when the Unison HomeOwner Agreement is settled by an amount equal to ten percent (10%) of the **Unison Investment Payment**.

Option Exercise And Orderly Sale as an Alternative to Foreclosure

In circumstances in which the homeowner becomes delinquent on their mortgage or property taxes and is in danger of losing their home to foreclosure by the lender or a tax authority, Unison can choose to offer the homeowner a remedy of **Option Exercise And Orderly Sale** in lieu of the foreclosure proceeding, by offering to cure the circumstance of default. The homeowner will have the right to accept or reject this offer. Should the homeowner accept the offer, Unison will make one or more **Protective Advances** to cure the homeowner's default, and the homeowner will give Unison the right to market and sell the property in an orderly sale in the customary manner in its local market. **Option Exercise And Orderly Sale** is designed to prevent the home from becoming a "distressed" property and going to foreclosure, which preserves the market value of the property, and the value of both the homeowner's and Unison's equity interest in the property. Following the **Option Exercise And Orderly Sale**, the homeowner and Unison will share the proceeds according to the provisions of the Unison HomeOwner Agreement.

This remedy of **Option Exercise And Orderly Sale** in the case of a default can be of great benefit to homeowners. We know that in some circumstances, otherwise responsible homeowners find themselves in default as a result of life events (e.g. job loss, serious illness) not within their control. Because Unison is an equity investor, not a creditor, our interest and your interest will often be strongly aligned in a situation in which you are in danger of losing your home. Unlike a lender, Unison benefits from protecting your property from foreclosure, preserving its value, and assisting you through difficult circumstances. Thus we may be able to offer you an advantage you do not have with debt-based financing: assisting you to achieve a better financial outcome and preserving your credit under difficult circumstances.

You can use the cash from your Unison HomeOwner Agreement for any purpose you choose, such as reducing debt, enabling a refinance of your first mortgage, financing retirement, making home improvements, or taking a dream vacation.



The Unison HomeOwner Agreement is designed to end when you decide to sell your home.

Section E: Ending The Unison HomeOwner Agreement

Ways in which the Unison HomeOwner Agreement can end	
Typical Case	1. You sell your home.
Other Possibilities	2. You end your Unison HomeOwner Agreement by requesting a **Special Termination**.
	3. The last signatory to the Unison HomeOwner Agreement passes away.
	4. The Unison HomeOwner Agreement reaches the end of its maximum 30-year term.
	5. You default and Unison takes steps to end the Unison HomeOwner Agreement.
	6. Your home is condemned or destroyed and not rebuilt.
	7. Unison cancels its investment.

In this section, we will take a closer look at how the Unison HomeOwner Agreement can end, including some special circumstances that can apply.

1. You Sell Your Home

As the homeowner, you have the right to sell your home whenever you want. You simply need to notify Unison as soon as you decide to sell or transfer the ownership of your home. If at least three years have passed and you intend to request a **Remodeling Adjustment**, you must also do so at that time.

In order to perform the settlement calculations, the value of your home at the time of sale is determined in accordance with the terms of the Unison HomeOwner Agreement. This value is called the **Ending Agreed Value**. Typically, the **Ending Agreed Value** is equal to the **Sale Price** to a bona fide, arms-length, third-party buyer. It includes the fair market value of any non-cash consideration, and does not include deductions for closing costs, taxes, documentary fees, mortgage loans, other liens or secured loans, sales commissions, or appraisal expenses.

After we receive notice of your intent to sell your home, we will assess the circumstances and we may decide to obtain an appraisal from a Unison-approved independent third-party appraisal firm at your expense. In addition to providing an independent measure of your home's value, an appraisal will always be used to determine the appropriate amount of a **Remodeling Adjustment** if you have requested one and may help determine if a property inspection should be conducted to determine if a **Deferred Maintenance Adjustment** is required.

If there are any outstanding **Protective Advances**, they will be taken into account, including any interest charges that may have accrued on them.

Once the amounts discussed above are determined, the net amount payable to Unison upon the sale of your property will be calculated in accordance with the terms of your Unison HomeOwner Agreement. If you are selling your home during the first three years of your Unison HomeOwner Agreement and its value has decreased, Unison will not share in the decrease. How much you will receive will depend on the net amount payable to us, plus the balances of any loans secured by the property, and real estate commissions and other costs associated with the sale of your home.

Keeping Unison informed of offers

We share your desire to have your home sell for the highest amount possible. During the sale process, you must promptly send us copies of all listing agreements and all offers to purchase your home, as well as copies of any documents related to a prospective sale. This includes copies of inspections, appraisals, financing documents, preliminary title reports, and escrow instructions. An additional appraisal will also be required in calculating any **Remodeling Adjustment** or **Deferred Maintenance Adjustment**.

Closing

Closing the property sale must take place through a closing agent. At closing, Unison will be paid by the closing agent, and quitclaim its rights to the property and release the lien created by the Unison HomeOwner Agreement, enabling you to pass clear title to the purchaser. The payment to Unison will equal its **Investor Percentage** of the **Ending Agreed Value**, minus the **Unison Purchase Price Balance,** plus any outstanding **Protective Advances** (including any interest charges that may have accrued on them) and any other obligations to Unison at the time of sale. The closing services provider will disburse the amount due to Unison out of proceeds in escrow.

Selling your home before the third year anniversary of your Unison HomeOwner Agreement

As described earlier in this Program Guide, the Unison HomeOwner Agreement is not intended as a source of short-term funding. Unison receives no interest or monthly payments on its investment, and earns a positive return only if the property appreciates in value. It typically takes three years or more for a home to appreciate significantly enough for Unison to recoup the transaction costs it expended in originating its investment and have a chance to earn a fair return. Therefore, if you choose to sell your home before the third year anniversary of your Unison HomeOwner Agreement and its value has decreased, the amount payable to Unison will be calculated by designating the **Original Agreed Value** as the **Ending Agreed Value**, rather than the property's **Sale Price**. As a result, Unison will not share in any of the decrease in value of the property, and the minimum amount payable to Unison will be the amount of our original investment in your home (the **Unison Investment Payment**). This applies ONLY if you choose to sell your home during the first three years of your Unison HomeOwner Agreement and its value has decreased. Homeowners who are not certain they will own their home for a period of at least three years should understand that Unison does not share any loss in value if the homeowner sells the property during the first three years of the Unison HomeOwner Agreement.

2. You Request A Special Termination Of Your Unison HomeOwner Agreement

Beginning on the third anniversary, you have the right to end your Unison HomeOwner Agreement without selling your home by requesting a **Special Termination**. To do this, you pay us an amount called the **Special Termination Price**, which typically equals the amount of the **Unison Investment Payment** plus any profit Unison would have made if instead you were to sell your home at that time. Note that the amount of the **Special Termination Price** can never be less than the amount of the **Unison Investment Payment**. When you request a **Special Termination**, you are essentially cancelling the Unison HomeOwner Agreement by not allowing it to continue to its originally intended term.

The **Special Termination** process begins with you notifying us of your intention. Unison will provide you with a written application for **Special Termination**, which you must complete and return to us. If you intend to request a **Remodeling Adjustment**, you must do so as part of the written application.[J] Unison will then request an appraisal from an independent third party appraisal firm and, where applicable, a property inspection. In some cases more than one appraisal or inspection may be obtained.

Following receipt of the appraisal and inspection reports, Unison will calculate your **Special Termination Price** and provide you a statement of the amount. This amount may then be wired to Unison or paid by cashier's check. Upon receipt, Unison will deliver to you all documents such as quitclaim deeds and lien releases that are required to terminate its interest in your home. You will be responsible for ensuring that these documents are recorded in the jurisdiction where your property is located and for the costs of such filing. If you prefer to use escrow services for the repurchase process, the exchange of the **Special Termination Price** and releasing documents may also be accomplished through a Unison-approved independent closing services provider at your expense.

[J] To qualify for a Remodeling Adjustment, your request must comply with all the provisions outlined in the Unison HomeOwner Agreement.

Understanding The Special Termination Price Calculations

When you request a **Special Termination** of your Unison HomeOwner Agreement, we start by calculating the net amount that Unison would receive if you were to sell your home instead. In Section A of this Program Guide we saw how that amount, which we called the **Net Result To Unison**, was calculated as:

Ending Agreed Value x **Investor Percentage** - **Unison Purchase Price Balance** = **Net Result To Unison**

Since you are not selling your home when you request a **Special Termination**, there is no **Sale Price**, so an appraisal is obtained at your expense from a Unison-approved independent third-party appraisal firm to determine the **Ending Agreed Value**. The calculations are subject to the following adjustments, just as they would be if you were selling your home, including:

Applying any **Remodeling Adjustment** to the **Ending Agreed Value**.

Applying any **Deferred Maintenance Adjustment** to the **Ending Agreed Value**.

Once we have calculated the amount of the **Net Result To Unison**, we can determine the **Special Termination Price** as follows:

The **Special Termination Price** equals the **Unison Investment Payment** <u>or</u> the **Net Result To Unison**, <u>whichever is greater</u>.

If there are any outstanding **Protective Advances** (including any interest charges that may have accrued on them) or you have any other obligations to Unison at the time of **Special Termination**, those amounts will be added to the **Special Termination Price**.

The Unison HomeOwner Agreement is intended to remain in place until you sell your home, the end of its term, or the last signatory to the Unison HomeOwner Agreement passes away. But circumstances in life sometimes change, so the **Special Termination** feature is available after the third anniversary to provide you with a means to end the Unison HomeOwner Agreement without selling your home. Note that a fee will be charged to you for the administrative processes involved in specially terminating your Unison HomeOwner Agreement in advance of the natural expiration of its term. The current fee schedule can be found in Section J of this Program Guide.

Steps Involved In Cases Of Disagreement

Agreeing to an accurate fair market value of the home at **Special Termination** of the Unison HomeOwner Agreement is important to both you and Unison. Should any disagreement arise, a simple two-step process may apply:

1. If, after reviewing the appraisal used to determine the **Ending Agreed Value** of the home, either you or Unison believes that the appraisal contains an omission or error, one or both parties may request a reconsideration of the appraisal within ten days of its receipt. One or more additional appraisals or appraisal reviews may be obtained at the expense of the requesting party.

2. If you and Unison are still unable to agree in good faith on the value, the issue will be determined through arbitration.

3. The Last Signatory To The Unison HomeOwner Agreement Passes Away

At the start of the Unison HomeOwner Agreement, all purchasers/owners of the property, as reflected on title to the property, are required to be signatories to the Unison HomeOwner Agreement. If you die during the term of your Unison HomeOwner Agreement and you are survived by a spouse or other co-owner of your property who is also a signatory to the Unison HomeOwner Agreement, the obligations and benefits of your Unison HomeOwner Agreement will continue unaffected.

If you die during the term of your Unison HomeOwner Agreement and you are not survived by anyone else who is a signatory to the Unison HomeOwner Agreement, then your heirs or estate will be required to settle the Unison HomeOwner Agreement within a certain period of time following your death by either selling the home or paying Unison the value of its interest in the home at that time. For this reason, it is of the utmost importance that you discuss your decision to enter into the Unison HomeOwner Agreement with your heirs, so that they understand the effect of the Unison HomeOwner Agreement on your estate.

We provide your heirs and representatives an extended opportunity (up to 180 days, or longer under certain circumstances) to settle the Unison HomeOwner Agreement, provided Unison is given appropriate notice. If your heirs or estate wish to keep the home, and the home's value has increased substantially during the term of the Unison HomeOwner Agreement, the amount due to Unison may be substantial. If your heirs or estate are unable to pay Unison the value of its interest in the home at that time, they may need to sell the property in order to settle the Unison HomeOwner Agreement. This is why it is so important that you explain the terms of the Unison HomeOwner Agreement to your heirs and executor during your lifetime.

If your estate does not end the Unison HomeOwner Agreement by selling your home or otherwise settling the Unison HomeOwner Agreement in accordance with its terms within the provided time period, the effect will be the same as if there were a material breach under the Unison HomeOwner Agreement, and Unison will have the right to commence foreclosure proceedings. Before any such proceeding your estate would have further opportunity to cure the circumstances that caused the default, or avoid foreclosure under applicable state law, which will govern and protect the estate in any such proceeding.

In addition, Unison may first offer your estate the remedy of **Option Exercise And Orderly Sale**, by which your estate will grant Unison an undivided interest in the property and the right and power to market, sell and convey the property to a new buyer. Unison will then market and sell the property in an orderly, non-distressed fashion, intending to preserve the market value of the property, and share the proceeds with your estate according to the provisions of the Unison HomeOwner Agreement. Your estate will also have a right of first refusal in connection with any such sale.

Because the Unison HomeOwner Agreement does potentially have a significant impact on your survivors and heirs, if there are any adults (such as a spouse, domestic partner, or an adult family member) that will co-occupy your home but will not co-own the property with you, you and they will be required to sign a form listing these occupants and verifying that you have notified them that the Unison HomeOwner Agreement may impact their ability to continue to occupy or retain possession of the home in the event of your death. If the status of non-owner occupants changes during the term of the Unison HomeOwner Agreement, you are required to provide Unison with an update of this form.

4. The Unison HomeOwner Agreement Reaches The End Of Its Maximum 30 Year Term

If you are still living in your home at the end of year 30 you are required to end the Unison HomeOwner Agreement by either selling your home or paying Unison the value of its interest in your home at that time.

If you do not end the Unison HomeOwner Agreement at the end of the 30 year term Unison will have the right to exercise its option, become a co-owner of your home, and place the home on the market. Unison will also have the right to foreclose on your home if you do not settle the Unison HomeOwner Agreement by either selling your home or paying Unison the value of its interest in your home at that time.

Before we exercise any of our rights under such circumstances, you will always have the opportunity to sell your home on your own, provided you give Unison appropriate notice.

5. You Default And Unison Takes Steps To End The Unison HomeOwner Agreement

Typically, you determine how and when the Unison HomeOwner Agreement ends. However, if you do not honor your obligations under the Unison HomeOwner Agreement and materially breach the Agreement, Unison has a contractual right to exercise its option and to take other actions to protect our interest, including the right of foreclosure.

Default circumstances are covered in more detail in Part 11 of Section D. They include:

› Ceasing to use the property as your principal residence.

› Jeopardizing the value of the home or our rights under the Unison HomeOwner Agreement.

› Permitting a lien on the home other than as agreed to by us.

› Not settling the Unison HomeOwner Agreement in accordance with its provisions at the end of its term.

› Failing to repay any **Protective Advances** we make to protect our interest in the property.

Only under default circumstances, and only after you have been provided with ample opportunity to cure the default, can Unison indicate its intent to exercise its option in response to your default, or commence foreclosure proceedings against your property (similar to the right that a mortgage lender has to protect its interest if you default on your mortgage loan). Before any such proceeding you would have further opportunity to cure the circumstances that caused the default, or avoid foreclosure under applicable state law which will govern and protect you in any such proceeding.

Moreover, Unison regards foreclosure as a last resort, and in many cases will not foreclose unless it has first offered you a remedy of **Option Exercise And Orderly Sale**. If you choose to accept an **Option Exercise And Orderly Sale**, you will deliver into escrow the required deed or other documentation granting Unison an undivided interest in the property in the amount of the **Investor Percentage**, and you will provide Unison with an executed, notarized power of attorney giving Unison the right and power to market, sell and convey the property to a new buyer. In exchange, if your circumstance of default involves delinquent mortgage payments or property taxes, Unison will cure the default. Unison will then market and sell your property in an orderly, non-distressed fashion, intending to preserve the market value of your property, the value of both your and Unison's equity interest in the property, and your credit score. Following the sale, you and Unison will share the proceeds according to the provisions of the Unison HomeOwner Agreement. You will also have a right of first refusal in connection with any sale of the property that Unison arranges. For example, assume that you and Unison agree to an **Option Exercise And Orderly Sale**, and Unison receives an acceptable offer to purchase the property. Unison will notify you about the offer, and you will then have the right, but not the obligation, to match that offer within three business days after you are notified.

6. Your Home Is Condemned Or Destroyed And Not Rebuilt

If your property is condemned in whole or in part, any condemnation proceeds will be allocated between you and Unison as specified in the Unison HomeOwner Agreement. However, if the condemnation is a partial condemnation, your Unison HomeOwner Agreement may continue.

If your property is destroyed or damaged by a hazard for which insurance coverage is required (for example, by a fire, or a flood if the property is in a flood area), any and all insurance proceeds will be applied to restore or repair the property to at least the same condition and characteristics 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. Therefore, it is important that you maintain full replacement cost insurance with building ordinance and law coverage as your home appreciates in value and building codes change over time. In this case, your Unison HomeOwner Agreement will continue.

If restoration or repair is not economically feasible, the insurance proceeds and remaining property value will be allocated between you and Unison as specified in the Unison HomeOwner 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, as if the home had been fully insured and rebuilt.

At the time of closing, Unison must be named on all property insurance policies as a “second lien holder,” whether or not such insurance is required as a condition to the Unison HomeOwner Agreement, in a form agreeable to us, and it is required that we remain named as a second lien holder throughout the term of the Unison HomeOwner Agreement, even if the insurance carrier has changed. Adding Unison as a second lien holder to your insurance policies is a simple process that is handled by your insurance provider.

7. Unison Cancels Its Investment

Although very unlikely, we can decide to cancel a Unison HomeOwner Agreement at any time during its term. If we do this, the **Unison Investment Payment** is yours to keep, and we will no longer have any interest in your property. This might occur if your property declines substantially in value or for other reasons. The **Unison Investment Payment** may be taxable at that time. Please consult your tax professional. Unison will provide prompt written notice to you in the event we decide to cancel your Unison HomeOwner Agreement, and provide you with all documents such as quitclaim deeds and lien releases which are required to terminate its interest in your home.

8. More About Remodeling Adjustments

You are free to remodel your home at any time. Unison simply requires that you comply with any laws, regulations, local ordinances, and permit requirements that apply. For example, county regulations may require that you obtain construction permits for remodeling projects, use licensed tradespeople for substantial work, and submit architectural drawings for additions or changes. Under the Unison HomeOwner Agreement, you must comply with these requirements.

If you remodel your home in accordance with the provisions of the Unison HomeOwner Agreement, and your Unison HomeOwner Agreement has been in place at least three years, we will give you full credit for the increase in value due to your remodeling when you sell the home or otherwise end your Unison HomeOwner Agreement if you properly apply for a **Remodeling Adjustment**. You must request a **Remodeling Adjustment** from Unison in writing at least 45 days prior to the proposed termination date of your Unison HomeOwner Agreement, and provide clear, detailed photographic evidence demonstrating the state and condition of your property before the remodeling work. An appraisal obtained from a Unison-approved independent third-party appraisal firm at the time the Unison HomeOwner Agreement ends will determine how much the remodeling has added to your home’s market value. The appraisal firm will examine your home and supporting materials and determine your home’s hypothetical market value assuming you had not done the remodeling. The amount of the **Remodeling Adjustment** is the difference between this hypothetical value and the actual fair market value of your home. All of the increase in value caused by your remodeling will be allocated to you, so that we do not share in it.

It should be noted that not all remodeling work improves the resale value of a home, and that the value of some remodeling work will depreciate over time. Typical changes that increase the resale value of the home include remodeling the kitchen, adding bedrooms and bathrooms, and making sizeable increases in the square footage of the home. Some changes, like added square footage, typically will not depreciate over time. However, the value of a remodeled kitchen or bathroom, and many other home improvement projects, may depreciate over a period of years. And some remodeling work adds little or no resale value, or may actually decrease the fair market value of your home, despite being desirable to you as the homeowner. Examples of such changes may include adding a hot tub, installing expensive flooring, removing bedrooms and/or bathrooms, and reducing usable square footage. In rare cases where a remodeling has reduced the value of the home, Unison may apply a **Negative Remodeling**

Adjustment that gives us credit for the value lost due to the remodeling.

In Section B, we saw an example of a **Remodeling Adjustment** where the homeowner's improvement increased the value of the property. Let us now consider an example of a **Negative Remodeling Adjustment**.

A few years after entering into their Unison HomeOwner Agreement, the homeowners convert three bedrooms into a large den by removing walls and closets. The total cost of this work is $15,000, and the work is completed by properly licensed tradespeople in compliance with applicable laws. When the homeowners decide to sell their home, a **Negative Remodeling Adjustment** is calculated. An independent appraiser determines the current value of the home to be $660,000 with the changes and $700,000 without - meaning that the changes have resulted in a $40,000 decline in the market value of the home (the number of bedrooms is often a major factor in determining the value of a home). Even though the work was seen as an improvement by the homeowners, who enjoy spending time in their spacious den, home buyers in that market want bedrooms and will not pay as much for a home with fewer of them. If the home sells for $660,000, the settlement calculations under the Unison HomeOwner Agreement will be based on a home value of $700,000.

> There may be - and often is - a significant difference between the actual cost of remodeling and the increase in market value attributable to the remodeling as of the time of sale. For example, installation of a swimming pool and deck can easily cost $50,000 or more, yet may add only $10,000 to the market value of the home. Unison is committed to a fair process and will use an appraisal completed by a Unison-approved independent third-party appraisal firm to determine the market value of any changes you make. Please remember that, for purposes of determining the **Remodeling Adjustment,** it does not matter how much your changes cost. An independent third-party appraiser will determine how much market value they add or subtract <u>at the time the Unison HomeOwner Agreement ends</u>. When you apply for a **Remodeling Adjustment**, you must provide us with the supporting documentation required under the Unison HomeOwner Agreement, including permits, a description of the work, and detailed photos taken before starting the project.

Routine maintenance of your home, even if it entails some significant expenditure like replacing a roof, will not qualify for a **Remodeling Adjustment**.

9. Special Situations Affecting The Sale Or Special Termination Of Your Unison HomeOwner Agreement

Ensuring A Fair Sale Price When You Sell Your Home

When you end your Unison HomeOwner Agreement by selling your home, Unison will have certain safeguards which afford it assurance that your home is being sold for its fair market value. You will be asked to copy Unison on all the documentation pertaining to your sale, including the listing and commission agreement, multiple listing information, disclosures or inspection and appraisal reports you obtain or provide as part of the sale process, and copies of all offers you receive on the property.

As soon as you receive an offer for the sale of your home that you are willing to accept, you must inform us and provide us with the terms of the offer. If Unison believes that the proposed sale price differs materially from the fair market value of the property, Unison may require one or more appraisals of the property to validate the sale price. Under certain circumstances, we may require other assurances from you, your buyer, and your respective real estate brokers that your property sale is at arm's length. Your sale is important to us and we share your desire to have your home sell at its highest possible price, so Unison has designed these safeguards to enable it to obtain assurance of an arm's-length sale at a market price by means which are least likely to burden you, and which will ensure the smooth processing of your property sale.

Requirements relating to sale of the home by owner, non-MLS sales, or 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 the home on the open market (with or without the assistance of a real estate broker), we will obtain an appraisal from a Unison-approved independent third-party appraisal firm at your expense. Based on that appraisal, if we determine that you are selling your home for less than its fair market value, we have the right to use that appraised value when performing the settlement calculations under the Unison HomeOwner Agreement.

Example of a sale by owner: You decide to sell your home without placing the home on the open market, and eventually secure an offer of $850,000. Unison requests an appraisal, and the appraisal determines that the fair market value of the home is $900,000. In its discretion, Unison may elect to perform the settlement calculations under the Unison HomeOwner Agreement based on the appraised value of $900,000.

Unison will also have the right to use an appraised value to calculate its settlement amount under the Unison HomeOwner Agreement if you are selling to a family member in an “intrafamily sale,” or if the buyer of your property is a business entity rather than an individual person.

Unison’s rights following the sale of your home shortly after you complete a Special Termination of your Unison HomeOwner Agreement

If you sell or transfer your home within 180 days following a **Special Termination** of your Unison HomeOwner Agreement, we reserve the right to determine how much we would have received had the **Special Termination** not occurred and compare it with the amount we received from the **Special Termination**. If the amount we received from the **Special Termination** is less, and Unison concludes that you completed the **Special Termination** of your Unison HomeOwner Agreement under circumstances indicating a lack of good faith and fair dealing, you will be responsible to pay Unison an additional amount equal to the difference.

10. Unison’s Standards And Procedures For Fair Valuation Of Your Property By Appraisal

There are a number of circumstances in which the value of your home, the value of improvements you have made to it, or a decline in its value due to deferred maintenance will be determined at the termination of the Unison HomeOwner Agreement by appraisal. These circumstances include **Special Termination** (discussed in Part 2 of Section E) and may include property sale by owner, intrafamily sale, sale to an entity, or a sale in which Unison believes that a sale price differs significantly from the property’s fair market value. An appraisal will also be performed in connection with any termination of your Unison HomeOwner Agreement in which a **Remodeling Adjustment** and/or a **Deferred Maintenance Adjustment** is calculated. The fairness, objectivity and accuracy of the appraisal process is thus fundamental to the fairness of the Unison HomeOwner Agreement, and Unison is committed to these goals in its standards and procedures for appraisal. These standards and procedures include the following:

- The appraiser must be a neutral third party unaffiliated with either Unison or the homeowner.
- The appraiser must satisfy the existing requirements of Fannie Mae, Freddie Mac or FHA, and any applicable federal or state laws and regulations governing appraisals and appraisers, as of the date of the appraisal, in the state where the appraisal is conducted.

> Unison is committed to fair dealing with all Unison HomeOwner Agreement clients, and the Unison HomeOwner Agreement is designed to minimize its impact on the way you manage your home.
>
> You have plenty of flexibility in determining not only when, but how you sell your home or end your Unison HomeOwner Agreement. All we require is a way to ensure fairness to both parties at the end of your Unison HomeOwner Agreement transaction.

- The appraiser must at all times comply with the Uniform Standards of Professional Appraisal Practice and acknowledge this compliance in writing.

In the same interests of fairness, objectivity and accuracy, Unison also requires its homeowners to cooperate in the appraisal process by:

- Granting the appraiser full and prompt access to the property.
- Making available any and all relevant documentation to the appraiser pertaining to the lot, home, or the condition of either.
- Ensuring that the home is presented in reasonable repair and condition to be appraised.

If, after receiving an appraisal report, either you or Unison believes that an appraisal is factually incorrect, either may request a timely reconsideration of the appraisal, or an additional appraisal, within ten days of its receipt. Generally the party requesting the additional appraisal will do so at their own cost. In the unlikely event that you and Unison are unable to agree on the appraised value of your property or any **Remodeling Adjustment** or **Deferred Maintenance Adjustment**, the issue will be determined through arbitration.

Who Orders And Who Pays For The Appraisal?

Under almost all circumstances, appraisals will be ordered by Unison directly through a Unison-approved appraisal management company or Unison-approved neutral third party appraiser who must meet the criteria and standards outlined herein. The homeowner is typically responsible to pay for the first appraisal ordered by Unison in connection with any termination of the Unison HomeOwner Agreement or the calculation of Unison's investment interest in the property. If either or both parties wish to conduct new appraisals to challenge the results of a former appraisal, the expense will be borne by the party challenging the prior appraisal, or split if both parties are requesting a new valuation.

11. Tax Treatment Of The Payments You Receive Under The Unison HomeOwner Agreement

Since each homeowner's tax situation is unique, you should consult with and rely on the advice provided by your tax advisor, not Unison, for a full explanation of the tax treatment related to the Unison HomeOwner Agreement. Unison does not make any representations or warranties concerning tax matters or the tax treatment of payments made or obligations owed under the Unison HomeOwner Agreement.

The Unison HomeOwner Agreement is relatively new and the IRS and state tax agencies have not expressly published decisions regarding the tax treatment of Unison HomeOwner Agreement proceeds. Unison believes that it will be Unison's responsibility to pay taxes on its share of any gain in value of the home when that value is realized, and this should reduce the homeowner's capital gain, since the homeowner should not owe tax on the portion of the gain shared with Unison.

Unison believes that, under current tax law, a homeowner entering into a Unison HomeOwner Agreement should not have to pay taxes on the **Unison Investment Payment** at the time the homeowner purchases their home. Instead, the homeowner may be subject to taxes:

- When the homeowner sells the home.
- If Unison cancels its investment.

<u>Once again, Unison disclaims any representation or warranty concerning tax treatment of the Unison HomeOwner Agreement, whether generally or as it applies to your unique situation. Unison recommends that you contact your tax professional for any tax advice regarding the Unison HomeOwner Agreement.</u>

12. Selling Your Property When Sales Proceeds Are Insufficient To Satisfy All Of Your Obligations

In all of the examples presented previously in this Program Guide, there is significant equity in the home at the time of sale, due to amortization of the mortgage loan and/or home price appreciation, so the sale proceeds are sufficient to pay the mortgage loan, selling commissions and closing costs, and the amount due to Unison. No shortfall results in any scenario in those examples.

However, under unusual circumstances there may not be sufficient equity in your home to pay the mortgage loan, selling commissions and closing costs, and the amount due to Unison. While unlikely, a shortfall can result from one or a combination of several factors:

› The value of your home may decrease, reducing equity.

› When you pay your mortgage each month, a portion of your monthly payment reduces the loan balance. This process by which your loan is slowly repaid is called amortization. Amortization builds equity in your home over time. If your Unison HomeOwner Agreement ends relatively soon after you purchase your home, there will be little additional equity in your home due to amortization.

› If your Unison HomeOwner Agreement ends during the first three years and your home's value has decreased, Unison will not share in the loss, and therefore the amount due to Unison will be the amount of our original investment.[K]

As described earlier in this Program Guide, the Unison HomeOwner Agreement is not intended to be used as short term financing, and Unison does not recommend the Unison HomeOwner Agreement for homeowners who know they will not remain in their homes for more than three years. However, in rare cases, a homeowner may decide to sell their home, or be forced to sell it, or may otherwise default on their obligations, relatively soon after purchasing the home. And in a small subset of these cases, the sale may also coincide with a decrease in property value.

To illustrate the potential for a shortfall situation as described above, we present an example which assumes the unlikely coincidence where the value of your home decreases, reducing equity, you decide to sell or you are forced to sell relatively soon after buying your home, so little amortization has occurred and Unison does not share in any loss in value, therefore the amount due to Unison equals our original investment. We then present a similar example which illustrates how the outcome would differ if you had borrowed the money you needed instead of using Unison HomeOwner.

Our first example assumes that the **Original Agreed Value** of your home is $500,000, you have a $400,000 mortgage loan on the home, and you receive a $50,000 Unison HomeOwner investment. You sell your home 2.5 years later, therefore only a modest amount of loan amortization has occurred. We assume the value of your home has decreased, reducing the amount of equity in your home, and Unison does not share in the loss in value. We provide three future home value assumptions: decreases in value of 4%, 8%, and 12%.

		Share of Decrease in Value		Distribution of Sale Proceeds			
Sale Price	**Change in Value**	**Unison (0%)**	**You (100%)**	**Selling Expenses[1]**	**To Lender[2]**	**To Unison[3]**	**To You[4]**
$480,000	-$20,000	$0	-$20,000	$36,000	$382,000	$50,000	**$12,000**
$460,000	-$40,000	$0	-$40,000	$35,000	$382,000	$50,000	**$7,000 Shortfall**
$440,000	-$60,000	$0	-$60,000	$33,000	$382,000	$50,000	**$25,000 Shortfall**

1. 7.5% of the sale price (calculation is rounded). 2. The $400,000 mortgage loan balance has amortized down to $382,000 after making monthly payments for 2.5 years (calculation is rounded). Assumes a 30-year 4% fixed-rate mortgage. 3. If you sell your home during the first three years of your Unison HomeOwner Agreement and its value has decreased, Unison does not share in the decrease, so the amount payable to Unison is the amount of our original investment. 4. Sale price minus selling expenses minus payments to lender and Unison.

[K] This provision, which applies only during years one through three, is designed to serve as a disincentive to use Unison HomeOwner as short-term financing.

As you can see, in the "perfect storm" scenario displayed on the previous page, when you sell your home at a loss soon after purchasing it, you could face a shortfall. However, if you borrowed $50,000 against your home using a home equity line of credit instead of obtaining that cash using Unison HomeOwner, the shortfall will typically be approximately the same, as we will now illustrate.

Our second example assumes that you own a home valued at $500,000, you have a $400,000 mortgage loan on the home, and you then borrow another $50,000 against the home using a home equity line of credit. All other assumptions are identical.

		Share of Decrease in Value	Distribution of Sale Proceeds		
Sale Price	**Change in Value**	**You (100%)**	**Selling Expenses[1]**	**To Two Lenders[2]**	**To You[3]**
$480,000	-$20,000	-$20,000	$36,000	$432,000	**$12,000**
$460,000	-$40,000	-$40,000	$35,000	$432,000	**$7,000 Shortfall**
$440,000	-$60,000	-$60,000	$33,000	$432,000	**$25,000 Shortfall**

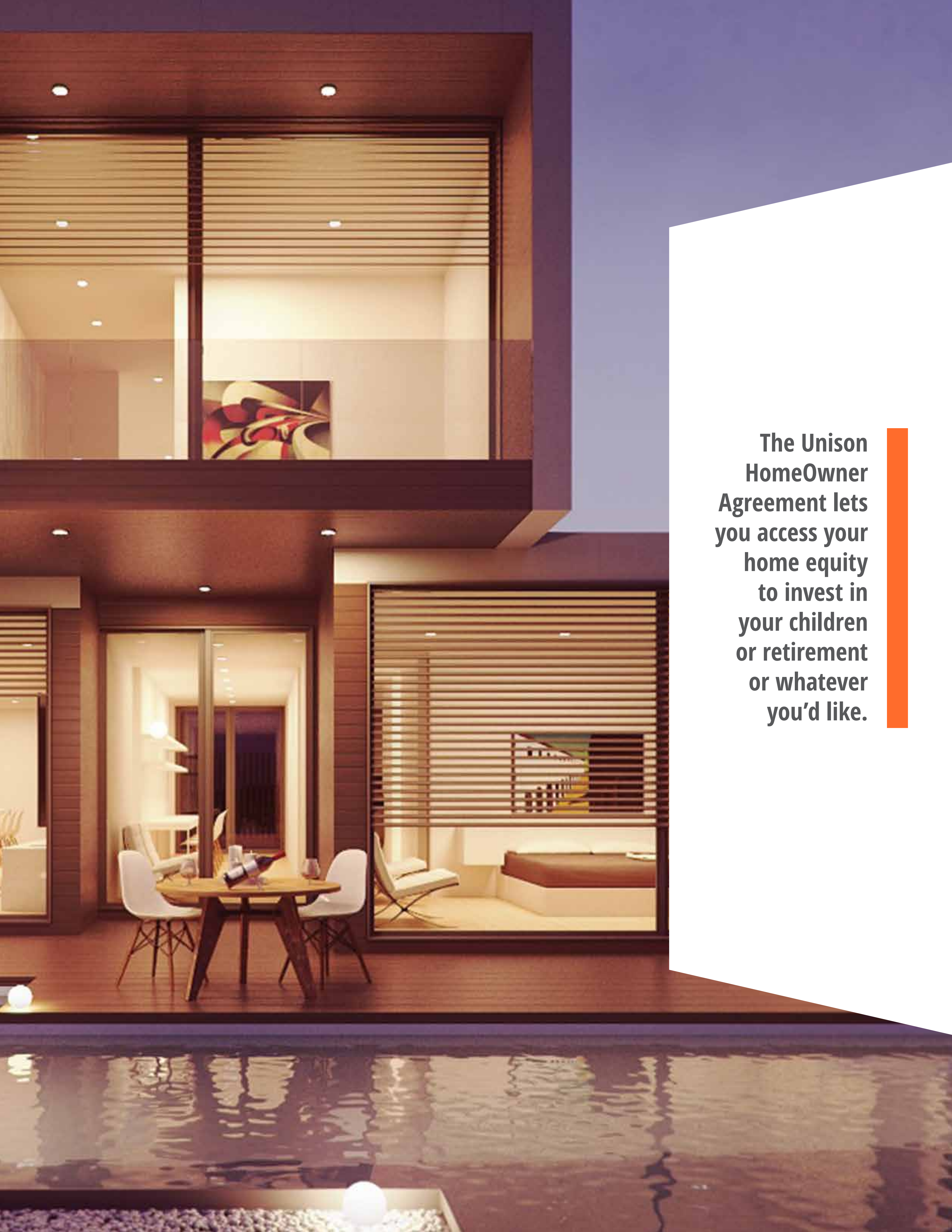
1. 7.5% of the sale price (calculation is rounded). 2. The $400,000 first mortgage loan balance has amortized down to $382,000 after making monthly payments for 2.5 years (calculation is rounded). Assumes a 30-year 4% fixed-rate mortgage. The $50,000 home equity line of credit is assumed to be an interest-only loan, as is typical. You make the interest payments for 2.5 years and the balance on the loan is still $50,000. The balance on the two loans totals $432,000. 3. Sale price minus selling expenses minus payments to two lenders.

As the two examples above demonstrate, when your home value declines and you sell soon after obtaining Unison HomeOwner financing or additional debt financing, you can face a significant shortfall.

It is worth noting that in the examples above, if you sell your home more than three years after obtaining the financing, the shortfall situation with Unison HomeOwner improves, whereas the shortfall situation with additional debt does not, since Unison shares in the decrease in home value after three years have passed.

A Lower Monthly Payment

The two examples provided here demonstrate that a shortfall potential exists if you finance with Unison HomeOwner investment or if you finance with more debt. However, it is worth noting that with Unison HomeOwner there is also a significant monthly payment savings. In the second example you are taking on another monthly obligation: the payment on the home equity line of credit. If we assume a 4.5% interest rate on the home equity line of credit, over the 2.5 year period your total additional monthly payments would add up to about $5,600.



The Unison HomeOwner Agreement lets you access your home equity to invest in your children or retirement or whatever you'd like.

Section F: The Unison HomeOwner Agreement Legal Documents

What we refer to in this Program Guide as a Unison HomeOwner Agreement consists of four related legal documents.

- **Unison HomeOwner Option Agreement** – this document contains the basic financial terms of the Unison HomeOwner Agreement option and describes how the option mechanism works.
- **Unison HomeOwner Covenant Agreement** – this document outlines your rights and responsibilities under the Unison HomeOwner Agreement throughout its term and defines the various ways in which the Agreement can end.
- **Unison HomeOwner Recorded Memorandum** – this document highlights specific features of the Unison HomeOwner Agreement for public notice, and is recorded in the jurisdiction where your property is located.
- **Unison HomeOwner Security Instrument** – this document creates a secured lien on your home during the term of the Unison HomeOwner Agreement, and is recorded in the jurisdiction where your property is located.

In this section of the Program Guide, we summarize some of the most important terms of these legal documents, but you must read each of these documents in their entirety prior to entering into the Unison HomeOwner Agreement. If there is any discrepancy or conflict between the information contained in this Program Guide and terms of the legal documents comprising the Unison HomeOwner Agreement, the legal documents control.

1. The Unison HomeOwner Option Agreement

The **Unison HomeOwner Option Agreement** grants Unison an option to purchase a specified percentage of your home at certain times and upon the occurrence of certain events for an amount called the **Unison Purchase Price**. The Unison HomeOwner option has a maximum term of 30 years.

The amount of cash Unison invests in your home at the beginning of the Unison HomeOwner Agreement is called the **Unison Investment Payment**. The **Unison Investment Payment** is not a loan, so no interest is payable or accrues on it.

The **Unison HomeOwner Option Agreement** spells out the specific terms of your Unison HomeOwner option, including the **Original Agreed Value** of the property, the **Investor Percentage** in the property which the investor is purchasing an option to buy, the **Unison Purchase Price** the investor must pay to buy the **Investor Percentage** on option exercise, the **Unison Investment Payment**, the **Unison Purchase Price Balance**, and the **Maximum Authorized Debt**.

> Although the **Unison HomeOwner Option Agreement** gives Unison the right to buy a percentage of your home, Unison is not interested in dividing your home and purchasing, for example, the guest bedrooms and den. Rather, it allows Unison to purchase an undivided percentage interest in your home and to participate in a percentage of your home's increase (or decrease) in value at the time of sale.

2. The Unison HomeOwner Covenant Agreement

The **Unison HomeOwner Covenant Agreement** explains your rights and responsibilities concerning the property throughout the term. It requires, among other things, that you use your home as your principal residence (unless otherwise permitted by Unison), pay your property taxes on time, maintain your home in good condition, maintain proper insurance on your home, make all payments on loans that are secured by liens on your home, and do not borrow against your home in an amount greater than the **Maximum Authorized Debt** limit.

The document spells out in full detail the specific circumstances (typically sale of the property, end of the term, or death of the last surviving property owner) in which Unison can exercise its option and purchase its **Investor Percentage** in your home, and the mechanisms for doing so. It describes how any sales of your property are to be handled by you or by Unison and how the sales proceeds are to be shared. It also explains what happens if your home is damaged, destroyed or condemned. It provides certain protections for you and for Unison. And, the **Unison HomeOwner Covenant Agreement** also spells out your right to end the Unison HomeOwner Agreement after the third anniversary in advance of an option exercise event by requesting a **Special Termination**.

3. The Unison HomeOwner Recorded Memorandum

The **Unison HomeOwner Recorded Memorandum** is a document recorded in the public records in the jurisdiction where your property is located. It has two purposes:

(1) It notifies third parties that Unison has an option to purchase a specified percentage of your property.

(2) It notifies third parties that anyone who owns the property will be subject to certain requirements as long as the Unison HomeOwner Agreement is in effect.

4. The Unison HomeOwner Security Instrument

The **Unison HomeOwner Security Instrument** is a Deed Of Trust or Mortgage depending on what state you live in, and is recorded as a lien on the title to your home in the public records of the jurisdiction where your property is located. The lien will be removed if your home is sold as provided in the Unison HomeOwner Agreement or if the option is otherwise validly terminated before such a sale. The **Unison HomeOwner Security Instrument** protects Unison in case you fail to abide by the terms of the Unison HomeOwner Agreement or refuse to recognize Unison's interest in the property by giving Unison the right to foreclose, subject to all the protections afforded you as a homeowner under the Unison HomeOwner Agreement and applicable law.

The Unison HomeOwner Agreement offers what lenders can't: access to your home equity without taking on additional debt.

The more you know about the Unison HomeOwner Agreement, the better you'll be at deciding if it is right for you and your family.

Section G:
Specially Priced Unison HomeOwner Transactions

IMPORTANT: YOU ARE REQUIRED TO READ THIS SECTION G CAREFULLY IF YOUR UNISON HOMEOWNER TRANSACTION REQUIRES SPECIAL PRICING.

By applying special pricing, Unison is able to approve certain transactions that would otherwise not qualify under our guidelines and help more homeowners. For example:

- Certain homes may require special pricing if they are atypical for the neighborhood or located in rural areas, or if they have unusual physical characteristics.
- Certain very recently constructed homes, especially those located in growth areas where a large number of new homes are being built, may require special pricing.
- Certain owner-occupied second homes may qualify only with special pricing.
- Special pricing may apply in certain situations where the homeowner desires the maximum amount of cash available from the Unison HomeOwner Agreement.
- Special pricing can compensate for certain situations where there are credit issues that don't meet our guidelines, such as:
  - Lower FICO score
  - Higher debt-to-income ratio
  - History of bankruptcy or foreclosure
  - Other income, asset or credit-related issues

Numerical examples and calculations given in Sections A and B of this Program Guide, which you will have read and be familiar with, will vary significantly in a Unison HomeOwner Agreement approved based on special pricing. Qualifying requirements may also differ. This Section G provides information and presents modified numerical examples which will apply with special pricing. If you have any questions about the financial terms and conditions of a specially priced Unison HomeOwner Agreement, or how the terms will differ from more typical Unison HomeOwner transactions, please consult your Program Specialist.

1. The Unison HomeOwner Exchange Of Value

You should already have a good understanding of how Unison HomeOwner works from reading the previous sections of this Program Guide. When you enter into a Unison HomeOwner Agreement, the basic transaction between you and Unison can be described very simply.[L]

- Unison provides you with a specified amount of cash that you can use for any purpose (the **Unison Investment Payment**).
- In exchange for receiving the cash, you agree to share a specified portion of the future change in value of your home, up or down, as Unison's return on investment (the **Investor Percentage**).

In this Section G, we will present two examples which demonstrate the impact of special pricing by comparing against Examples 1 and 3 from Section A.

- In highly simplified terms, in the Unison HomeOwner transaction structure chosen for Example 1 in Section A, the homeowner receives cash equal to 17.5% of the home's appraised value at origination, and in exchange for providing the cash, earns a return on investment equal to a 70% share of the future change in home value.
- In the Unison HomeOwner transaction structure chosen for Example 3 in Section A, the homeowner receives cash equal to 12.5% of the home's appraised value at origination and, in exchange for providing the cash, earns a return on investment equal to a 50% share of the future change in home value.

Unison takes on substantial risks by investing in homes through the Unison HomeOwner program, including:

- <u>An unknown (and often lengthy) investment term and a highly illiquid investment</u>. The homeowner can use the cash provided by Unison for a very long time (up to 30 years) without making any payments, and the homeowner controls the timing of when they sell their home or end the Unison HomeOwner Agreement by requesting a **Special Termination.**
- <u>An unknown investment return and potential for large losses</u>. Unison's return is tied to the future value of the home, which is unknown. Home values rise and fall in different locations over various time periods for

[L] The basic description that follows is intended to highlight only the very core of the transaction between the homeowner and Unison; namely that Unison provides a specified amount of cash in exchange for a right to earn a return on its investment equal to a specified share of the future change in home value. Other terms and provisions, which are explained in detail throughout this Program Guide, including provisions which may apply during the first three years of your Unison HomeOwner Agreement, are omitted here for simplicity's sake.

many different reasons. If value rises, Unison can earn a decent or even handsome return. If value does not change, Unison's return will be zero. If value declines, Unison will typically lose money, and with a significant decline Unison can sustain a total loss.

› Significant additional risks. A number of other things can go wrong over the life of such a long-term transaction, such as the homeowner having financial difficulty and defaulting on their mortgage or property taxes, the property being damaged or destroyed by fire or other hazard or natural causes, or a significant general decline in real estate values due to recession or other economic cause.

The relative amounts of the **Unison Investment Payment** and the **Investor Percentage** presented in Examples 1 and 3 assume typical Unison HomeOwner circumstances and create a fair exchange of value under those circumstances. In very basic terms, those examples are structured this way:

› 17.5% **Unison Investment Payment** in exchange for 70% **Investor Percentage**

› 12.5% **Unison Investment Payment** in exchange for 50% **Investor Percentage**

In both of these cases, the homeowner receives something of great value – they are able to convert a portion of their home equity to cash without taking on any debt to do so – and Unison earns a return on investment that appropriately compensates for the risk.

Certain transactions have increased investment risk for Unison and can therefore qualify only with special pricing. There are three basic ways in which Unison can structure a transaction differently to compensate for increased risk:

1. Adjust the **Investor Percentage** upward.
2. Adjust the **Unison Investment Payment** downward.
3. Tighten various qualifying requirements, such as requiring a higher credit score, a lower debt-to-income ratio, a lower loan-to-value ratio, or a lower **Maximum Authorized Debt** amount.

Let's take a more detailed look at why certain transactions may require special pricing.

2. What's Different About A New Construction Home?

If you live in a newly constructed home, you are likely using a Unison HomeOwner Agreement to recoup a portion of the down payment you made to purchase your home. For many buyers, pulling together a down payment can consume all of their financial resources. These new homeowners often wish they had more cash on hand after closing to help with the financial burden of home ownership. With Unison HomeOwner you can recoup up to 75% of your down payment.

Many home buyers are understandably attracted to the idea of buying a brand new home. New construction offers the significant appeal of up-to-date amenities, new fixtures and appliances, and in many cases allows the buyer to select and customize their new home with their own choice of floor plans, features, finishes, and upgrades.

Newly constructed homes will sometimes present increased investment risks to an equity investor such as Unison that most existing homes do not. You will recall from earlier sections of this Program Guide that in order for Unison to earn a return on its equity investment in your home, your home must appreciate over time. While most newly constructed homes, like existing homes, are likely to appreciate over time, studies show that in many cases new homes may not appreciate as much as existing homes, and this can significantly increase Unison's investment risk. There are several reasons for this potential difference in appreciation.

First, in order to be able to move into a home that is brand new, buyers are understandably often willing to pay up to a 10-20% higher price than they would pay for an existing home in the same location. But in the future, upon resale, that home may not command as much of a premium as it did when it was "100% brand new." In other words, upon its first resale, there may be some depreciation of value to what was a formerly "brand new home."

Second, while the opportunity for an individual buyer to customize a new home by choosing finishes that reflect personal preferences and tastes, such as cabinetry and countertop materials, or to select upgrades that suit their individual lifestyle, such as a playroom instead of an extra bedroom, is a wonderful benefit to the buyer, these upgrades and selections are just that - personal. The additional costs for such customized choices or special upgrades that are passed to the buyer in the form of a higher price for the brand new home purchase to be paid to the builder may or may not actually result in additional resale value of the home when that buyer resells it. While some selected upgrades - such as an extra bathroom, an extra garage, or additional square footage - typically will not depreciate and will maintain their value, many other upgrades which are selected and paid for to suit a buyer's particular taste may be primarily cosmetic in nature and may not add value, or may depreciate significantly.

Third, certain newly constructed homes fall into a category known as "tract home" new construction. A "tract home" development typically consists of multiple homes all being built by one builder on a tract of land which was not previously developed. "Tract homes" can sometimes be riskier for Unison because:

- Many "tract home" developments are built in phases at different price points, over a somewhat lengthy period of time (several years). Until some of the newly constructed homes are eventually resold by their original buyers, there is uncertainty about what the real market value will be for homes in the development.
- When the development is in an early phase, there is uncertainty about buyer demand and whether the builder will ultimately be able to complete the development according to plan. If anticipated buyer demand does not materialize, the builder may have to lower prices or scale down the average size or quality of the homes built in subsequent phases in order to complete the development, and may decide not to complete the development at all.
- A portion of the price charged by a builder for a "tract home" may go towards the expense of establishing neighborhood infrastructure (playgrounds, parks, schools, or other common areas).
- There is a possibility that the builder itself may run into financial or other problems and fail to complete the entire development as planned.

Many newly constructed homes will not require special pricing, while others will, and this determination can change over time. Your Program Specialist will inform you when special pricing is required for a specific newly constructed home.

Not All New Construction Developments Will Qualify Due to the increased risks mentioned here, and depending on what phase a new home development is currently in and how the development is progressing, Unison may determine that an entire new home development is too risky for investment.

Pricing A Unison HomeOwner Agreement Versus Pricing A Mortgage

Mortgage lenders assess the specific risk of each loan application they receive. When a lender deems a particular transaction to be riskier, they might:

- Decline the loan application.
- Offer to make the loan but provide a reduced amount of funding (i.e. at a "lower loan-to-value ratio") to compensate for the additional risk.
- Raise the price by offering to make the loan at a higher interest rate to compensate for the additional risk.

Unison also assesses the specific risk of each Unison HomeOwner application it receives. Since Unison HomeOwner is not debt, the pricing mechanics work differently. There is no interest rate that can be raised in order to compensate for additional risk, so when a particular transaction is deemed riskier, Unison might:

- Decline the Unison HomeOwner application.
- Offer a Unison HomeOwner Agreement but compensate for the additional risk by doing one or more of the following:
  - Raise the price by requiring a larger share of the future change in value (i.e. a higher **Investor Percentage**).
  - Raise the price by providing a reduced amount of funding (i.e. a reduced **Unison Investment Payment**).
  - Tighten various qualifying requirements, such as requiring a higher credit score, a lower debt-to-income ratio, or a lower **Maximum Authorized Debt** amount.

3. What's Different About An Owner-Occupied Second Home?

Owning a second home can be a dream come true, providing a family with a peaceful retreat and a place to entertain, in reliable, familiar and comfortable surroundings. However, owner-occupied second homes can sometimes present increased investment risks to an equity investor such as Unison that homes used as a primary residence do not. You will recall from earlier sections of this Program Guide that, in order for Unison to earn a return on its equity investment in your home, your home must appreciate over time. While most second homes, like primary homes, are likely to appreciate over time, studies show that in many cases, second homes may not appreciate as much as primary homes, and this can significantly increase Unison's investment risk. There are several reasons for this difference in appreciation.

- Second homes are often located in areas with large percentages of second homes compared to primary residences ("vacation spots" such as beach or ski resort towns). Many vacation homes are bought at the peak of economic cycles when people are feeling most wealthy and sold at the bottom of economic cycles when people are feeling most economically threatened. In markets dominated by second homes, these cycles may drive prices for the entire local housing market. This can increase home price volatility and negatively impact appreciation prospects.
- Owners of second homes, when faced with financial problems, will logically prioritize protecting their primary home investment ahead of protecting their second home investment, so defaults are more frequent on second homes.
- Second homes may occasionally sit empty for long periods of time, and are frequently not maintained as well as primary homes. This can negatively impact value.

Lenders Are Aware of These Risks Too

When a lender makes a loan on a second home, the interest rate is typically higher, or the loan-to-value ratio is typically lower, or both, versus a loan on a primary home.

To mitigate the additional risk associated with second homes, Unison will consider second home transactions that meet the following criteria:

- The property must be a bona fide owner occupied second home, not an investment property and not rented out.
- Unison will be more likely to approve second homes located in markets that are dominated by primary residences, and less likely to approve second homes located in more concentrated second home markets (vacation spots). For example, a second home in the city of San Francisco is more likely to be approved than a second home in Lake Tahoe.
- Higher credit standards may apply.
- Higher pricing may apply, in the form of a higher **Investor Percentage**, a reduced **Unison Investment Payment**, or other adjustments to terms.

4. Other Specially Priced Unison HomeOwner Transactions

Every Unison HomeOwner transaction has its own specific characteristics; no two homeowners are the same from a credit quality perspective and no two properties are the same in terms of condition and investment characteristics. Unison will occasionally approve transactions, on an exception basis, that don't meet all of our investment criteria, but in order to do so we will typically require one or more mitigating factors (such as a higher credit score, lower debt-to-income ratio, lower loan-to-value ratio, exceptionally attractive property characteristics, etc.) and/or higher pricing (in the form of a higher **Investor Percentage**, lower **Unison Investment Payment**, or changes to other terms, such as a lower **Maximum Authorized Debt** amount). Making such exceptions enables us to bring the value of Unison HomeOwner to a wider range of homeowners, including some that don't qualify under our standard guidelines. In addition, transactions in which the homeowner is requesting the maximum available proceeds, or an amount close to the maximum available proceeds, may be considered riskier by Unison and may be available only with special pricing. Your Program Specialist will discuss your specific circumstances with you in detail.

5. Special Pricing Impact On Typical Transaction Structures

Special pricing is most typically implemented by increasing the **Investor Percentage** and/or reducing the **Unison Investment Payment**. To illustrate the impact that special pricing can have on the **Investor Percentage** and/or **Unison Investment Payment**, we will revisit two common Unison HomeOwner transaction structures which were presented as Examples 1 and 3 in Section A, and for each of them compare the terms available with standard pricing versus examples of terms that may be available with typical special pricing.

The table below demonstrates how higher pricing might impact the transaction structure that was presented as Example 1 in Section A (where the homeowner requested maximum available proceeds) if something about the property and/or homeowner indicated increased investment risk for Unison. Special pricing is implemented by decreasing the **Unison Investment Payment**. Other ways to structure this transaction with special pricing may be possible.

	Standard Pricing (Example 1)	Typical Special Pricing (Example 7)	Impact
Unison Investment Payment	Unison will provide a **Unison Investment Payment** equal to 17.5% of the home value. Assuming a $500,000 home value, Unison will provide a **Unison Investment Payment** of $87,500.	Unison will provide a **Unison Investment Payment** equal to 14% of the home value. Assuming a $500,000 home value, Unison will provide a **Unison Investment Payment** of $70,000.	To compensate for additional risk, the maximum amount of Unison HomeOwner funding made available is reduced from 17.5% of the purchase price to 14% of the purchase price.
Investor Percentage	The **Investor Percentage** is 70%.	The **Investor Percentage** is 70%.	No change.

The table below demonstrates how higher pricing might impact the transaction structure that was presented as Example 3 in Section A (where the homeowner requested less than maximum available proceeds) if something about the property and/or homeowner indicated increased investment risk for Unison. Special pricing is implemented by increasing the **Investor Percentage**. Other ways to structure this transaction with special pricing may be possible.

	Standard Pricing (Example 3)	Typical Special Pricing (Example 8)	Impact
Unison Investment Payment	Unison will provide a **Unison Investment Payment** equal to 12.5% of the home value. Assuming a $500,000 home value, Unison will provide a **Unison Investment Payment** of $62,500.	Unison will provide a **Unison Investment Payment** equal to 12.5% of the home value. Assuming a $500,000 home value, Unison will provide a **Unison Investment Payment** of $62,500.	No change.
Investor Percentage	The **Investor Percentage** is 50%.	The **Investor Percentage** is 62.5%.	To compensate for the additional risk, the **Investor Percentage** is increased from 50% to 62.5%.

Detailed examples are provided for each of these two sample transaction structures on the following four pages. Many other ways to structure a transaction with special pricing are possible. Your Program Specialist will discuss your specific circumstances with you in detail.

Example 7 - Typical Specially Priced Transaction (seeking maximum proceeds)

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**. Unison determines that special pricing will apply.
- You are seeking the maximum available proceeds from your Unison HomeOwner Agreement, so you decide that the **Investor Percentage** will be 70%.
- We invest $70,000 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 70% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home - Unison has no ownership or occupancy rights.
- There are no interest charges on the $70,000 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.

			Share of Change in Value	
End (Assumes during year 10)	**Sale Price**	**Change in Value**	**Unison**	**You**
Outcome 1 **Moderate increase in value**	Your selling price is $550,000	Increase of $50,000	+ $35,000	+ $15,000
Outcome 2 **Moderate decrease in value**	Your selling price is $450,000	Decrease of $50,000	– $35,000	– $15,000
Outcome 3 **No change in value**	Your selling price is $500,000	$0	$0	$0
Outcome 4 **Large increase in value**	Your selling price is $650,000	Increase of $150,000	+ $105,000	+ $45,000
Outcome 5 **Large decrease in value**	Your selling price is $350,000	Decrease of $150,000	– $70,000[4]	– $80,000[4]

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

2. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison HomeOwner Agreement or not. Assuming you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $350,000, and in ten more years your loan balance would amortize down to approximately $260,000 (rounding to the nearest $10,000).

As the various outcomes demonstrate, you benefit in every case. You use the Unison Investment Payment cash for any purpose. You make no payments to Unison until you decide to sell your home. If the value of your home remains unchanged, the amount we receive typically equals the amount we invested, so you benefit from the use of our money at no cost. If the value of your home decreases, you benefit even more, because we typically incur a loss on our investment, which reduces your loss. If the value of your home increases, we make a profit, and you do too.

Distribution of Gross Sale Proceeds		
To Lender [2]	**To Unison**	**To You** [3]
$260,000	$105,000 Gain on our investment. $35,000 more than we invested at the start	$185,000
$260,000	$35,000 Loss on our investment. $35,000 less than we invested at the start	$155,000
$260,000	$70,000 No return on our investment. Equal to the amount we invested at the start	$170,000
$260,000	$175,000 Gain on our investment. $105,000 more than we invested at the start	$215,000
$260,000	$0 Total loss on our investment. $70,000 less than we invested at the start	$90,000

3. When you sell your home you will also be responsible for paying all selling costs to third parties, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison HomeOwner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $550,000 as shown in Outcome 1 above, your selling costs would be $41,250. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

4. 70% of the $150,000 decrease in value is $105,000, but Unison's maximum loss under the Unison HomeOwner Agreement is the amount of the Unison Investment Payment, which is $70,000. Therefore, Unison will share $70,000 of the $150,000 loss, and you will share the balance of the loss, or $80,000.

Example 8 - Typical Specially Priced Transaction (seeking less than maximum proceeds)

Start

- An appraisal from an independent third-party appraiser determines your home's current value is $500,000. We agree that $500,000 is the **Original Agreed Value**. Unison determines that special pricing will apply.
- You are seeking $62,500 from your Unison HomeOwner Agreement, less than the maximum available proceeds. Special pricing results in an **Investor Percentage** of 62.5%.
- We invest $62,500 in your home (the **Unison Investment Payment**).[1] In return for providing the **Unison Investment Payment**, Unison will earn a return on its investment equal to a 62.5% share of the change in value of your home (the **Investor Percentage**).

During

- You live in your home - Unison has no ownership or occupancy rights.
- There are no interest charges on the $62,500 **Unison Investment Payment**.
- You make no monthly payments to Unison.
- You maintain your home and pay the mortgage, property taxes, and property insurance.

			Share of Change in Value	
End (Assumes during year 10)	**Sale Price**	**Change in Value**	**Unison**	**You**
Outcome 1 **Moderate increase in value**	Your selling price is $550,000	Increase of $50,000	+ $31,250	+ $18,750
Outcome 2 **Moderate decrease in value**	Your selling price is $450,000	Decrease of $50,000	– $31,250	– $18,750
Outcome 3 **No change in value**	Your selling price is $500,000	$0	$0	$0
Outcome 4 **Large increase in value**	Your selling price is $650,000	Increase of $150,000	+ $93,750	+ $56,250
Outcome 5 **Large decrease in value**	Your selling price is $350,000	Decrease of $150,000	– $62,500[4]	– $87,500[4]

1. At closing you will pay all transaction costs, including third party fees (such as credit and appraisal reports, and title and escrow fees) and a Unison transaction fee. This will reduce the amount of cash you receive from the transaction at closing. See Part 7 of Section A and Part 3 of Section C for more information.

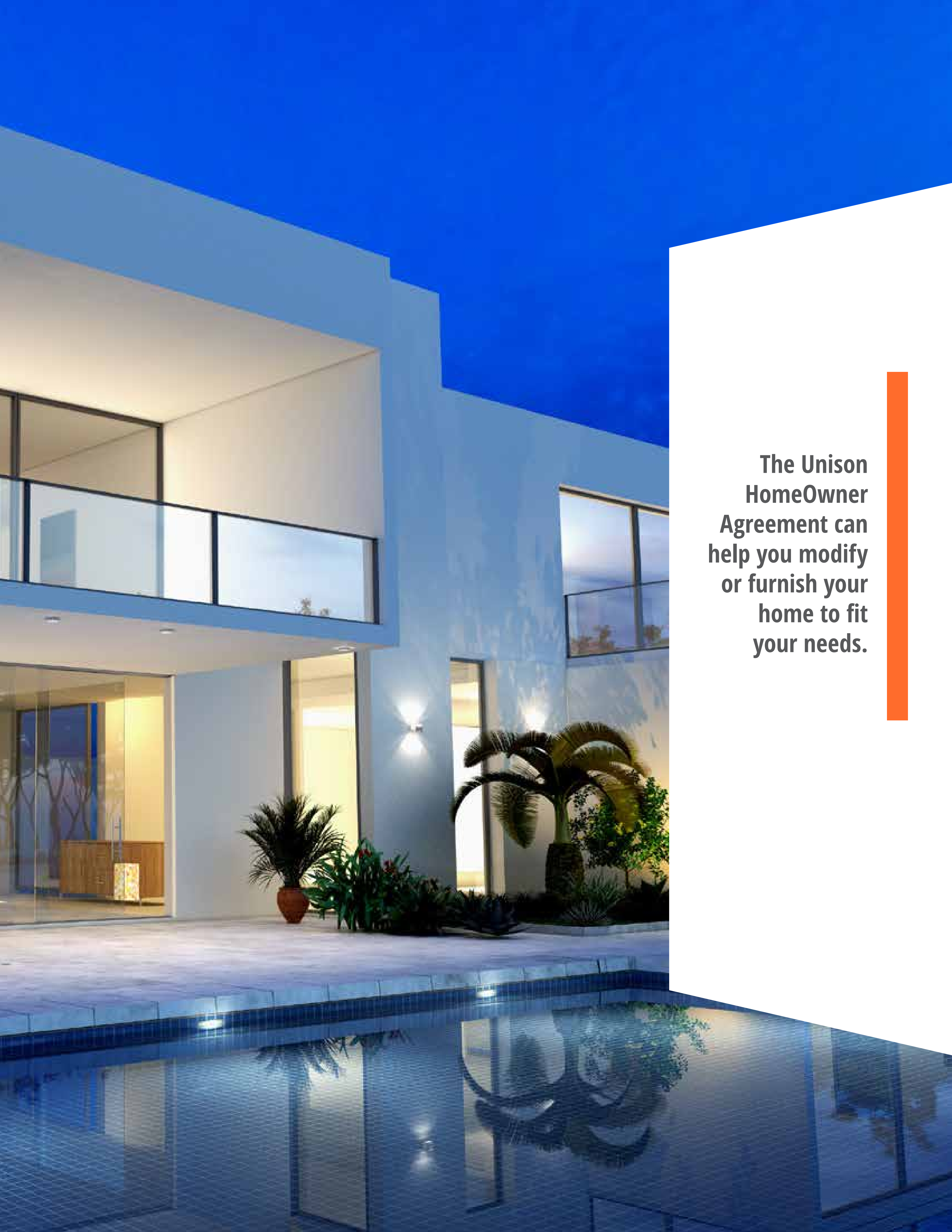
2. When you sell your home you will be responsible for repaying any outstanding balance on your mortgage in full from your portion of the sales proceeds. The Unison HomeOwner Agreement has no impact on this - you would have to do this whether you have a Unison HomeOwner Agreement or not. Assuming you obtained a $375,000 4% fixed-rate mortgage about three and a half years ago, you would have a current balance of approximately $350,000, and in ten more years your loan balance would amortize down to approximately $260,000 (rounding to the nearest $10,000).

As the various outcomes demonstrate, you benefit in every case. You use the Unison Investment Payment cash for any purpose. You make no payments to Unison until you decide to sell your home. If the value of your home remains unchanged, the amount we receive typically equals the amount we invested, so you benefit from the use of our money at no cost. If the value of your home decreases, you benefit even more, because we typically incur a loss on our investment, which reduces your loss. If the value of your home increases, we make a profit, and you do too.

Distribution of Gross Sale Proceeds		
To Lender [2]	**To Unison**	**To You** [3]
$260,000	$93,750 Gain on our investment. $31,250 more than we invested at the start	$196,250
$260,000	$31,250 Loss on our investment. $31,250 less than we invested at the start	$158,750
$260,000	$62,500 No return on our investment. Equal to the amount we invested at the start	$177,500
$260,000	$156,250 Gain on our investment. $93,750 more than we invested at the start	$233,750
$260,000	$0 Total loss on our investment. $62,500 less than we invested at the start	$90,000

3. When you sell your home you will also be responsible for paying all selling costs to third parties, including brokerage commissions, which can typically amount to 6-9% of the sale price, from your portion of the sales proceeds. Selling costs are not shown in the examples. The Unison HomeOwner Agreement has no impact on this - you would have to pay these expenses whether you have a Unison HomeOwner Agreement or not. If the sales proceeds are not sufficient to pay the mortgage balance, the net amount payable to Unison, and the selling costs, you will be required to make up any shortfall. For example, assuming selling costs of 7.5% and a sale price of $550,000 as shown in Outcome 1 above, your selling costs would be $41,250. If your Unison HomeOwner Agreement is settled other than by sale of your home, such costs will not apply.

4. 62.5% of the $150,000 decrease in value is $93,750, but Unison's maximum loss under the Unison HomeOwner Agreement is the amount of the Unison Investment Payment, which is $62,500. Therefore, Unison will share $62,500 of the $150,000 loss, and you will share the balance of the loss, or $87,500.



The Unison HomeOwner Agreement can help you modify or furnish your home to fit your needs.

Section H - Part One: Detailed Calculations For Examples 1 - 6

Sections A and B of this Program Guide contain six numerical examples which demonstrate the operation of the Unison HomeOwner Agreement. These examples are presented in an easy-to-understand and intuitive format. They focus on the economic impact of the agreement between you and Unison under various scenarios of changing home values, and how the **Remodeling Adjustment**, **Deferred Maintenance Adjustment**, and **Special Termination** provisions operate and impact the net amount received by Unison at the end of the Unison HomeOwner Agreement.

Part 6 of Section A is entitled "The Nuts and Bolts of the Unison HomeOwner Agreement". In that part we explain the actual calculations that underlie the numerical examples presented in Sections A and B. We include reviews of Examples 1 and 3 to see how the actual calculations work, and we show how those calculations produce the same economic results as the more basic, intuitive example format.

In Section H, Part One, we present actual "nuts and bolts" calculations underlying all of the examples contained in Sections A and B. It may be helpful for you to review each of the examples in Sections A and B before reviewing the corresponding "nuts and bolts" versions of the examples in this section.

Examples 1 through 6 are based on the following assumptions:

1. The market value of your home at the start of the Unison HomeOwner Agreement, called the **Original Agreed Value**, is determined by independent third-party appraisal. In Examples 1, 3, 4, 5 and 6 the **Original Agreed Value** is determined to be $500,000. In Example 2 the **Original Agreed Value** is determined to be $1,000,000.
2. Unison invests in your home by providing you with a lump-sum cash payment.

› In Example 1 we invest $87,500. The $87,500 investment we make is called the **Unison Investment Payment**. In return for providing the $87,500 **Unison Investment Payment**, you agree that we will earn a return on our investment equal to 70% of the change in value of your home. Our 70% share is called the **Investor Percentage**.

› In Example 2 we invest $175,000. The $175,000 investment we make is called the **Unison Investment Payment**. In return for providing the $175,000 **Unison Investment Payment**, you agree that we will earn a return on our investment equal to 70% of the change in value of your home. Our 70% share is called the **Investor Percentage**.

› In Examples 3, 4, 5 and 6 we invest $62,500. The $62,500 investment we make is called the **Unison Investment Payment**. In return for providing the $62,500 **Unison Investment Payment**, you agree that we will earn a return on our investment equal to 50% of the change in value of your home. Our 50% share is called the **Investor Percentage**.

The Unison HomeOwner Agreement is an option contract. It gives Unison the right to purchase a share (equal to the **Investor Percentage**) of your home in the future for an amount called the **Unison Purchase Price**. The **Unison Purchase Price** is equal to the **Original Agreed Value** times the **Investor Percentage**. In Example 1 the **Original Agreed Value** is $500,000 and the **Investor Percentage** is 70%. Therefore the **Unison Purchase Price** is $350,000.

Original Agreed Value	x	Investor Percentage	=	Unison Purchase Price
$500,000	x	70%	=	$350,000

In Example 2 the **Original Agreed Value** is $1,000,000 and the **Investor Percentage** is 70%. Therefore the **Unison Purchase Price** is $700,000.

Original Agreed Value	x	Investor Percentage	=	Unison Purchase Price
$1,000,000	x	70%	=	$700,000

In Examples 3, 4, 5 and 6 the **Original Agreed Value** is $500,000 and the **Investor Percentage** is 50%. Therefore the **Unison Purchase Price** is $250,000.

Original Agreed Value	x	Investor Percentage	=	Unison Purchase Price
$500,000	x	50%	=	$250,000

You can think of the **Unison Investment Payment** as an initial installment on the **Unison Purchase Price**. The remaining portion of the **Unison Purchase Price** is called the **Unison Purchase Price Balance**. It is equal to the **Unison Purchase Price** minus the **Unison Investment Payment**. In Example 1 the **Unison Purchase Price** is $350,000 and the **Unison Investment Payment** is $87,500. Therefore the **Unison Purchase Price Balance** is $262,500.

Unison Purchase Price	-	Unison Investment Payment	=	Unison Purchase Price Balance
$350,000	-	$87,500	=	$262,500

In Example 2 the **Unison Purchase Price** is $700,000 and the **Unison Investment Payment** is $175,000. Therefore the **Unison Purchase Price Balance** is $525,000.

Unison Purchase Price	-	Unison Investment Payment	=	Unison Purchase Price Balance
$700,000	-	$175,000	=	$525,000

In Examples 3, 4, 5 and 6 the **Unison Purchase Price** is $250,000 and the **Unison Investment Payment** is $62,500. Therefore the **Unison Purchase Price Balance** is $187,500.

Unison Purchase Price	-	Unison Investment Payment	=	Unison Purchase Price Balance
$250,000	-	$62,500	=	$187,500

Important Note

The Unison HomeOwner Agreement is not intended to be used as short term financing, and Unison does not recommend the Unison HomeOwner Agreement for homeowners who know they will not remain in their homes for more than three years. You can sell your home at any time, but if you choose to sell your home during the first three years of your Unison HomeOwner Agreement and the value of your home has decreased, Unison will not share in any of that decrease in value.

Therefore, under the Unison HomeOwner Agreement, when you choose to sell your home during the first three years and the value of your home has decreased, Unison's share of the gross sale proceeds of your home will be calculated by setting the **Ending Agreed Value** of your home equal to the **Original Agreed Value**, instead of the **Sale Price**. The impact of this is seen in Example 6. For more information, see Section B, Part 3.

The Unison HomeOwner Agreement typically ends when you decide to sell your home. The value of your home at the end of the Unison HomeOwner Agreement is called the **Ending Agreed Value**. When you sell your home, the **Ending Agreed Value** will typically be equal to the **Sale Price**.

We have the right to "exercise our option" at the end of the Unison HomeOwner Agreement. Exercising our option is the mechanism by which we settle the Unison HomeOwner Agreement and receive the amount we are entitled to. When we exercise our option, two very important things happen.

1. We <u>RECEIVE a payment</u> equal to our percentage share (the **Investor Percentage**) of the **Ending Agreed Value**.
2. We <u>simultaneously MAKE a payment</u> equal to the **Unison Purchase Price Balance**.

Whenever we exercise our option, the amount of the payment we RECEIVE will always be greater than the amount of the payment we MAKE, so to calculate the net result we can deduct the payment we MAKE from the payment we RECEIVE.

The **Net Result To Unison** is calculated as:

$$\underbrace{\textbf{Ending Agreed Value} \times \textbf{Investor Percentage}}_{\text{Unison RECEIVES a Payment}} - \underbrace{\textbf{Unison Purchase Price Balance}}_{\text{Unison MAKES a Payment}} = \textbf{Net Result To Unison}$$

Once the settlement process is complete, we have no further interest in your home, and the Unison HomeOwner Agreement ends.

Each of the calculations presented in Part One of Section H corresponds with one of the examples presented in Sections A or B.

- Examples 1, 2 and 3 each contain five outcomes.
  - Outcome 1 assumes that your home increases modestly in value. You and Unison share in the gain.
  - Outcome 2 shows the flip side of the coin. When your home declines in value, Unison shares in the loss.
  - Outcome 3 explains what happens when there is no change in value to share.
  - Outcome 4 assumes that your home appreciates in value much more considerably, so there is more of a gain for you and Unison to share.
  - Outcome 5 demonstrates how Unison can lose its entire investment if the value of your home declines very significantly.
- Example 4 is an extension of Example 3 and it demonstrates how the **Remodeling Adjustment** can change the settlement calculations at the end of the Unison HomeOwner Agreement when you make improvements to your home that increase its value, and you decide to sell your home or otherwise end your Unison HomeOwner Agreement after the first three years.
- Example 5 is an extension of Example 3 and it demonstrates how the **Deferred Maintenance Adjustment** can change the settlement calculations at the end of the Unison HomeOwner Agreement when you fail to properly maintain your home, resulting in a significant loss in value.
- Example 6 is an extension of Example 3 and it demonstrates how the Unison HomeOwner Agreement settlement calculations change when you end your Unison HomeOwner Agreement by selling the Property during the first three years and its value has decreased.

As you review the examples, keep in mind that in each scenario over the life of the Unison HomeOwner Agreement you pay no interest and make no monthly payments to Unison on the **Unison Investment Payment** we provide. Only when you sell your home or otherwise terminate the Unison HomeOwner Agreement do we receive a payment.

Note: Figures used in all examples in this Program Guide are for the purpose of illustration only. The terms offered in a specific Unison HomeOwner Agreement may be materially different. Note also that the examples presented in this Program Guide do not take into account any of the costs that you may incur when you sell your home (which you would incur whether or not you had a Unison HomeOwner Agreement). You, and not Unison, will be responsible for paying - either from your share of any sale proceeds or from your other assets - all loans that are secured by liens on the property and all costs you may incur in selling your home (which can typically amount to 6-9% of the selling price), including real estate sales commissions and the cost of an appraisal. If the sale proceeds are not sufficient to pay all of the mortgage loans, commissions and closing costs, and the amount due to us, you are required to make up any shortfall.

At every step along the way, your Unison HomeOwner Program Specialist is available toll-free at 1-800-330-9400 to answer any questions that you, your advisors, or your heirs may have about your Unison HomeOwner Agreement.

We’re invested with you. When you realize a gain in your home’s value, so do we. If you take a loss, we typically share in that too, reducing your loss.

Example 1, Outcome 1

In Outcome 1 we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment			-	Unison MAKES a Payment	=	
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000	x	70%	-	$262,500	=	$122,500
$385,000			-	$262,500	=	$122,500

If you refer back to Section A, Example 1, Outcome 1 (on pages 6-7), you will see that the $122,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> is that we earn a $35,000 profit on our investment equal to our 70% share (the **Investor Percentage**) of the $50,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 1, Outcome 2

In Outcome 2 we assume that your home decreases in value by $50,000, to $450,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment			-	Unison MAKES a Payment	=	
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$450,000	x	70%	-	$262,500	=	$52,500
$315,000			-	$262,500	=	$52,500

If you refer back to Section A, Example 1, Outcome 2 (on pages 6-7), you will see that the $52,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> is that we sustain a $35,000 loss on our investment equal to our 70% share (the **Investor Percentage**) of the $50,000 decrease in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 1, Outcome 3

In Outcome 3 we assume that the value of your home does not change, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$500,000	x	70%	-	$262,500	=	$87,500
$350,000			-	$262,500	=	$87,500

If you refer back to Section A, Example 1, Outcome 3 (on pages 6-7), you will see that the $87,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. Since there is no gain or loss to share, the net result of the <u>two simultaneous payments</u> is that we receive an amount equal to what we originally invested (the **Unison Investment Payment**) and earn no return on our investment during the term of the Unison HomeOwner Agreement.

Example 1, Outcome 4

In Outcome 4 we assume that your home increases in value by $150,000, to $650,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$650,000	x	70%	-	$262,500	=	$192,500
$455,000			-	$262,500	=	$192,500

If you refer back to Section A, Example 1, Outcome 4 (on pages 6-7), you will see that the $192,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> is that we earn a $105,000 profit on our investment equal to our 70% share (the **Investor Percentage**) of the $150,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 1, Outcome 5

In Outcome 5 we assume that your home decreases in value by $150,000, to $350,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$350,000	x	70%	-	$262,500	=	- $17,500
$245,000			-	$262,500	=	~~- $17,500~~ $0

When the calculated amount is less than zero, Unison will receive $0.

When we calculate the amounts of the two simultaneous payments, we see that because the value of the home has decreased substantially, the $245,000 payment Unison would RECEIVE is actually $17,500 less than the $262,500 payment Unison would MAKE. Because the maximum loss that Unison can sustain is the amount of the **Unison Investment Payment**, whenever the calculated **Net Result To Unison** is less than zero, Unison will choose not to exercise its option, and the option will expire worthless. The result is that we will receive $0, sustain a total loss of $87,500 on our investment during the term of the Unison HomeOwner Agreement, and have no further interest in the property. If you refer back to Section A, Example 1, Outcome 5 (on pages 6-7), you will see that the $0 payment to Unison shown above is consistent with the amount displayed there.

Example 2, Outcome 1

In Outcome 1 we assume that your home increases in value by $100,000, to $1,100,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$1,100,000	x	70%	-	$525,000	=	$245,000
$770,000			-	$525,000	=	$245,000

If you refer back to Section A, Example 2, Outcome 1 (on pages 8-9), you will see that the $245,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a $70,000 profit on our investment equal to our 70% share (the **Investor Percentage**) of the $100,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 2, Outcome 2

In Outcome 2 we assume that your home decreases in value by $100,000, to $900,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$900,000	x	70%	-	$525,000	=	$105,000
$630,000			-	$525,000	=	$105,000

If you refer back to Section A, Example 2, Outcome 2 (on pages 8-9), you will see that the $105,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we sustain a $70,000 loss on our investment equal to our 70% share (the **Investor Percentage**) of the $100,000 decrease in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 2, Outcome 3

In Outcome 3 we assume that the value of your home does not change, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$1,000,000	x	70%	-	$525,000	=	$175,000
$700,000			-	$525,000	=	$175,000

If you refer back to Section A, Example 2, Outcome 3 (on pages 8-9), you will see that the $175,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. Since there is no gain or loss to share, the net result of the two simultaneous payments is that we receive an amount equal to what we originally invested (the **Unison Investment Payment**) and earn no return on our investment during the term of the Unison HomeOwner Agreement.

Example 2, Outcome 4

In Outcome 4 we assume that your home increases in value by $300,000, to $1,300,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment — Unison MAKES a Payment

Ending Agreed Value x **Investor Percentage** - **Unison Purchase Price Balance** = **Net Result To Unison**

$1,300,000 x 70% - $525,000 = $385,000

$910,000 - $525,000 = $385,000

If you refer back to Section A, Example 2, Outcome 4 (on pages 8-9), you will see that the $385,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> is that we earn a $210,000 profit on our investment equal to our 70% share (the **Investor Percentage**) of the $300,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 2, Outcome 5

In Outcome 5 we assume that your home decreases in value by $300,000, to $700,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment — Unison MAKES a Payment

Ending Agreed Value x **Investor Percentage** - **Unison Purchase Price Balance** = **Net Result To Unison**

$700,000 x 70% - $525,000 = - $35,000

$490,000 - $525,000 = ~~- $35,000~~ $0

When the calculated amount is less than zero, Unison will receive $0.

When we calculate the amounts of the <u>two simultaneous payments</u>, we see that because the value of the home has decreased substantially, the $490,000 payment Unison would RECEIVE is actually $35,000 less than the $525,000 payment Unison would MAKE. Because the maximum loss that Unison can sustain is the amount of the **Unison Investment Payment**, whenever the calculated **Net Result To Unison** is less than zero, Unison will choose <u>not to exercise</u> its option, and the option will expire worthless. The result is that we will receive $0, sustain a total loss of $175,000 on our investment during the term of the Unison HomeOwner Agreement, and have no further interest in the property. If you refer back to Section A, Example 2, Outcome 5 (on pages 8-9), you will see that the $0 payment to Unison shown above is consistent with the amount displayed there.

Example 3, Outcome 1

In Outcome 1 we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000	x	50%	-	$187,500	=	$87,500
$275,000			-	$187,500	=	$87,500

$$\underbrace{\$550{,}000 \times 50\%}_{\$275{,}000}$$

If you refer back to Section A, Example 3, Outcome 1 (on pages 10-11), you will see that the $87,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> is that we earn a $25,000 profit on our investment equal to our 50% share (the **Investor Percentage**) of the $50,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 3, Outcome 2

In Outcome 2 we assume that your home decreases in value by $50,000, to $450,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$450,000	x	50%	-	$187,500	=	$37,500
$225,000			-	$187,500	=	$37,500

$$\underbrace{\$450{,}000 \times 50\%}_{\$225{,}000}$$

If you refer back to Section A, Example 3, Outcome 2 (on pages 10-11), you will see that the $37,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> is that we sustain a $25,000 loss on our investment equal to our 50% share (the **Investor Percentage**) of the $50,000 decrease in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 3, Outcome 3

In Outcome 3 we assume that the value of your home does not change, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$500,000	x	50%	-	$187,500	=	$62,500
$250,000			-	$187,500	=	$62,500

If you refer back to Section A, Example 3, Outcome 3 (on pages 10-11), you will see that the $62,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. Since there is no gain or loss to share, the net result of the two simultaneous payments is that we receive an amount equal to what we originally invested (the **Unison Investment Payment**) and earn no return on our investment during the term of the Unison HomeOwner Agreement.

Example 3, Outcome 4

In Outcome 4 we assume that your home increases in value by $150,000, to $650,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$650,000	x	50%	-	$187,500	=	$137,500
$325,000			-	$187,500	=	$137,500

If you refer back to Section A, Example 3, Outcome 4 (on pages 10-11), you will see that the $137,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a $75,000 profit on our investment equal to our 50% share (the **Investor Percentage**) of the $150,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 3, Outcome 5

In Outcome 5 we assume that your home decreases in value by $150,000, to $350,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$350,000	x	50%	-	$187,500	=	- $12,500
$175,000			-	$187,500	=	- ~~$12,500~~ $0

When the calculated amount is less than zero, Unison will receive $0.

When we calculate the amounts of the <u>two simultaneous payments</u>, we see that because the value of the home has decreased substantially, the $175,000 payment Unison would RECEIVE is actually $12,500 less than the $187,500 payment Unison would MAKE. Because the maximum loss that Unison can sustain is the amount of the **Unison Investment Payment**, whenever the calculated **Net Result To Unison** is less than zero, Unison will choose <u>not to exercise</u> its option, and the option will expire worthless. The result is that we will receive $0, sustain a total loss of $62,500 on our investment during the term of the Unison HomeOwner Agreement, and have no further interest in the property. If you refer back to Section A, Example 3, Outcome 5 (on pages 10-11), you will see that the $0 payment to Unison shown above is consistent with the amount displayed there.

Example 4

Example 4 is based on Example 3, Outcome 1, but there are important differences in the assumptions between the two examples. In Example 3, Outcome 1, we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. In that example, 100% of the $50,000 increase in value is assumed to be the result of market appreciation - rising home prices in the neighborhood in which the property is located. In Example 4, we assume that your home increases in value by $80,000, to $580,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. We also assume that $30,000 of the $80,000 increase in value is the result of remodeling work you did on your home, and the remaining $50,000 is assumed to be due to market appreciation. Under the Unison HomeOwner Agreement, it is not intended that Unison share in gains in value that result from your remodeling project. Unison is entitled to share only in the increase in value due to market appreciation, so the **Ending Agreed Value** is adjusted downward by $30,000 before performing the settlement calculations.

Base Ending Agreed Value = $580,000 (the actual sale price)

Remodeling Adjustment = $30,000 (the value of your improvements at the time of sale)

Base Ending Agreed Value	-	**Remodeling Adjustment**	=	**Adjusted Ending Agreed Value**
$580,000	-	$30,000	=	$550,000

Therefore, the **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000	x	50%	-	$187,500	=	$87,500
$275,000			-	$187,500	=	$87,500

If you refer back to Section B, Example 4 (on pages 24-25), you will see that the $87,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments (calculated after applying the **Remodeling Adjustment** to the **Ending Agreed Value**) is that we earn a $25,000 profit on our investment equal to our 50% share (the **Investor Percentage**) of the increase in value of your home due to market appreciation that occurred during the term of the Unison HomeOwner Agreement. We share in a $50,000 increase in value, not an $80,000 increase. Therefore, all of the $30,000 increase in value attributable to your remodeling project benefits you.

Example 5

Example 5 is also based on Example 3, Outcome 1, but there are important differences in the assumptions between the two examples. In Example 3, Outcome 1, we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. In Example 5, we assume that your home increases in value by $40,000, to $540,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. We also assume that during the term of the Unison HomeOwner Agreement, you allowed the condition of the property to deteriorate beyond normal wear and tear. The roof is leaking badly and is in need of repairs costing $10,000. Therefore, the value of your home <u>due to market appreciation</u>, if you had properly maintained it, would have been $550,000 instead of $540,000. Under the Unison HomeOwner Agreement, it is not intended that Unison share in losses in value that result from neglected maintenance. Unison is entitled to share in the full increase in value due to market appreciation, so the **Ending Agreed Value** is adjusted upward by $10,000 before performing the settlement calculations.

Base Ending Agreed Value = $540,000 (the actual sale price)

Deferred Maintenance Adjustment = $10,000 (the loss in value due to neglected maintenance)

Base Ending Agreed Value	+	**Deferred Maintenance Adjustment**	=	**Adjusted Ending Agreed Value**
$540,000	+	$10,000	=	$550,000

Therefore, the **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000	x	50%	-	$187,500	=	$87,500
$275,000			-	$187,500	=	$87,500

If you refer back to Section B, Example 5 (on pages 28-29), you will see that the $87,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the <u>two simultaneous payments</u> (calculated after applying the **Deferred Maintenance Adjustment** to the **Ending Agreed Value**) is that we earn a $25,000 profit on our investment equal to our 50% share (the **Investor Percentage**) of the increase in value of your home <u>due to market appreciation</u> that occurred during the term of the Unison HomeOwner Agreement. We share in a $50,000 increase in value, not a $40,000 increase. The entire $10,000 decrease in value due to the neglected maintenance is allocated to you.

Example 6

Example 6 is based on Example 3, Outcome 2, but there is one important difference in the assumptions between the two examples. In Example 3, Outcome 2, we assume that your home decreases in value by $50,000, to $450,000, and that you sell it ten years after purchase. In Example 6, we also assume that your home decreases in value by $50,000, to $450,000, but now we assume that you sell it during year three of your Unison HomeOwner Agreement. Under the Unison HomeOwner Agreement, if you sell your home during the first three years, the **Ending Agreed Value** will equal the greater of the **Original Agreed Value** and the **Sale Price**.

In Example 3, Outcome 2, the **Ending Agreed Value** is $450,000, and the **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$450,000	x	50%	-	$187,500	=	$37,500
$225,000			-	$187,500	=	$37,500

The net result of the two simultaneous payments is that we sustain a $25,000 loss on our investment equal to our 50% share (the **Investor Percentage**) of the $50,000 decrease in value of your home that occurred during the term of the Unison HomeOwner Agreement.

In Example 6, since you are selling during the first three years:

- The **Ending Agreed Value** equals the greater of the **Original Agreed Value** and the **Sale Price**.
- The **Original Agreed Value** = $500,000, and the **Sale Price** = $450,000.

Therefore, the **Ending Agreed Value** = $500,000, and the **Net Result To Unison** is calculated as::

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$500,000	x	50%	-	$187,500	=	$62,500
$250,000			-	$187,500	=	$62,500

If you refer back to Section B, Example 6 (on pages 32-33), you will see that the $62,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of setting the **Ending Agreed Value** equal to the **Original Agreed Value** during years one through three when the value of your home has decreased is to offset any loss that Unison might have incurred on its investment. Remember, this provision applies only during the first three years of the Unison HomeOwner Agreement. It will not apply if you sell your home after the third anniversary of the purchase date.

Buying a home often takes every financial resource a family has, leaving them with nothing to furnish or improve their new home and no cash cushion. Unison HomeOwner changes the game by allowing you to recoup a portion of your down payment.

Unison HomeOwner lets you do things that will enrich your life, without taking on more debt or making monthly payments.

Section H - Part Two: Detailed Calculations For Examples 7 - 8

Section G of this Program Guide contains two numerical examples which demonstrate the operation of the Unison HomeOwner Agreement. These examples are presented in an easy-to-understand and intuitive format. They focus on the economic impact of the agreement between you and Unison under various scenarios of changing home values, specifically under circumstances in which the Unison HomeOwner Agreement transaction requires special pricing.

In Section H, Part Two, we present actual "nuts and bolts" calculations underlying the two examples contained in Section G. It may be helpful for you to review each of the examples in Section G before reviewing the corresponding "nuts and bolts" versions of the examples in this section.

Examples 7 and 8 are based on the following assumptions:

1. The market value of your home at the start of the Unison HomeOwner Agreement, called the **Original Agreed Value**, is determined by independent third-party appraisal to be $500,000.
2. Unison invests in your home by providing you with a lump-sum cash payment.

› In Example 7 we invest $70,000. The $70,000 investment we make is called the **Unison Investment Payment**. In return for providing the $70,000 **Unison Investment Payment**, you agree that we will earn a return on our investment equal to 70% of the change in value of your home. Our 70% share is called the **Investor Percentage**.

› In Example 8 we invest $62,500. The $62,500 investment we make is called the **Unison Investment Payment**. In return for providing the $62,500 **Unison Investment Payment**, you agree that we will earn a return on our investment equal to 62.5% of the change in value of your home. Our 62.5% share is called the **Investor Percentage**.

The Unison HomeOwner Agreement is an option contract. It gives Unison the right to purchase a share (equal to the **Investor Percentage**) of your home in the future for an amount called the **Unison Purchase Price**. The **Unison Purchase Price** is equal to the **Original Agreed Value** times the **Investor Percentage**. In Example 7 the **Original Agreed Value** is $500,000 and the **Investor Percentage** is 70%. Therefore the **Unison Purchase Price** is $350,000.

Original Agreed Value	x	Investor Percentage	=	Unison Purchase Price
$500,000	x	70%	=	$350,000

You can think of the **Unison Investment Payment** as an initial installment on the **Unison Purchase Price**. The remaining portion of the **Unison Purchase Price** is called the **Unison Purchase Price Balance**. It is equal to the **Unison Purchase Price** minus the **Unison Investment Payment**. In Example 7 the **Unison Purchase Price** is $350,000 and the **Unison Investment Payment** is $70,000. Therefore the **Unison Purchase Price Balance** is $280,000.

Unison Purchase Price	-	Unison Investment Payment	=	Unison Purchase Price Balance
$350,000	-	$70,000	=	$280,000

In Example 8 the **Original Agreed Value** is $500,000 and the **Investor Percentage** is 62.5%. Therefore the **Unison Purchase Price** is $312,500. The **Unison Investment Payment** is $62,500. Therefore the **Unison Purchase Price Balance** is $250,000.

Original Agreed Value	x	Investor Percentage	=	Unison Purchase Price
$500,000	x	62.5%	=	$312,500

Unison Purchase Price	-	Unison Investment Payment	=	Unison Purchase Price Balance
$312,500	-	$62,500	=	$250,000

The Unison HomeOwner Agreement typically ends when you decide to sell your home. The value of your home at the end of the Unison HomeOwner Agreement is called the **Ending Agreed Value**. When you sell your home, the **Ending Agreed Value** will typically be equal to the **Sale Price**.

We have the right to “exercise our option” at the end of the Unison HomeOwner Agreement. Exercising our option is the mechanism by which we settle the Unison HomeOwner Agreement and receive the amount we are entitled to. When we exercise our option, two very important things happen.

1. We RECEIVE a payment equal to our percentage share (the **Investor Percentage**) of the **Ending Agreed Value**.
2. We simultaneously MAKE a payment equal to the **Unison Purchase Price Balance**.

Whenever we exercise our option, the amount of the payment we RECEIVE will always be greater than the amount of the payment we MAKE, so to calculate the net result we can deduct the payment we MAKE from the payment we RECEIVE. The **Net Result To Unison** is calculated as:

$$\overbrace{\textbf{Ending Agreed Value} \times \textbf{Investor Percentage}}^{\text{Unison RECEIVES a Payment}} - \overbrace{\textbf{Unison Purchase Price Balance}}^{\text{Unison MAKES a Payment}} = \textbf{Net Result To Unison}$$

Once the settlement process is complete, we have no further interest in your home, and the Unison HomeOwner Agreement ends.

Important Note

The Unison HomeOwner Agreement is not intended to be used as short term financing, and Unison does not recommend the Unison HomeOwner Agreement for homeowners who know they will not remain in their homes for more than three years. You can sell your home at any time, but if you choose to sell your home during the first three years of your Unison HomeOwner Agreement and the value of your home has decreased, Unison will not share in any of that decrease in value.

Therefore, under the Unison HomeOwner Agreement, when you choose to sell your home during the first three years and the value of your home has decreased, Unison’s share of the gross sale proceeds of your home will be calculated by setting the **Ending Agreed Value** of your home equal to the **Original Agreed Value**, instead of the **Sale Price**. The impact of this is seen in Example 6. For more information, see Section B, Part 3.

Each of the calculations presented in Part 2 of Section H corresponds with one of the examples presented in Section G.

- Examples 7 and 8 each contain five outcomes.
  - Outcome 1 assumes that your home increases modestly in value. You and Unison share in the gain.
  - Outcome 2 shows the flip side of the coin. When your home declines in value, Unison shares in the loss.
  - Outcome 3 explains what happens when there is no change in value to share.
  - Outcome 4 assumes that your home appreciates in value much more considerably, so there is more of a gain for you and Unison to share.
  - Outcome 5 demonstrates how Unison can lose its entire investment if the value of your home declines very significantly.

As you review the examples, keep in mind that in each scenario over the life of the Unison HomeOwner Agreement you pay no interest and make no monthly payments to Unison on the **Unison Investment Payment** we provide. Only when you sell your home or otherwise terminate the Unison HomeOwner Agreement do we receive a payment.

> Note: Figures used in all examples in this Program Guide are for the purpose of illustration only. The terms offered in a specific Unison HomeOwner Agreement may be materially different. Note also that the examples presented in this Program Guide do not take into account any of the costs that you may incur when you sell your home (which you would incur whether or not you had a Unison HomeOwner Agreement). You, and not Unison, will be responsible for paying - either from your share of any sale proceeds or from your other assets - all loans that are secured by liens on the property and all costs you may incur in selling your home (which can typically amount to 6-9% of the selling price), including real estate sales commissions and the cost of an appraisal. If the sale proceeds are not sufficient to pay all of the mortgage loans, commissions and closing costs, and the amount due to us, you are required to make up any shortfall.

> At every step along the way, your Unison HomeOwner Program Specialist is available toll-free at 1-800-330-9400 to answer any questions that you, your advisors, or your heirs may have about your Unison HomeOwner Agreement.

Example 7, Outcome 1

In Outcome 1 we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000	x	70%	-	$280,000	=	$105,000
$385,000			-	$280,000	=	$105,000

If you refer back to Section G, Example 7, Outcome 1 (on pages 78-79), you will see that the $105,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a $35,000 profit on our investment equal to our 70% share (the **Investor Percentage**) of the $50,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 7, Outcome 2

In Outcome 2 we assume that your home decreases in value by $50,000, to $450,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$450,000	x	70%	-	$280,000	=	$35,000
$315,000			-	$280,000	=	$35,000

If you refer back to Section G, Example 7, Outcome 2 (on pages 78-79), you will see that the $35,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we sustain a $35,000 loss on our investment equal to our 70% share (the **Investor Percentage**) of the $50,000 decrease in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 7, Outcome 3

In Outcome 3 we assume that the value of your home does not change, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$500,000	x	70%	-	$280,000	=	$70,000
$350,000			-	$280,000	=	$70,000

If you refer back to Section G, Example 7, Outcome 3 (on pages 78-79), you will see that the $70,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. Since there is no gain or loss to share, the net result of the two simultaneous payments is that we receive an amount equal to what we originally invested (the **Unison Investment Payment**) and earn no return on our investment during the term of the Unison HomeOwner Agreement.

Example 7, Outcome 4

In Outcome 4 we assume that your home increases in value by $150,000, to $650,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$650,000	x	70%	-	$280,000	=	$175,000
$455,000			-	$280,000	=	$175,000

If you refer back to Section G, Example 7, Outcome 4 (on pages 78-79), you will see that the $175,000 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a $105,000 profit on our investment equal to our 70% share (the **Investor Percentage**) of the $150,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 7, Outcome 5

In Outcome 5 we assume that your home decreases in value by $150,000, to $350,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$350,000	x	70%	-	$280,000	=	- $35,000
$245,000			-	$280,000	=	~~- $35,000~~ $0

When the calculated amount is less than zero, Unison will receive $0.

When we calculate the amounts of the two simultaneous payments, we see that because the value of the home has decreased substantially, the $245,000 payment Unison would RECEIVE is actually $35,000 less than the $280,000 payment Unison would MAKE. Because the maximum loss that Unison can sustain is the amount of the **Unison Investment Payment**, whenever the calculated **Net Result To Unison** is less than zero, Unison will choose not to exercise its option, and the option will expire worthless. The result is that we will receive $0, sustain a total loss of $70,000 on our investment during the term of the Unison HomeOwner Agreement, and have no further interest in the property. If you refer back to Section G, Example 7, Outcome 5 (on pages 78-79), you will see that the $0 payment to Unison shown above is consistent with the amount displayed there.

Example 8, Outcome 1

In Outcome 1 we assume that your home increases in value by $50,000, to $550,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$550,000	x	62.5%	-	$250,000	=	$93,750
$343,750			-	$250,000	=	$93,750

If you refer back to Section G, Example 8, Outcome 1 (on pages 80-81), you will see that the $93,750 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a $31,250 profit on our investment equal to our 62.5% share (the **Investor Percentage**) of the $50,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 8, Outcome 2

In Outcome 2 we assume that your home decreases in value by $50,000, to $450,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$450,000	x	62.5%	-	$250,000	=	$31,250
$281,250			-	$250,000	=	$31,250

If you refer back to Section G, Example 8, Outcome 2 (on pages 80-81), you will see that the $31,250 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we sustain a $31,250 loss on our investment equal to our 62.5% share (the **Investor Percentage**) of the $50,000 decrease in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 8, Outcome 3

In Outcome 3 we assume that the value of your home does not change, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$500,000	x	62.5%	-	$250,000	=	$62,500
$312,500			-	$250,000	=	$62,500

If you refer back to Section G, Example 8, Outcome 3 (on pages 80-81), you will see that the $62,500 **Net Result To Unison** calculated above is consistent with the amount displayed there. Since there is no gain or loss to share, the net result of the two simultaneous payments is that we receive an amount equal to what we originally invested (the **Unison Investment Payment**) and earn no return on our investment during the term of the Unison HomeOwner Agreement.

Example 8, Outcome 4

In Outcome 4 we assume that your home increases in value by $150,000, to $650,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$650,000	x	62.5%	-	$250,000	=	$156,250
$406,250			-	$250,000	=	$156,250

If you refer back to Section G, Example 8, Outcome 4 (on pages 80-81), you will see that the $156,250 **Net Result To Unison** calculated above is consistent with the amount displayed there. The net result of the two simultaneous payments is that we earn a $93,750 profit on our investment equal to our 62.5% share (the **Investor Percentage**) of the $150,000 increase in value of your home that occurred during the term of the Unison HomeOwner Agreement.

Example 8, Outcome 5

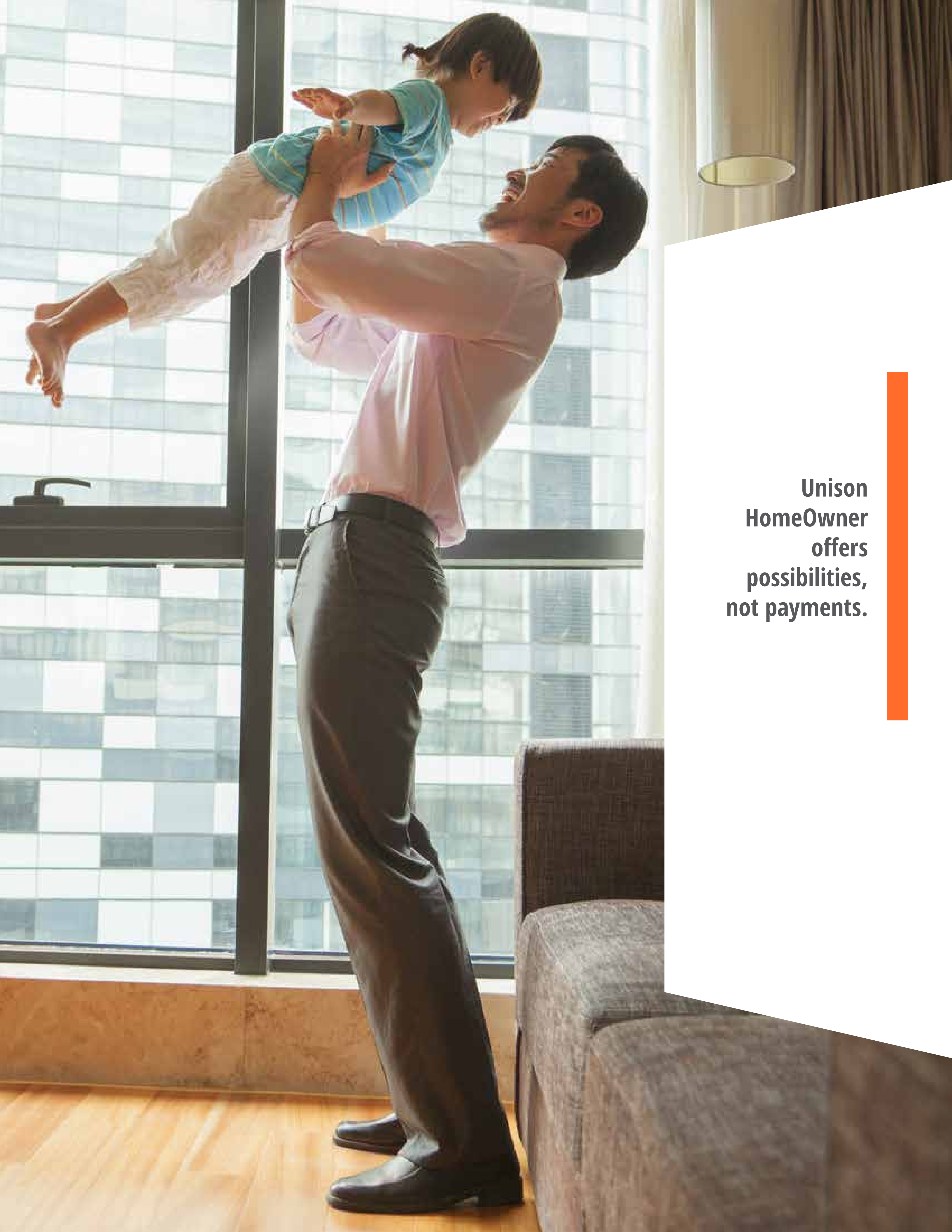
In Outcome 5 we assume that your home decreases in value by $150,000, to $350,000, and that you sell it during year 10 of your Unison HomeOwner Agreement. The **Net Result To Unison** is calculated as:

Unison RECEIVES a Payment				Unison MAKES a Payment		
Ending Agreed Value	x	**Investor Percentage**	-	**Unison Purchase Price Balance**	=	**Net Result To Unison**
$350,000	x	62.5%	-	$250,000	=	- $31,250
$218,750			-	$250,000	=	~~- $31,250~~ $0

When the calculated amount is less than zero, Unison will receive $0.

When we calculate the amounts of the two simultaneous payments, we see that because the value of the home has decreased substantially, the $218,750 payment Unison would RECEIVE is actually $31,250 less than the $250,000 payment Unison would MAKE. Because the maximum loss that Unison can sustain is the amount of the **Unison Investment Payment**, whenever the calculated **Net Result To Unison** is less than zero, Unison will choose not to exercise its option, and the option will expire worthless. The result is that we will receive $0, sustain a total loss of $62,500 on our investment during the term of the Unison HomeOwner Agreement, and have no further interest in the property. If you refer back to Section G, Example 8, Outcome 5 (on pages 80-81), you will see that the $0 payment to Unison shown above is consistent with the amount displayed there.

Unison HomeOwner is designed to be easy to understand, and we believe our customer education process sets a new standard in the financial services industry.



Unison HomeOwner offers possibilities, not payments.

SECTION I: Glossary Of Terms

Application Package

The materials that Unison provides to the homeowner after they have been pre-qualified and the homeowner indicates they wish to apply for the Unison HomeOwner Agreement. The package includes:

› Application
› Brochure
› Credit Card Authorization Form
› IRS Form 4506T (request for Transcript of Tax Return)
› Hazard Insurance Requirements
› Estimate Of Fees
› Homeowners' Certification, Authorization & Acknowledgment

See Section C for more information.

Closing Package

The materials that Unison sends to the escrow officer or closing attorney after the homeowner accepts the offer conveyed in the **Offer Letter**. The package includes (but it not limited to):

› Closing Instructions
› Estimated **Closing Statement**
› **Unison HomeOwner Option Agreement**
› **Unison HomeOwner Covenant Agreement**
› **Unison HomeOwner Security Instrument**
› **Unison HomeOwner Recorded Memorandum**
› Assignment of Agreement
› Name Affidavit, if applicable
› **Important Information Notice**
› Notice And Acknowledgment Regarding Spouses, Partners And Co-Occupants Who Are Not Signatories To The Unison HomeOwner Agreement

See Sections C and F for more information.

Closing Statement

The **Closing Statement** provided at the close of your transaction will show the amount of the **Unison Investment Payment** and specify all fees paid in connection with obtaining the Unison HomeOwner Agreement, either to third parties or to Unison. You will also have the opportunity to review the costs and fees of your transaction in advance of its closing. Both estimated and final **Closing Statements** are prepared for your review and approval.

See Section C for more information.

Deferred Maintenance Adjustment

At any time when the property is sold or the Unison HomeOwner Agreement is otherwise terminated, the **Ending Agreed Value** may be adjusted to reflect any maintenance that should have been performed while the Unison HomeOwner Agreement was in effect. This has the effect of allocating any and all loss in value caused by the neglected maintenance (other than ordinary wear and tear), or conditions which caused a decrease in value of the property not due to market forces to the homeowner, so that Unison does not share in it. Unison will make this determination in good faith, based upon one or more inspections obtained from Unison-approved independent, third-party home inspectors, repair estimates from Unison-approved licensed contractors and/or an appraisal obtained from a Unison-approved independent third-party appraisal firm.

See Sections B, D, E and H for more information.

Ending Agreed Value

The **Ending Agreed Value** is a primary input to the settlement calculations performed at the end of the Unison HomeOwner Agreement. When you end your Unison HomeOwner Agreement by selling your home, the **Ending Agreed Value** is typically equal to the **Sale Price**.

If you end your Unison HomeOwner Agreement by requesting a **Special Termination**, the **Ending Agreed Value** will factor into the calculations that determine the **Special Termination Price**. In this case, as well as in calculations of Unison's interest in the home when there is no **Sale Price**, the **Ending Agreed Value** will typically be the appraised value of your home. With a **Special Termination**, if the value of your home has decreased, the **Ending Agreed Value** will typically equal the **Original Agreed Value**.

If your Unison HomeOwner Agreement ends during the first three years, the **Ending Agreed Value** will equal the greater of the **Original Agreed Value** and the **Sale Price**.

See Sections A, B, E, G and H for more information.

Important Information Notice

A component of the **Offer Package**, the **Important Information Notice** summarizes and reiterates key provisions of the Unison HomeOwner Agreement. It must be returned to Unison along with the signed **Offer Letter** in order for you to formally accept Unison's offer to enter into a Unison HomeOwner Agreement**.**

See Section C for more information.

Investor Percentage

The percentage of the future change in value of your home that you will typically share with Unison as Unison's return on its investment; also equals the percentage interest in the property that Unison has the right to acquire and you have agreed to sell upon option exercise. Typically, the larger the **Original Agreed Value** and the larger the **Investor Percentage**, the more cash available from the Unison HomeOwner Agreement. The **Investor Percentage** typically ranges from 25% to 70%.

See Sections A through H for more information.

Maximum Authorized Debt

While the Unison HomeOwner Agreement is in effect, the total dollar amount of debt secured by the property is subject to the **Maximum Authorized Debt** limit, which is established at the start of the Unison HomeOwner Agreement. The limit includes any available, but undrawn, credit lines secured by the home.

See Sections D and F for more information.

Negative Remodeling Adjustment

An unusual circumstance in which a **Remodeling Adjustment** may apply if an appraiser determines that your remodeling project has decreased the value of your home instead of increasing it. A **Negative Remodeling Adjustment** will adjust the **Ending Agreed Value** upwards. Examples of remodeling that can decrease the value of the home include converting multiple bedrooms into a large den or removing usable square footage.

See Sections B and E for more information.

Net Result To Unison

The Unison HomeOwner Agreement typically ends when you sell your home. At that time we have the right to exercise our option. When we exercise, two payments are made. Unison RECEIVES a payment equal to the **Investor Percentage** times the **Ending Agreed Value**. Unison simultaneously MAKES a payment equal to the **Unison Purchase Price Balance**. Whenever we exercise our option, the amount of the payment we RECEIVE will always be greater than the amount of the payment we MAKE, so to calculate the net result we can deduct the payment we MAKE from the payment we RECEIVE.

Ending Agreed Value x **Investor Percentage** - **Unison Purchase Price Balance** = **Net Result To Unison**

See Sections A and H for more information.

Offer Letter

Notifies the homeowner that their application for a Unison HomeOwner Agreement has been approved and defines the actual terms that Unison is able to offer, including:

› The **Original Agreed Value** of the home.

› The **Investor Percentage** the homeowner will share with Unison.

› The **Unison Purchase Price**, the **Unison Investment Payment**, and the **Unison Purchase Price Balance**.

› The **Maximum Authorized Debt.**

The **Offer Letter** details conditions, subject to deadlines, that must be met in order to accept the offer and in order for us to close the transaction.

See Section C for more information.

Offer Package

The package that Unison sends the homeowner after their application has been underwritten and approved. It includes:

› **Offer Letter**

› **Important Information Notice**

› Conditions Of Offer

› Current Asset Administration Fee Schedule

› **Total Unison Cost Estimate (TUCE)**

› Estimated **Closing Statement**

› Notice And Acknowledgment Regarding Spouses, Partners And Co-Occupants Who Are Not Signatories To The Unison HomeOwner Agreement

See Sections C, D and F for more information.

Option Exercise And Orderly Sale

A process by which Unison may offer to assist a homeowner that is in default on their mortgage or property taxes. The homeowner may elect to accept or reject Unison's offer of assistance. If the offer is accepted, Unison will make one or more **Protective Advances** to cure the homeowner's default, and in return, Unison will be given the right to market and sell the property in an orderly manner. This process is designed to prevent the home from becoming a "distressed" property and going to foreclosure, which may preserve the market value of the property, the value of both the homeowner's and Unison's equity interest in the property, and the homeowner's credit.

See Sections D and E for more information.

Original Agreed Value

The fair market value of the home at the beginning of the Unison HomeOwner Agreement. It is typically determined by an appraisal obtained from a Unison-approved independent third-party appraisal firm. The **Original Agreed Value** is set forth in the **Offer Letter** and agreed to by you and Unison.

See Sections A, B, C, D, F, G and H for more information.

Primary Residence

Defined for purposes of the Unison HomeOwner Agreement as the homeowner(s) using the property as living and sleeping quarters:

- For a total of 180 days or more in any 365-day period
- While also never being absent for 60 or more consecutive days.

See Sections C and G for more information.

Protective Advances

Any monies that Unison is compelled to advance to protect its interest in the property due to inaction on the part of the homeowner (for example, if they fail to pay their property tax bill and Unison pays it). The homeowner will be assessed a service fee each time Unison makes a **Protective Advance** and interest will be charged on the amount advanced until Unison is reimbursed by the homeowner. This is the only circumstance in which interest can ever be payable under the Unison HomeOwner Agreement.

See Sections D and E for more information.

Remodeling Adjustment

Following the third anniversary of the Unison HomeOwner Agreement, when the property is sold or the Unison HomeOwner Agreement is otherwise validly terminated, if you have remodeled your home during the term of your Unison HomeOwner Agreement, then based on an appraisal obtained from a Unison-approved independent third-party appraisal firm, and subject to other conditions, an adjustment to the **Ending Agreed Value** (called a **Remodeling Adjustment**) may be made to reflect the value of the remodeling. This has the impact of allocating all of the gain in value caused by the remodeling to you by adjusting the **Ending Agreed Value** downwards. Examples of remodeling 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. The Unison HomeOwner Agreement specifies what types of remodeling qualify for the **Remodeling Adjustment**.

See Sections A, B, E and H for more information.

Unison HomeOwner Agreement

The Unison HomeOwner Agreement is a real estate investment agreement comprised of four related legal documents. It enables homeowners to unlock a portion of their home equity and convert it into immediate cash without incurring any additional debt, in exchange for an investor right to earn a return on investment based on the future change in value of the home. The Unison HomeOwner Agreement is not a form of debt so there are no interest charges and no monthly payments associated with the cash provided to the homeowner by Unison.

See Sections A through H for more information.

Unison HomeOwner Covenant Agreement

One of four legal documents that comprise the Unison HomeOwner Agreement. It spells out your rights and responsibilities under the Unison HomeOwner Agreement throughout its term and defines the various ways in which the Agreement can end.

See Section F and review the actual **Unison HomeOwner Covenant Agreement** for more information.

Unison HomeOwner Option Agreement

One of four legal documents that comprise the Unison HomeOwner Agreement. It grants Unison an option to purchase a specified percentage of your home at certain times and upon the occurrence of certain events for a specified amount. It contains the basic financial terms of the Unison HomeOwner Agreement option and describes how the option mechanism works, and the events that trigger option exercise.

See Section F and review the actual **Unison HomeOwner Option Agreement** for more information.

Unison HomeOwner Recorded Memorandum

One of four legal documents that comprise the Unison HomeOwner Agreement. It is recorded in the public records in the jurisdiction where the property is located. It notifies third parties of:

› Unison's option interest.

› The homeowner's and Unison's responsibilities under the Unison HomeOwner Agreement.

See Section F and review the actual **Unison HomeOwner Recorded Memorandum** for more information.

Unison HomeOwner Security Instrument

One of four legal documents that comprise the Unison HomeOwner Agreement. It is a Deed Of Trust or Mortgage depending on what state you live in and is recorded as a lien on the home in the public records of the jurisdiction where the property is located. It protects Unison in case you fail to abide by the **Unison HomeOwner Option Agreement** or **Unison HomeOwner Covenant Agreement**, or refuse to recognize Unison's interest in your property.

See Section F and review the actual **Unison HomeOwner Security Instrument** for more information.

Unison Investment Payment

The cash payment received by the homeowner and the amount Unison invests in the home at the start of the Unison HomeOwner Agreement; also the portion of the **Unison Purchase Price** that is paid to the homeowner at the start of the Unison HomeOwner Agreement.

See all Sections, A through H, for more information.

Unison Purchase Price

The total amount that Unison pays or credits to the homeowner to purchase its percentage of the property. The **Unison Purchase Price** is equal to the **Original Agreed Value** multiplied by the **Investor Percentage**. A portion of the **Unison Purchase Price** is paid at the beginning of the Unison HomeOwner Agreement (the **Unison Investment Payment**), and the balance is paid when the option is exercised or the Unison HomeOwner Agreement is otherwise validly terminated (the **Unison Purchase Price Balance**).

See Sections A, B, D, E, F, G and H for more information.

Unison Purchase Price Balance

The unpaid portion of the **Unison Purchase Price** after the **Unison Investment Payment** has been paid. Upon option exercise Unison can complete its purchase of an undivided percentage interest in the property by making a payment equal to the **Unison Purchase Price Balance**.

See Sections A, B, E, F, G and H for more information.

Sale Price

The gross **Sale Price** to a bona fide arm's length third-party buyer, including any non-cash consideration, without any deduction for any closing costs, taxes, liens, secured loans, sales commissions or appraisal expenses. Referred to in the **Unison HomeOwner Covenant Agreement** as the Effective Sale Price.

See Sections A, B, D, E, G and H for more information.

Special Termination

The process by which the homeowner can end the Unison HomeOwner Agreement after the third anniversary prior to the natural expiration of its term.

See Sections A, B, D, E and F for more information.

Special Termination Price

The amount the homeowner pays to Unison in order to end their Unison HomeOwner Agreement after the third anniversary by requesting a **Special Termination** prior to the natural expiration of the Unison HomeOwner Agreement. Assuming the value of the home has increased during the term of the Unison HomeOwner Agreement, this amount is typically equal to the proceeds Unison would have received had the home been sold for an amount equal to its appraised value at the time of the **Special Termination**. The minimum **Special Termination Price** is equal to the amount of the **Unison Investment Payment**.

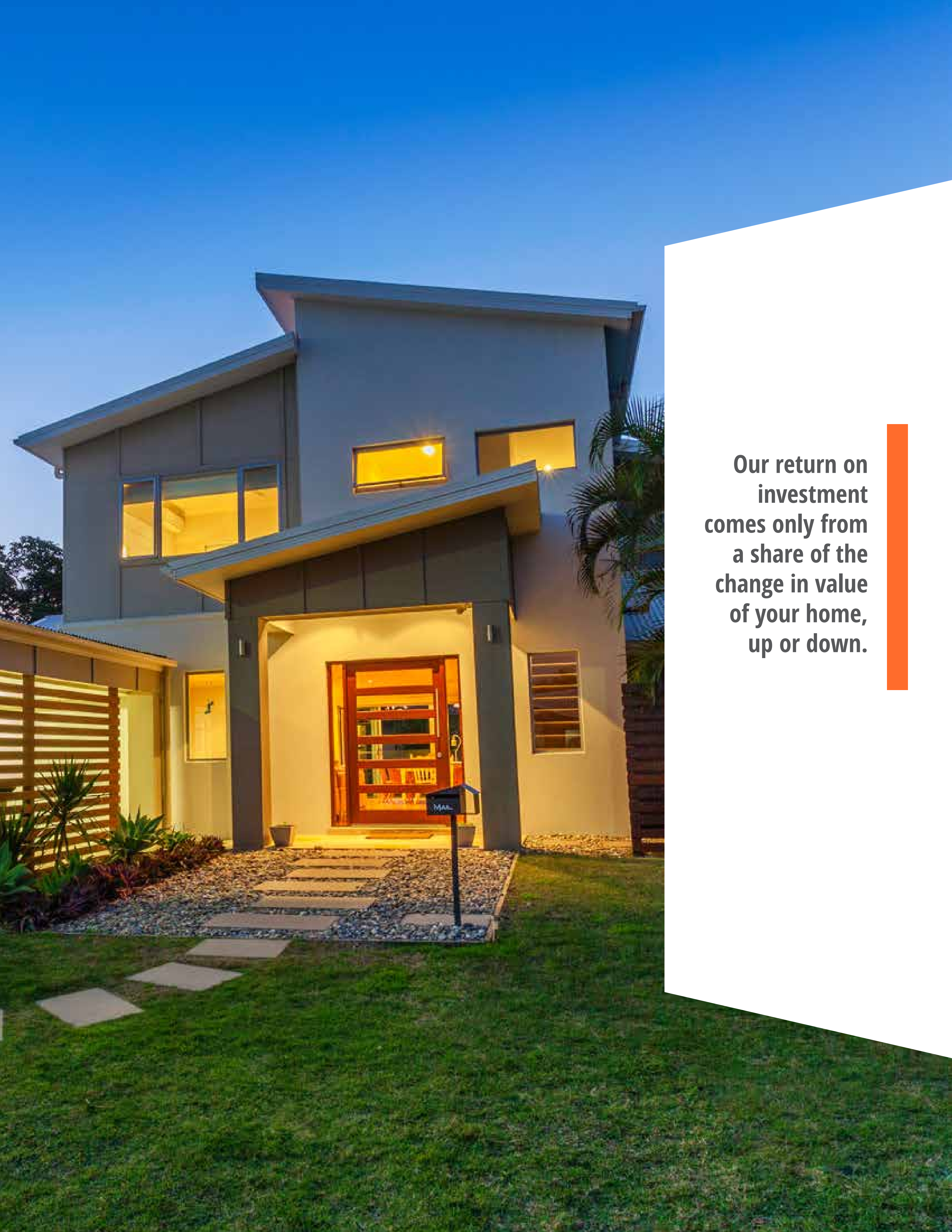
See Sections A and E for more information.

Total Unison Cost Estimate (TUCE)

A disclosure that provides you with an estimate of the annual cost of the Unison HomeOwner Agreement, assuming various terms and various rates of annual home price appreciation and depreciation.

See Section C for more information.

Spend the money as you'd like to make your life more enjoyable.



Our return on investment comes only from a share of the change in value of your home, up or down.

SECTION J - Asset Administration Fee Schedule[1]

Changes To Title:	**$300.00**
Addition of Unison HomeOwner Agreement signatory	
Removal of Unison HomeOwner Agreement signatory	
Other changes to title including change of title to trust	
Advances Made By Unison (per advance) Due To Non-Payment Of:	**$250.00**[2]
Property insurance payment	
Property tax payment	
Deferred maintenance	
Mortgage and other unpaid obligations	
Processing Subordination Requests:	**$300.00**
Recording And Reconveyance (per document):	**$75.00**
Release of lien	
Quitclaim deeds	
Other requested release documentation	
Payoff Estimate (per request, when requested more than once per calendar year)	**$75.00**
Special Termination	**$1250.00**
Processing Of Property Sale	**$650.00**
Administering Owner Events Of Default	**$500 - $3500 (estimated)**[3]

In addition to the administration fees itemized above, other actual, necessary, bona fide, reasonable, out-of-pocket fees and costs, customary to the area, which are paid by Unison to third parties (including persons and entities retained by Unison) may be charged to the homeowner from time to time during the term or at the termination of a Unison HomeOwner Agreement, including fees and costs related to title, legal, recording, and appraisal, whether incurred in connection with homeowner default or termination.

The above listed fees are based on the current costs of the service provided. These fees are subject to change as the actual costs of providing any such services change. If a fee has changed at the time the homeowner requests any one of the above services, a disclosure of the then-current charge will be provided to the homeowner. Please note that additional fees for expediting requests may apply.

[1] Current as of February, 2017. Subject to change.

[2] Plus interest on amounts advanced, in accordance with the Unison HomeOwner Agreement.

[3] The range of administrative fees that may be charged by Unison in connection with homeowner defaults is an estimate only, given the difficulty of actually predicting the internal cost to Unison of processing such defaults. As a result, the actual amount of such fees may vary depending on the duration, and difficulty of resolution, of any given homeowner default. In unusual cases, such fees may significantly exceed the estimates given here. Under no circumstances, however, shall Unison charge any administrative fees in connection with a homeowner default unless such fee is customary, reasonable, bona fide, imposed in good faith, and demonstrably appropriate in relation to the event of default.

Unison Home Ownership Investors
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Unison expressly reserves the right to modify, change, or waive certain terms and conditions on which a Unison HomeOwner Agreement may be offered, in their sole discretion, to the extent permissible by law. Information, policies and procedures described in this Program Guide are subject to change without notification. AZ DRE #CO670710000, CA BRE License #2012710, CT REB License #0791352, DC REC License #C098374562, IL DFPR License #478026863, MA BR License #422177 , MD REC License #6027, NJ REC License #1649879, NY DL License #10991223540, OR REA License #201219728, PA EN #6428873, VA REB License #0226-025731, WA DL License #19288. Unison is an independent investor and is not affiliated with any bank or lender.

Version UHO-8037 dated October 2017.
Contact Unison to ensure you have the latest information.