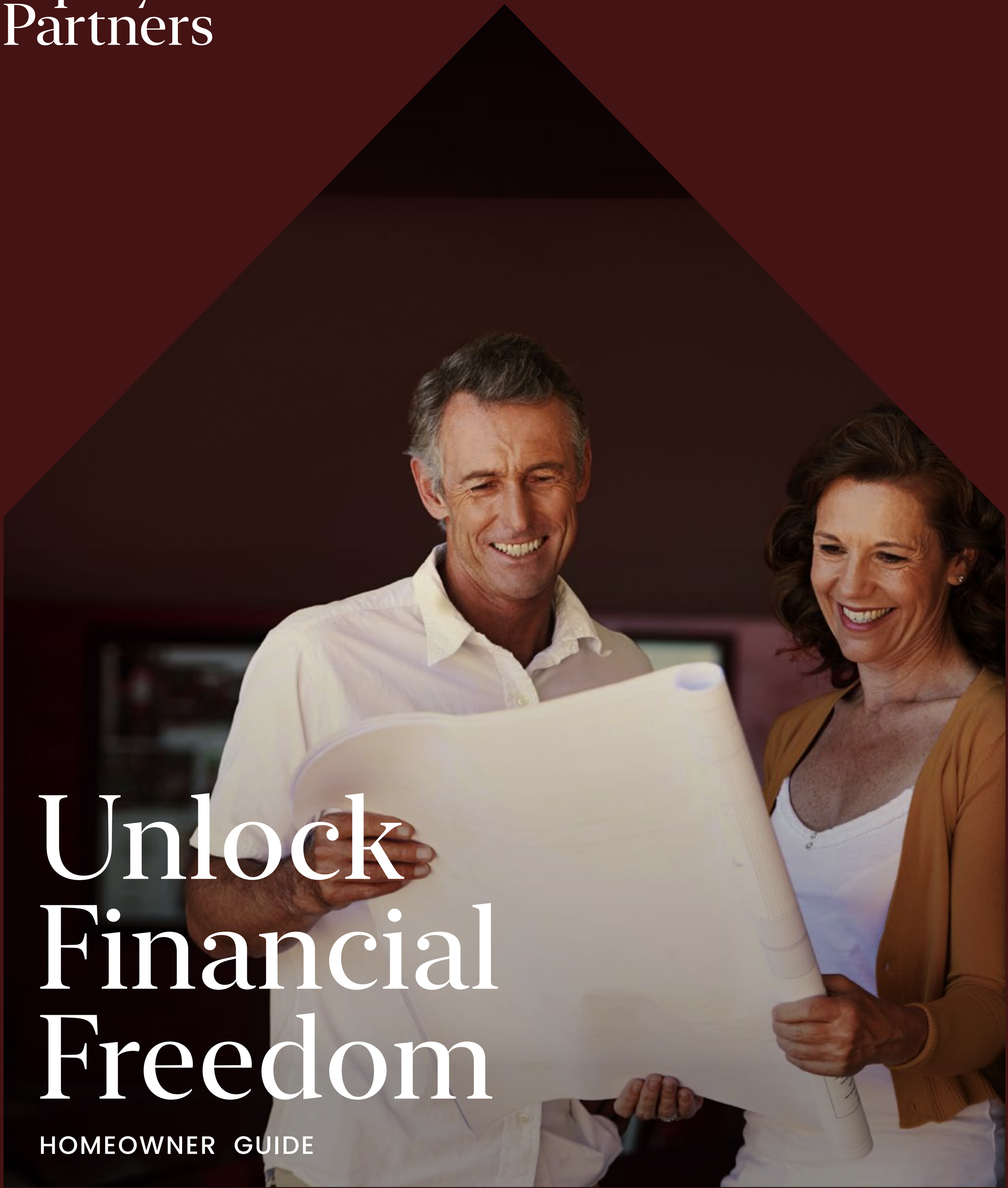
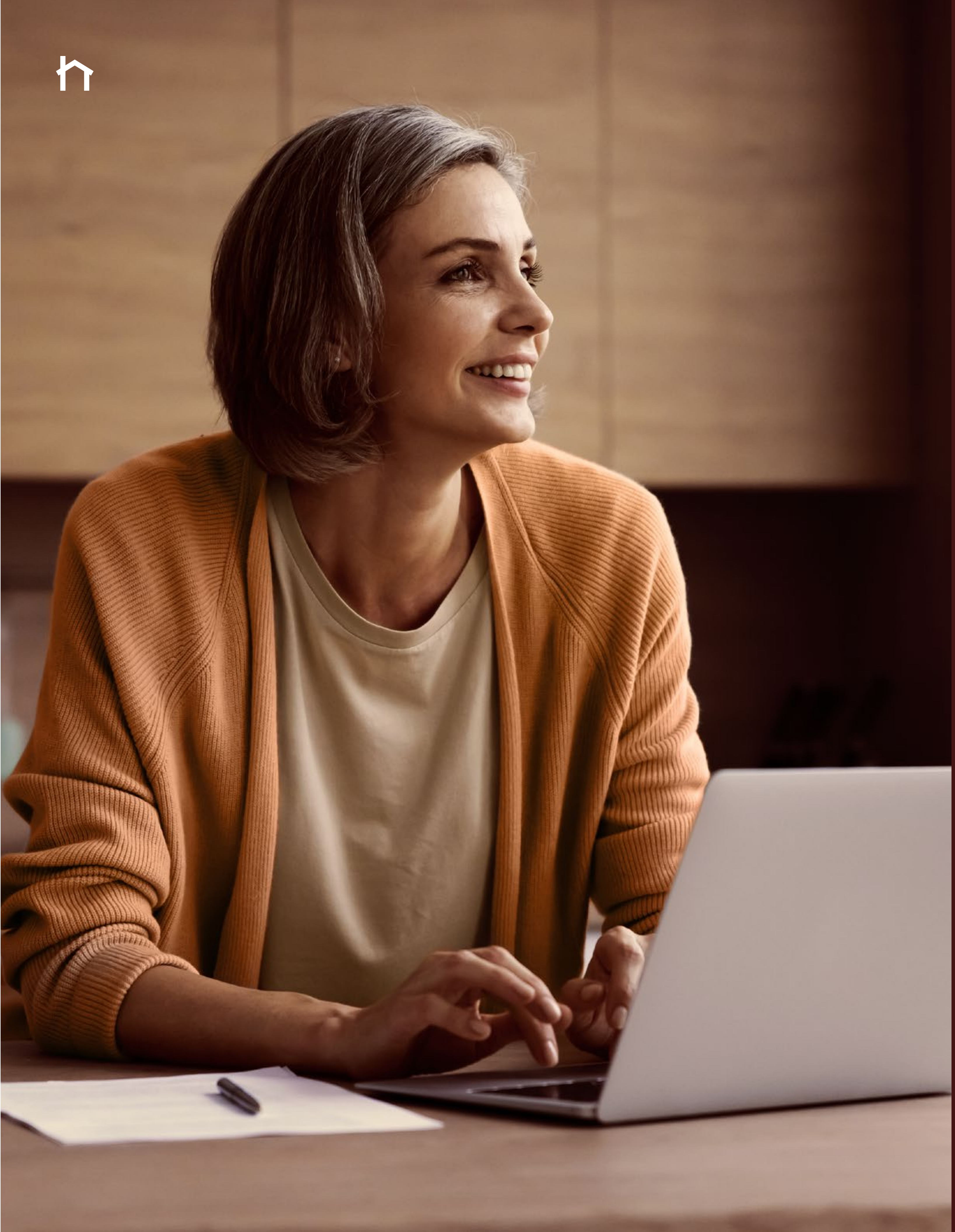
The Home Equity Partners



Unlock Financial Freedom

HOMEOWNER GUIDE



Who We Are

Owning a home is not just about having a place to live and make memories – it is also likely your most valuable financial asset.

At **The Home Equity Partners (HEQ)**, we help homeowners access the value locked in their homes — without the burden that comes with traditional loans.

How It Works

Instead of taking on debt through a loan or line of credit, our innovative **Home Equity Sharing Agreement (HESA)** allows you to convert a portion of your home's equity into cash. Unlike a loan, there are no monthly payments or interest charges. Instead, we provide you with a cash payment today in exchange for a share in the future change in value of your home— whether it goes up or down.

You won't need to make any payments to us until you decide to sell your home, exit the HESA, or after 10 years pass, whichever comes first. When that time comes, we will settle based on the terms of our agreement. The amount you owe will be based on the initial cash payment we gave you plus or minus a percentage of your home's appreciation or depreciation. Embracing a true collaborative approach, we stand as partners in your homeownership journey.

Learn More

Interested in understanding the details? Want to see how it all adds up? Keep reading as we break it down step by step.

The Home Equity Partners

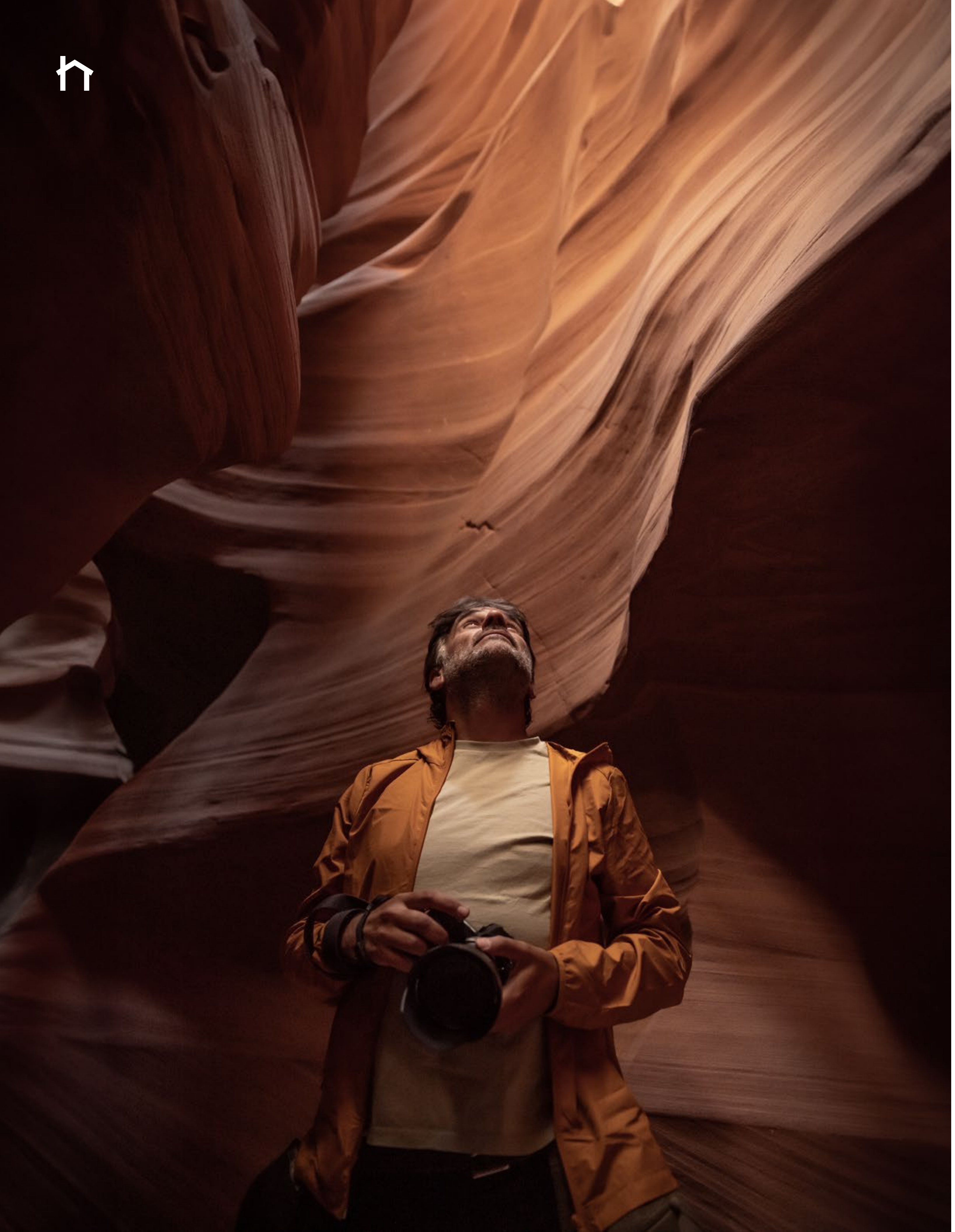
Contents

Key Terms

As you explore the **HEQ Homeowner Guide**, becoming familiar with its key terms will be important. Throughout this document, we will identify key terms in **bold** text. At the end of this document, you will find a glossary defining all the bolded terms.

The examples provided in the HEQ Homeowner Guide are for illustrative purposes only. The terms associated with a specific HESA may differ from those shown. The maximum duration of the HESA is 10 years, and pricing, along with other key terms, may vary. Your actual terms will be determined through the underwriting process of your application, which will consider factors such as your home, credit history, financial profile, and the terms available at the time. All terms will be clearly disclosed to you in writing prior to execution of an agreement.

Receiving the HEQ Homeowner Guide does not constitute a commitment by HEQ to enter any transaction.



The Home Equity Partners

The Home Equity Partners is a forward-thinking, Toronto based real estate investment company committed to providing a practical, straightforward alternative to traditional debt financing.

Our mission is to empower Canadian homeowners with a home equity solution that was previously only available in the United States. Built on honesty, integrity, and transparency, we partner with you to unlock your home's value – helping you access the financial freedom you deserve.

Our management team has extensive experience in real estate, marketing, customer service, sales, finance, and acquisitions/ disposition, supported by an Advisory Board who share in the company's values.

Homeowner Education

The HEQ Homeowner Guide is intended to explain the most important features of the HESA. Please carefully review the HESA legal documents with your financial, tax and legal advisors, and family members as part of your due diligence. We are also available to discuss the HESA with them, at your request.

At the end of the day, we want you to make the best possible decision for you and your family.

What's the Catch?

The answer is simple – there is no catch. The HESA is a new, innovative form of home financing that works differently from traditional loans issued by banks and other lending institutions.

Unlike traditional bank loans that typically require monthly payments, the HESA offers homeowners the flexibility to eliminate any financing costs for up to ten years. This structure benefits homeowners looking to avoid higher monthly expenses.

For you, this means immediate cash – with no monthly payments – until you decide to sell your home, exit the HESA, or ten years have passed.

On top of that, your existing equity and any future equity you build from paying down your mortgage is protected with the HESA. As mentioned, we only share in the future change of value in your home.

The Fundamentals

When we begin our partnership, we provide you with an upfront cash payment, known as the **Initial Payment**. In return, we share in your home's future change in value, whether it rises or falls. The more cash you receive today, the larger our share; the less you take, the smaller our share. You are in control of how much you unlock, and we will guide you through your options.

Once you receive the payment, you have the freedom to use the funds however you like — whether that is funding a renovation, paying off high interest debt, enjoying retirement, or starting a new venture. After that, there is minimal involvement from us unless you need assistance. During this period, all you need to do is maintain your home in good condition and stay current on your mortgage, property taxes, insurance, utilities, and other responsibilities. As the homeowner, you retain all the benefits of ownership, including potential tax advantages.

When you sell your home, "settle up" with us or the 10-year term has fully expired, your agreement with us concludes. At that time, you will repay us the Initial Payment, plus or minus, depending on market conditions, our share of the change in your home's value. Keep reading for examples that illustrate how this works.

Do I Qualify for the HESA?

We recognize that your financial decisions are personal, and only you can determine what is best for your situation. To be eligible for the HESA, you must, at a minimum, meet the following criteria:

1. You must own and live in your home and have built up at least 30% equity;
2. Your home must be either a freehold townhome or a single-family home (condo owners do not qualify) in the Greater Toronto Area: Toronto, Mississauga, Brampton, Vaughan, Markham, Oakville, Burlington, Richmond Hill, Oshawa, Ajax, Whitby, Pickering, Newmarket, and Aurora;
3. Have a minimum Credit Score of 500.

Advantages of the HESA

There are many financial products available to homeowners, but not all of them may offer you great value or the features you require. That is why we are excited to introduce the HESA to Canadians. Take a look to see how it compares to other products.

Compare and see for yourself how the HESA can work for you.

	HESA	Home Equity Line of Credit (HELOC)	Reverse Mortgage
Up to 75% loan to value	●	○	○
No interest or monthly payments	●	○	●
No income requirements	●	○	●
No minimum age requirements	●	●	○
500+ credit score	●	○	●
No need to pay off first mortgage	●	●	○
Existing equity protected	●	●	○
Flexible qualification criteria	●	○	○

Unlike traditional loans, the HESA gives you more flexibility, without any payments over the duration of the term. This will allow you to relax and spend the money without having to worry about coming up with a cash repayment every month.

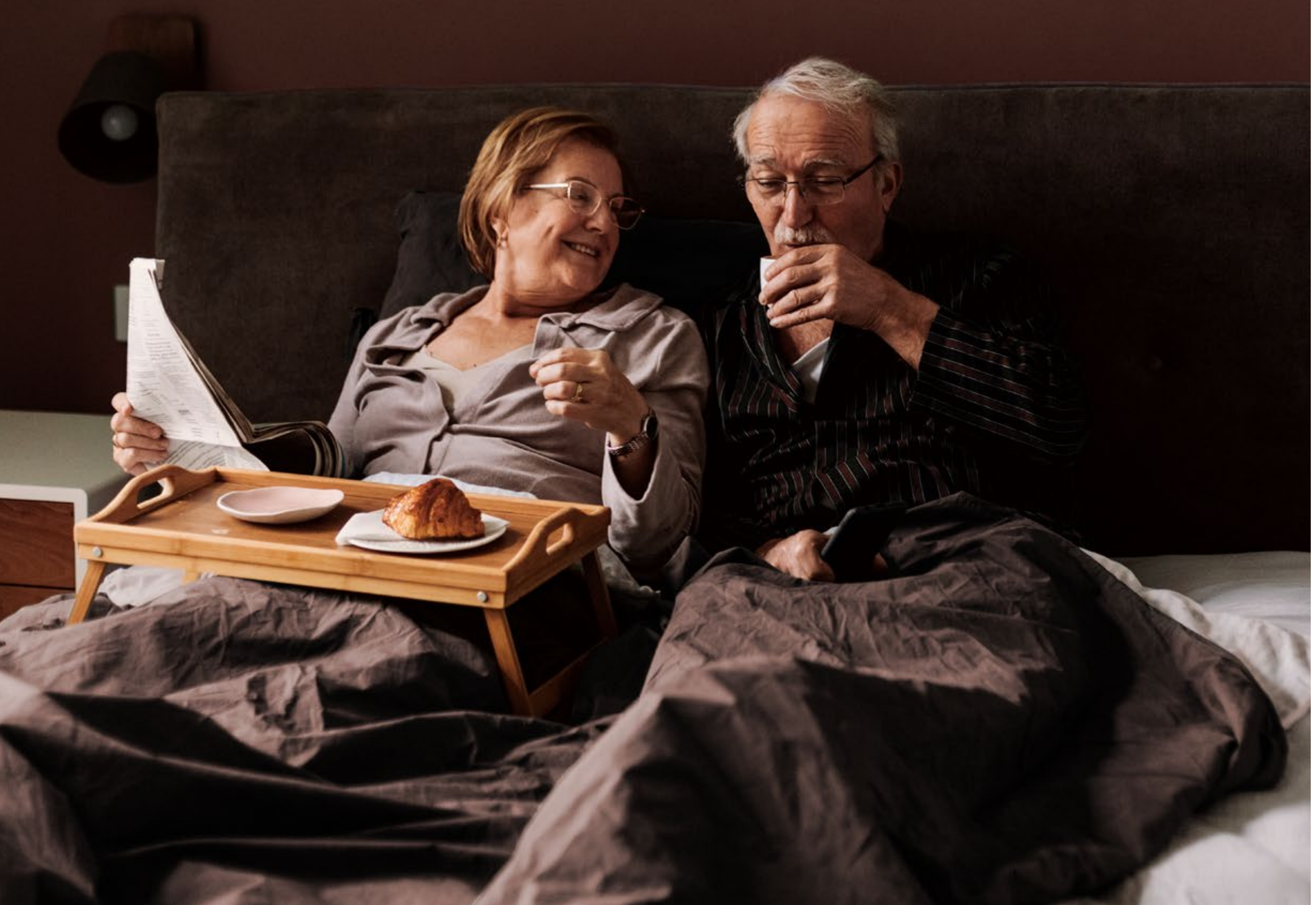
Keep in mind, we only share in a portion of your home's future change in value. The equity in your home that you worked so hard to build before we became partners remains entirely yours - we simply convert a portion of it into cash for you.

A common scenario where it may not make sense to obtain the HESA is one in which you plan to sell your home in the very near future. Otherwise, the HESA may be exactly what you need to unlock financial freedom.

How much can I expect to receive as an Initial Payment?

The process begins with a professional home appraisal to determine the **Appraised Home Value (AHV)**, which both parties must agree upon. Based on this value, we offer an Initial Payment of up to $500,000, typically between 5.0% and 17.5% of the AHV — this is known as the **Investment Percentage**. The higher the Investment Percentage, the more cash you receive upfront. In return, we share in your home's future appreciation through the **HEQ Percentage**, calculated as four times the Investment Percentage.

However, if your home's value decreases, we also share in the loss proportionally, reinforcing the partnership approach.



Here are some examples of how we calculate the Initial Payment, Investment Percentage, and HEQ Percentage:

Step 1 **Establishing Your Home's Value**	We begin the process by arranging a home appraisal conducted by a third-party appraiser. This will be referred to as the Appraised Home Value (AHV). We will only move forward in the process if we both agree on the value provided by the appraiser.
Step 2 **The Initial Payment as the Investment Percentage**	We can offer an Initial Payment of up to $500,000, representing between 5.0% and 17.5% of your Appraised Home Value. This is called the Investment Percentage - which is the amount of the Initial Payment you receive from us as a percentage of the Appraised Home Value. For example, if your home is appraised at $1,000,000 and you require $100,000, this means you are accessing 10% of your Appraised Home Value. In this case, the Investment Percentage is 10%. This leads to the calculation of the HEQ Percentage.
Step 3 **Calculating the HEQ Percentage**	The Investment Percentage you choose determines the portion of your home's future appreciation that will be shared with us, known as the HEQ Percentage. With the HESA, the HEQ Percentage is calculated by multiplying the Investment Percentage by four. For example, if you receive 10% (Investment Percentage) of your Appraised Home Value today in cash as the Initial Payment, the HEQ Percentage will be 40%. If you choose to receive a smaller Initial Payment, the HEQ Percentage will be lower. Conversely, if you receive a larger Initial Payment, the HEQ Percentage will be higher. Remember, The Home Equity Partners are exactly that — partners. We also share the risk if your home's value decreases after we begin working together. In this case, we share the loss on a one-to-one basis. For example, if your Investment Percentage is 10% and your home's value drops during the term of the HESA, we will share in 10% of that decrease. However, there are some instances where we will not share in a loss. This will be outlined further on in the HEQ Homeowner Guide.

Take a look at the following examples to further understand the relationship between your Appraised Home Value, Initial Payment, Investment Percentage, and the HEQ Percentage.

To keep things simple, we will use an Appraised Home Value of $1,000,000 as the primary example throughout the HEQ Homeowner Guide.

The table clearly shows that a higher Initial Payment results in a higher Investment Percentage, but it also increases the HEQ percentage.

A	B	C		D
Appraised Home Value	Initial Payment	Investment Percentage	Multiply by Four	HEQ Percentage
$1,000,000	$175,000	17.5%		70%
	$150,000	15.0%		60%
	$100,000	10.0%		40%
	$50,000	5.0%		20%

The Details

1. The maximum Initial Payment you can receive from us is $500,000, or a 17.5% Investment Percentage, whichever is lower. Our minimum Initial Payment is $50,000.
2. A 5.0% **Risk Adjustment** downwards is applied to the Appraised Home Value at the time of origination to establish the Starting Agreed Value. This adjustment helps account for the inherent uncertainties in the appraisal process and enables us to expedite your HESA without the need for multiple appraisals. However, the Investment Percentage is based on your Appraised Home Value, not the Starting Agreed Value.
3. At closing, a one-time transaction fee of 3.9% of the Initial Payment will be due to us, and this fee will be deducted from the Initial Payment you receive.
4. You will also be responsible for third-party costs, including appraisal, inspection (if applicable), and settlement fees (such as title search and security registration). You will be provided with the exact breakdown of these costs prior to closing, and they will be deducted from your Initial Payment.

Use the Money as you Choose

How you choose to use the funds from your HESA is entirely up to you - whether that's paying off high-interest debt, supporting a loved one, diversifying your investments, renovating your home, starting a business, or purchasing a recreational property. Whatever you decide, we encourage using these funds in a way that supports your long-term financial goals. No matter what stage you have reached in life, the HESA is designed to help you fulfill the goals and aspirations that matter to you.

The Numbers

Now that we understand the basics of the Home Equity Sharing Agreement, let us explore how it works in practice.

Before we begin, it is important to know two key terms: **Starting Agreed Value (SAV)** and **Ending Agreed Value (EAV)**. The difference between these values represents the change in home value that is shared with us.

The following pages will illustrate this example.

SAV and EAV Example

Your Appraised Home Value at the start is $1,000,000 and you choose to access 10% (Investment Percentage) or $100,000 as the Initial Payment. This results in a 40% HEQ Percentage (4 x 10% = 40%) when home values increase.

Starting Agreed Value (SAV)

To get to the Starting Agreed Value (SAV), we take the Appraised Home Value and apply a 5.0% downward adjustment, known as the Risk Adjustment.

Starting Agreed Value = Appraised Home Value – 5.0%

In this example, a home with an Appraised Home Value of $1,000,000 would have a Starting Agreed Value of $950,000. The Risk Adjustment is applied to account for appraisal uncertainties, enabling a faster underwriting process without requiring multiple costly appraisals.

Ending Agreed Value (EAV)

The Ending Agreed Value (EAV) is the final agreed-upon value of your home at the conclusion of your HESA — typically when you sell your home, exit the HESA, or after 10 years. This value is determined by either the sale price or a final appraisal.

For example, if you sell your home for $1,200,000:

Change in Home Value = $1,200,000 (EAV) – $950,000 (SAV) = $250,000

The $250,000 difference between the Ending Agreed Value and the Starting Agreed Value is shared between us in proportions that will vary depending on the size of the Investment Percentage (refer back to Chapter 1 for more details).

HESA Sample Scenarios

Let us analyze how fluctuations in your home's value — whether it increases moderately, increases substantially, decreases, or remains the same — impact your financial outcome.

Appraised Home Value	Investment Percentage	Initial Payment	HEQ Percentage	HEQ Percentage	Starting Agreed Value
			Home Value Inceases	Home Value Decreases	
$1,000,000	10.0%	$100,000	40%	(10%)	$950,000

	Moderate Increase	Substantial Increase	Moderate Decrease	No Change
Appraised Home Value	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Investment Percentage	10%	10%	10%	10%
Initial Payment	$100,000	$100,000	$100,000	$100,000
Starting Agreed Value (SAV)	$950,000	$950,000	$950,000	$950,000
Ending Agreed Value (EAV)	$1,200,000	$1,400,000	$800,000	$1,000,000
Change in Value	$250,000	$450,000	($150,000)	$50,000
HEQ Percentage	40%	40%	(10%)	40%
HEQ Profit (Loss)	$100,000	$180,000	($15,000)	$20,000
Total Payment to HEQ	$200,000	$280,000	$85,000	$120,000
Homeowner Proceeds at Sale	$1,000,000	$1,120,000	$715,000	$880,000

Note: The examples provided above do not consider any transaction fees or mortgage(s) payable by the homeowner.

It is important to note that the HEQ Percentage is 4x the Investment Percentage when home values rise, and 1x the Investment Percentage when home values drop.

Homeowner Requirements

To ensure a successful partnership, homeowners must meet certain reasonable requirements — many of which you are likely already following. These requirements help protect both you and our investment, ensuring that the HESA is structured to support your financial goals while maintaining the long-term value of your home.

1. Maintain your home as your primary place of residence

You will have exclusive rights to occupy your home throughout the term of your HESA — HEQ has no ownership or occupancy rights. However, we require that the registered home remains your primary residence. This means you must live in the home for at least 180 days within a 365-day period.

Renting out your home, including short-term rentals through platforms like Airbnb or Vrbo, is not permitted. In addition, you must use and occupy your home in full compliance with all applicable federal, provincial, and local laws, zoning ordinances, and regulations, including any environmental restrictions.

2. Stay current with your regular payments

As a responsible homeowner, you are likely already keeping up with these obligations, but we want to emphasize the importance of continuing to make all regular payments associated with home ownership. This includes, but is not limited to, your mortgage, property taxes, utilities, and homeowner's insurance.

3. Maintain proper insurance

Our insurance requirements are designed to protect your home throughout the term of your HESA, similar to the standards set by mortgage lenders. As a homeowner, you must maintain hazard insurance that covers the full replacement cost of your home. If replacement costs increase over time, you are responsible for adjusting your coverage accordingly. Your policy must also include protection against fire and other hazards, with coverage amounts that align with similar homes in your area.

HEQ must be named as a "mortgagee" and/or "additional interest" on all property insurance policies for the duration of the HESA, even if you switch insurance providers. Adding HEQ as a loss payee is a routine process that your insurance provider can handle for you. This designation ensures that we remain informed about your insurance coverage and that your home remains adequately protected.

If your home sustains damage that materially affects its value during the term of your HESA, you will be required to file an insurance claim and use the payout to restore or repair your home. In cases where your home was underinsured, you will be responsible for covering any additional costs necessary to bring it back to its previous condition. Maintaining adequate insurance coverage is essential to protecting both your investment and your partnership with us.

4. Keep your home in good repair

To maintain the value of your home, you are required to keep it in good condition, allowing for ordinary wear and tear. Any necessary repairs must be completed in compliance with local building codes and ordinances.

If your home is not properly maintained or a significant defect or condition goes unaddressed during the term of your HESA, a **Maintenance Adjustment** may be applied when the HESA concludes. This adjustment ensures that the home's value at the end of the HESA reflects reasonable upkeep and care.

5. Understand the Home Finance Cap

We want to ensure that you maintain significant equity in your home throughout the term of your HESA, as this protects both your equity stake and our investment. To safeguard this, the HESA includes a provision known as the **Home Finance Cap**, which restricts the total amount of financing secured by your home to a percentage of its value. This limit is set at 75% to Appraised Home Value.

The limit applies to all outstanding mortgage loan balances, any available but undrawn credit lines secured by your home (such as a home equity line of credit), and the Investment Percentage. However, it does not apply to financing that is not secured by your home, including credit cards, car loans, or personal loans.

For example, if your current first mortgage represents 60% of your Appraised Home Value and your Investment Percentage is 10%, your total financing ratio would be 70%, which is below the 75% Home Finance Cap.

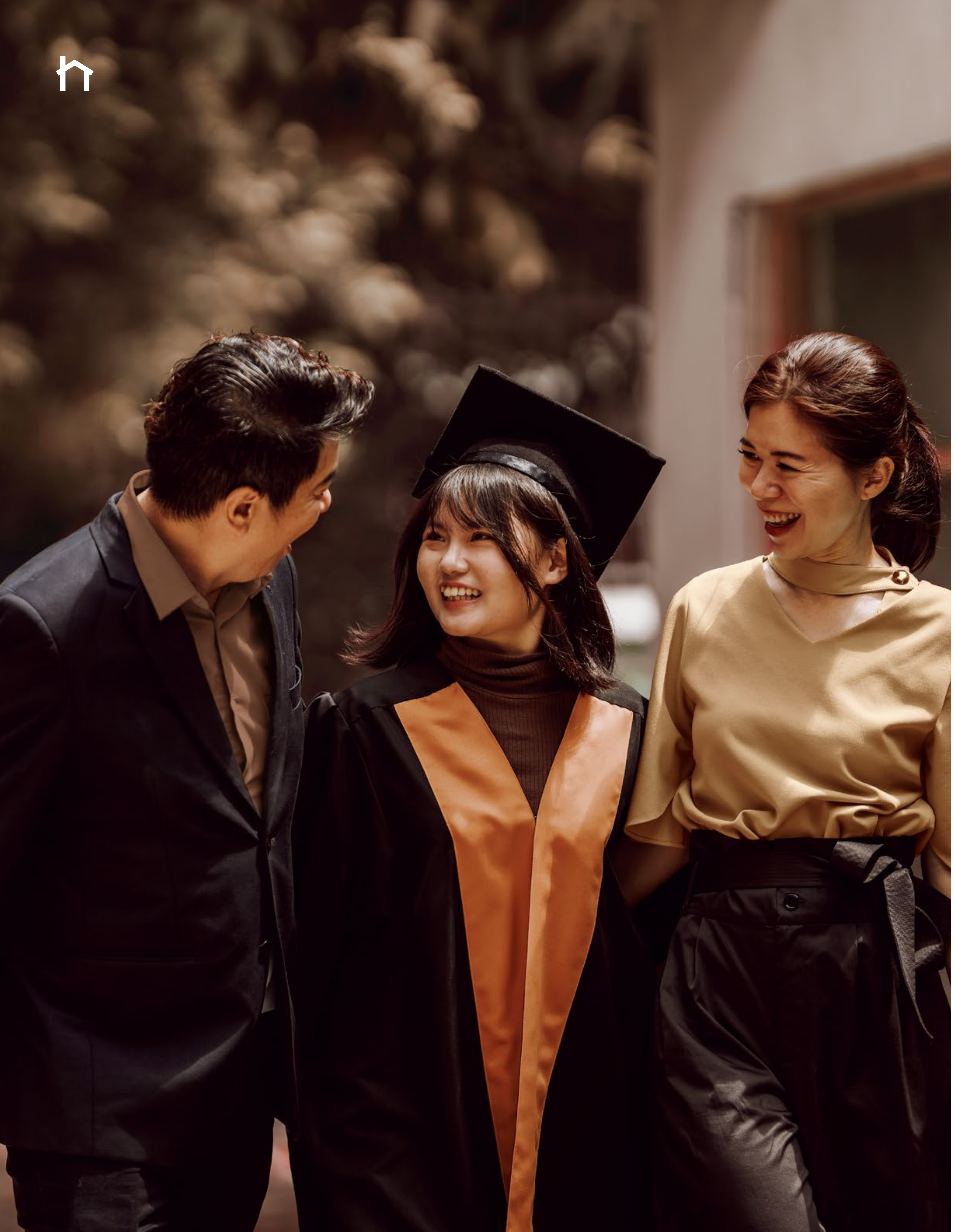
We generally do not approve reverse mortgages, shared appreciation loans, or any loans with negative amortization features. Furthermore, if the value of your home declines during the term of the HESA, we may refuse to subordinate to new or modified debt if doing so would result in an increase in the total amount of debt secured by your home.

6. Inform HEQ about any changes

As partners in your home, it is important for us to stay informed about any significant changes. You must promptly notify us if any of the following events occur:

- You decide to sell or transfer your home.
- You are refinancing your home.
- You receive a Condemnation Notice related to your home.
- You file for bankruptcy or have an involuntary bankruptcy proceeding filed against you.
- You are falling behind on your mortgage, property taxes, or utilities.
- You and your spouse divorce, and someone needs to be removed from registration. We will need to review the signatories on the agreement.
- Failing to maintain the required property insurance.
- A fire or other hazard causes damage to or destroys your home.
- A lien is placed on your home.
- A non-signatory to the HESA becomes an owner or principal resident of your home.
- Any other event occurs that could significantly affect your home's value, such as major remodelling.

Timely communication about these changes ensures that we can effectively manage our partnership and protect both your interests and ours. We will ask you to complete a brief annual survey regarding the status of your home to ensure everything is on track and nothing is overlooked.



Security Registration

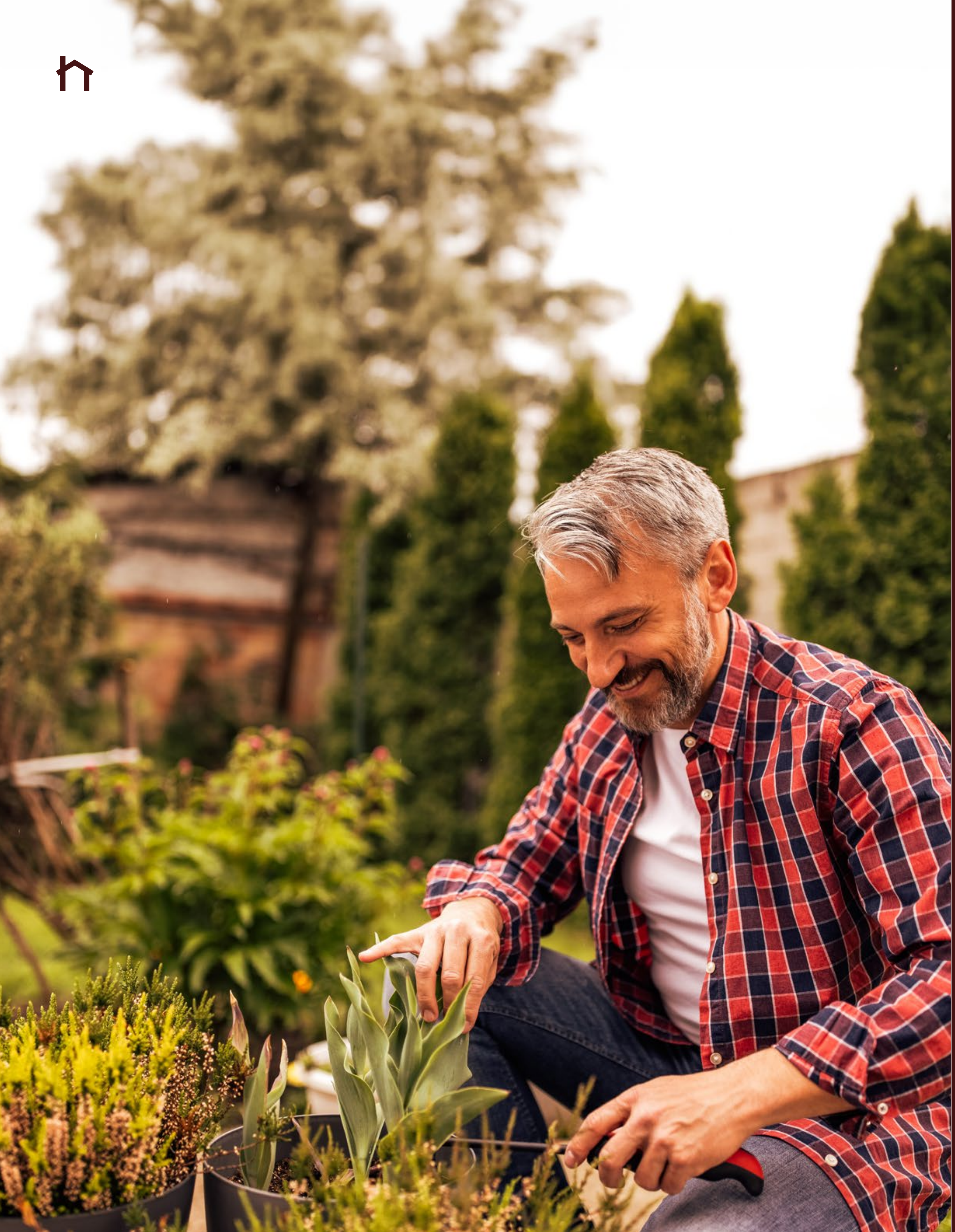
To protect our investment, we will register a security interest on the title of your property. This security will be ranked subordinate to any existing first mortgage registered on your home, as long as the total value of all registrations does not exceed 75% of the Appraised Home Value (as outlined in the Home Finance Cap).

Refinancing with the HESA

If you have an existing mortgage or take out a new one, your HESA will be considered subordinate financing. There is a chance that some mortgage lenders may be unwilling to offer new loans due to the presence of this subordinate financing. If you are planning to refinance your mortgage in the near future, you may want to complete the refinancing process before entering the HESA with us.

Dealing with Unexpected Circumstances

We understand that in today's economic climate, keeping up with living expenses can be challenging. If you anticipate difficulty making your mortgage, property tax, utility, or insurance payments, please notify us as soon as possible. As your partners, we are here to support you and will work with you to help protect your home.



Ending Your HESA

There are several ways your HESA can end, and it's a good idea to be familiar with all of them:

1. You sell your home

When you decide to sell your home, simply notify us. At that time, we typically require an independent home appraisal conducted by a reputable, third-party appraisal firm, with the cost being your responsibility.

The appraisal serves several key purposes:

a. It helps determine the value of any **Renovation Adjustment** and allows us to assess whether a property inspection is necessary in cases where a Maintenance Adjustment may apply (see Chapter 5 for details).

b. It provides an unbiased assessment of your home's current market value. Special provisions may apply if the sale is not conducted at arm's length or if the proposed sale price significantly differs from the market value.

Once your home is sold, we will calculate the amount owed based on the Ending Agreed Value, which is typically the final sale price. However, adjustments may be made in certain situations, such as when major renovations have been completed, maintenance issues have impacted the home's value, or if the sale occurs during the **Restriction Period** (see Chapter 5 for details).

It is important to note that the Ending Agreed Value does not include deductions for closing costs, taxes, documentary fees, mortgage loans, other liens or secured loans, sales commissions, or appraisal expenses. These costs remain your responsibility.

After determining the Ending Agreed Value, we will provide our solicitor with a settlement statement outlining the exact amount owed to us and the necessary documents to release our security interest in your home. At closing, our solicitor will distribute our share from the sale proceeds and formally release our security, marking the conclusion of your HESA agreement. The amount you receive from the sale will depend on the payment due to us, any outstanding loan balances secured by your home, real estate commissions, and other transaction-related costs.

2. Homeowner Buyout

You have the option to end your HESA at any time during the agreement by buying out our share, without the need to sell your home. This process is called a **Homeowner Buyout**, and there are no prepayment penalties.

The calculation of our share follows the same process as it would in a home sale. However, since there is no sale price to determine the Ending Agreed Value, it will instead be established through an independent, third-party appraisal. If you request a Renovation Adjustment, the appraisal will be used to assess its value. Additionally, we may conduct a property inspection to determine if a Maintenance Adjustment is necessary.

Once the Ending Agreed Value and our share are finalized, we will engage our solicitor to facilitate the transaction. We will provide a settlement statement outlining the exact amount owed and the necessary documents to release our security interest in your home. You will then wire funds to our solicitor to cover our share and any associated transaction costs.

If you qualify for a mortgage loan, you may have the option to pay some or all of the costs of a Homeowner Buyout by refinancing your mortgage or securing an additional loan against your home. Since this process officially ends your HESA, the Home Finance Cap would no longer apply as a restriction.

With a Homeowner Buyout, we do not share in any loss if your home's value decreases since the start of the HESA. This means that the Ending Agreed Value will be at least equal to the initial Appraised Home Value, even if the market value has declined. As a result, at a minimum, you will need to repay the Initial Payment plus any amounts attributed to the Risk Adjustment. In this scenario, we do not share in the downside – we will only share in a loss if you sell your home.

3. The HESA has reached the end of the maximum 10-year term

If your HESA reaches the 10-year mark and you have not yet ended the agreement, you will have two options:

a. Initiate a Homeowner Buyout – You can buy out our share and conclude the HESA without selling your home.

b. Sell Your Home – You can list your home for sale and settle our share through the sale proceeds.

c. In some cases, we may agree to roll the agreement into another HESA, however, that will be at the sole discretion of HEQ.

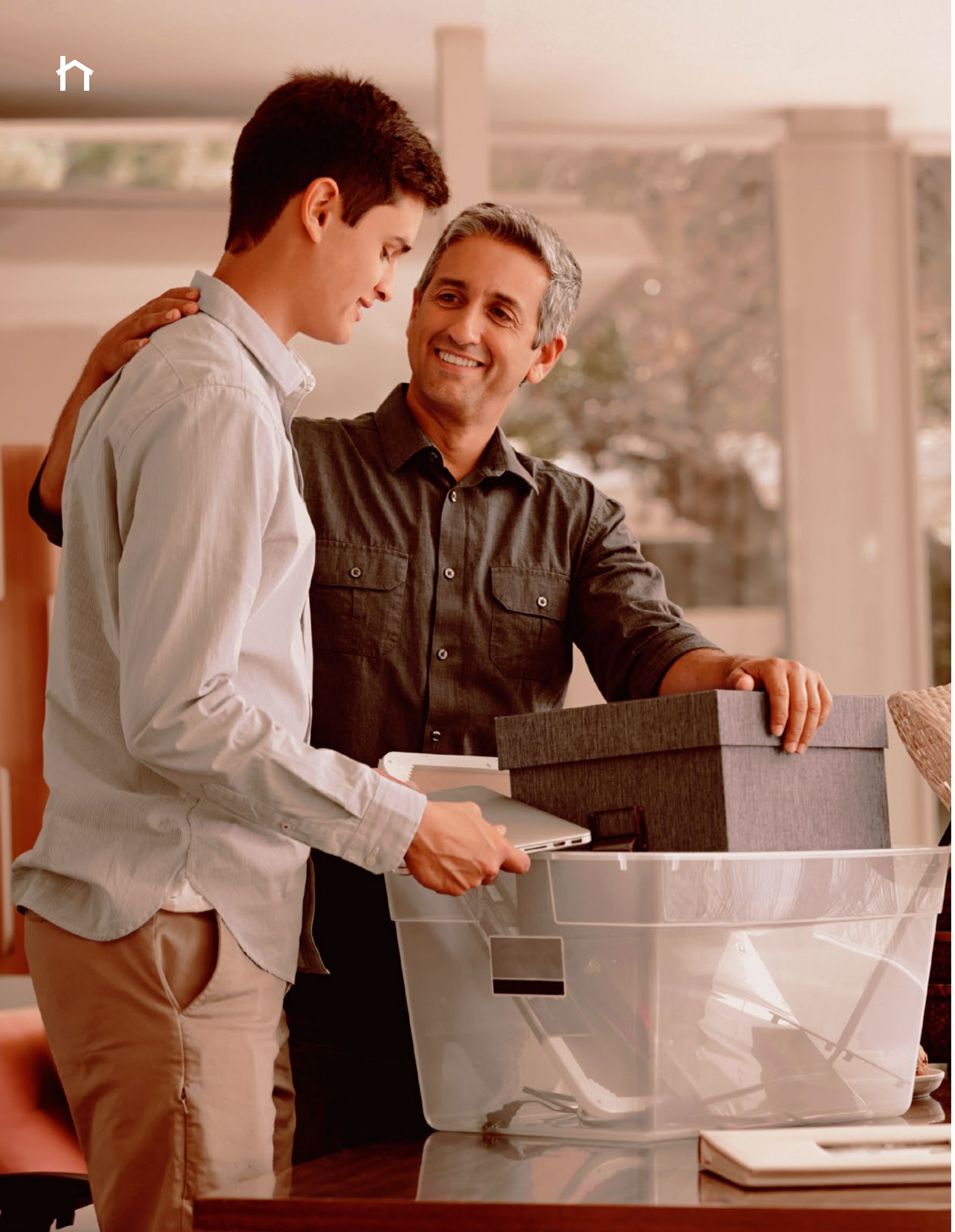
It is crucial to understand that if you do not act through either of these options, we have the right to enforce our security interest in your home to recover our investment. However, as your partner, our priority is to work with you to find a solution and avoid this outcome whenever possible.

4. Death of the last signatory

At the start of your HESA, all homeowners listed on the title are required to be signatories. If you pass away during the term of the HESA and are survived by a spouse or co-owner who is also a signatory, the agreement will remain in effect without any changes.

However, if you pass away without a surviving signatory, your heirs or estate will be required to settle the HESA by either selling the home or completing a Homeowner Buyout. To ensure a smooth transition, it is important to discuss your HESA with your heirs and executor while planning your estate. They should fully understand its impact and the available options for settlement. Additionally, if you add a spouse or domestic partner to the title during the term of your HESA, you must notify us so they can be added as a signatory.

To provide your heirs or estate with sufficient time, the HESA automatically grants a 180-day period to complete the required settlement.



5. Other ways the HESA can end

There are a few rare circumstances under which the HESA can end:

a. Your home is badly damaged by fire or other hazard and not rebuilt.

b. Your home is condemned.

c. As a result of a material and uncured default by you, we use our interest in your home to recover our investment.

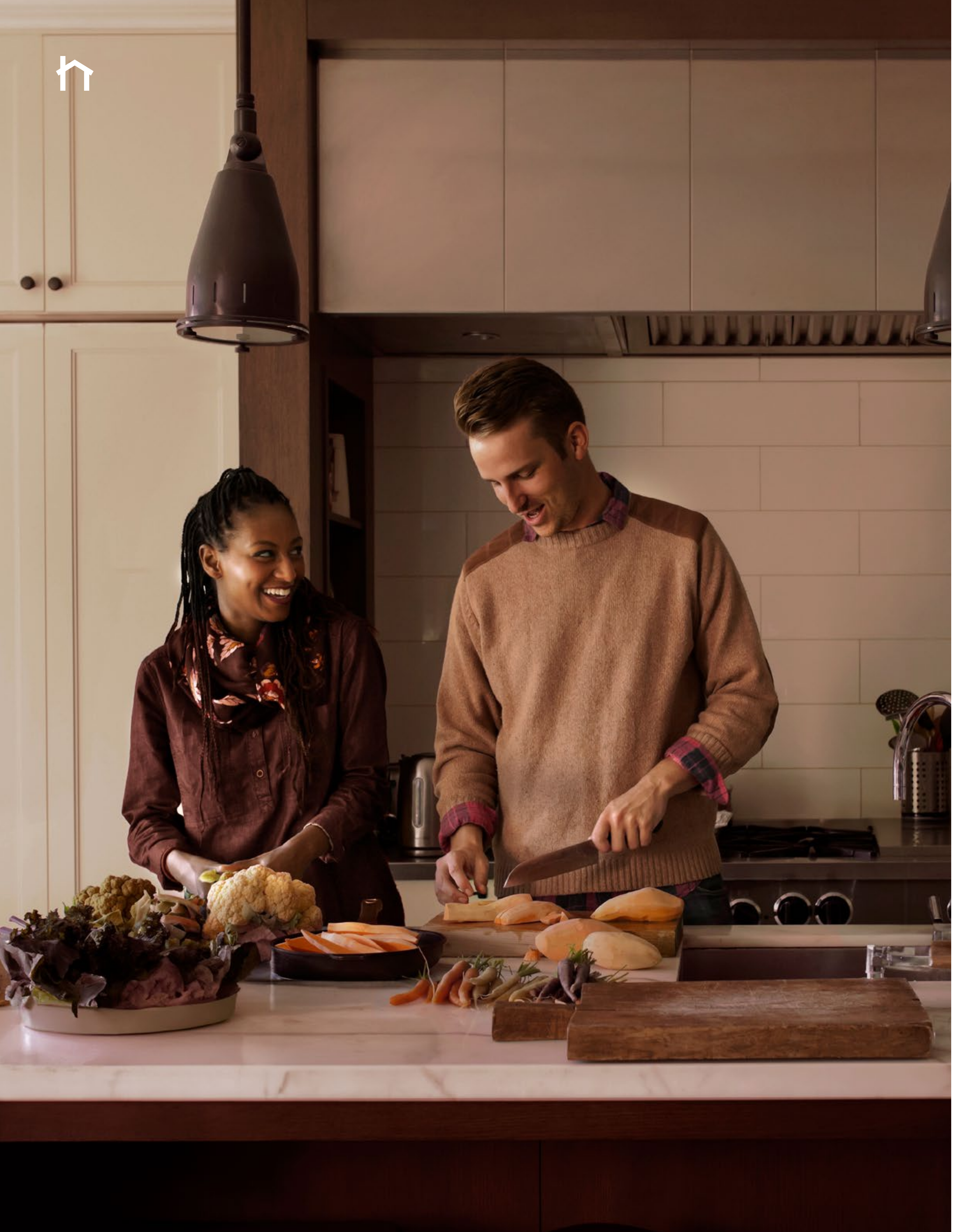
Annual Updates

To uphold our partnership, we will provide you with an annual update on the anniversary of your HESA. This update will include your home's estimated current market value and the amount you would owe if you were to sell your home or complete a Homeowner Buyout at that time. Our goal is to keep you informed about the financial status of your HESA and ensure that we are upholding our core value of transparency.

Handling Disagreements

While we always rely on reputable, third-party appraisers and inspectors to assess your home's value, as well as any Renovation Adjustment or Maintenance Adjustment, there may be instances where we do not fully agree on the valuation. In such cases, either party has the option to request an additional appraisal or inspection at their own expense. If both parties choose to proceed with a second assessment, the costs will be shared equally.

If a disagreement remains even after the second appraisal or inspection, an independent arbitrator will be engaged to resolve the matter fairly.



Supporting Details

Renovation Adjustment

Home improvements can enhance both the value and enjoyment of your home. As your partner in home ownership, we support these efforts through a provision in the HESA called the Renovation Adjustment, ensuring that any value you create through renovations remains entirely yours to keep.

For example:

- You enter the HESA and later remodel your kitchen.
- After ten years, you sell your home for $1,500,000.
- During the sale process, you request a Renovation Adjustment, and an independent appraiser determines that your renovations contributed $100,000 to the home's value.
- We apply a $100,000 Renovation Adjustment, reducing the Ending Agreed Value to $1,400,000.
- As a result, we do not share in the value added by your renovation.

It is important to note that the Renovation Adjustment is based on the increased value of your home due to renovations, not the cost of the improvements themselves. The adjustment amount is determined by a third-party appraiser, who will assess the value added by your renovations at the time of sale. To support this assessment, you must provide clear photographic evidence of your home before the improvements, along with relevant permits, receipts, and project details. You must provide this information to us as the renovation takes place.

For a Renovation Adjustment to apply, all renovations must comply with local building codes, including obtaining necessary permits. Additionally, only projects that collectively add at least $25,000 in value to your home will qualify.

Maintenance Adjustment

Under the HESA, you are responsible for maintaining your home in good condition, aside from normal wear and tear. Our investment assumes you will uphold this obligation. If your home is not properly maintained, its value at the end of the HESA may be lower than it would have been otherwise, negatively affecting both of us.

To address this, the HESA includes a provision called the Maintenance Adjustment, which functions as the reverse of the Renovation Adjustment. For example, if you sell your home 10 years after entering the HESA and a damaged roof has reduced its value by $50,000, we have the right to apply a Maintenance Adjustment. In this case, the Ending Agreed Value would be increased by $50,000, ensuring we do not share in the loss of value due to poor upkeep.

The adjustment amount is determined through independent appraisals, inspections, and repair estimates, and it typically applies only if the total repair costs exceed $10,000.

As a condition of the HESA, we may require a home inspection before finalizing the agreement. If the inspection uncovers defects or conditions that could significantly impact your home's future value, we may document them in a **Maintenance Addendum**. If these issues are not addressed during the term, a Maintenance Adjustment may be applied. Furthermore, if a significant defect — whether known or should have been known — contributes to a decline in value and was not disclosed to us, a Maintenance Adjustment may also be enforced.

Restriction Period

Since your home belongs to you, you are always free to sell it at any time during the HESA. That said, the HESA is thoughtfully designed as a long-term solution with it's key benefits unfolding over time. For that reason, we encourage you to consider it if you plan to remain in your home for more than a few years.

Keeping that in mind, there is a Restriction Period during which certain homeowner benefits are not available. One key limitation applies if you decide to sell within the first three years:

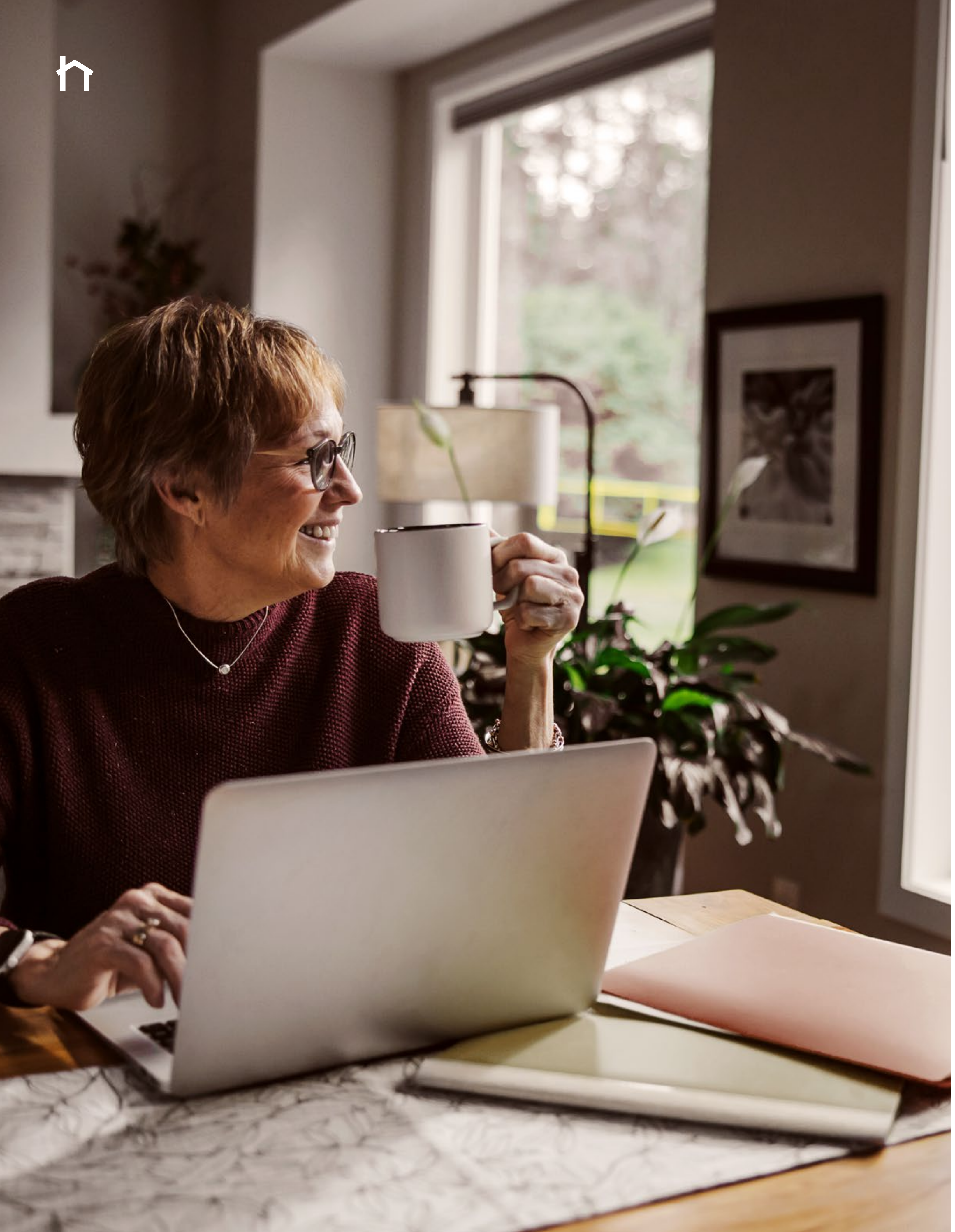
- If your home's value decreases during this period, we will not share in the loss. This means that the Ending Agreed Value will be at least equal to the initial Appraised Home Value, even if the market value has declined.
- As a result, at a minimum, you will need to repay the Initial Payment plus any amounts attributed to the Risk Adjustment. Due to the Risk Adjustment, the amount owed if you sell within the restriction period could be 20% or more than the Initial Payment you received from us.

This restriction helps ensure that the HESA functions as intended, maximizing the financial benefits for homeowners who use it as a long-term solution.

More about HESA Pricing

Wondering why the HEQ Percentage is four times the Investment Percentage? This structure reflects the higher level of risk that HESA investors assume when providing cash to homeowners. To better understand this, it helps to compare the key differences between the HESA and a traditional mortgage loan.

Risk	Mortgage Loan	HESA
Investment Return	Regular interest payments, typically locked in at a fixed rate or margin.	Riskier: A significant portion of HESA returns depends on home price appreciation, which is uncertain, variable, and may be zero or even negative.
Timing	Monthly interest and principal payments reduce the outstanding loan balance over time.	Riskier: No monthly payments, with returns deferred for up to 10 years.
Security Position	First lien position provides priority in repayment.	Riskier: Typically in second position. In the event of default, the first lienholder is paid in full before the second lienholder receives anything.
Property Condition	Lenders are largely protected due to the first lien position and decreasing loan balance.	Riskier: Property condition can significantly affect the home's value, directly impacting returns.



Next Steps

If you are ready to begin the application process, follow our step-by-step process to secure your HESA.

1. Apply for Your HESA	Gather the necessary information about your circumstances and finances. This includes your legal name, address, and annual income, as well as documents related to your property, information on property ownership, and any outstanding debts or guarantees tied to your home. Submit your application to begin the underwriting process. You will be re-directed to the portal for the Perch Mortgage Brokerage – the approved underwriting partner for The Home Equity Partners (HEQ).
2. Receive a Commitment Letter	Our team will carefully review your application and may reach out to you for additional documents or information. If your application meets our criteria, we will then issue you a Commitment Letter.
3. Complete a Home Appraisal	We will arrange a home appraisal conducted by a third-party appraiser to establish the Appraised Home Value (AHV). We apply a 5.0% risk adjustment to your Appraised Home Value to determine the Starting Agreed Value (SAV). This is done to remove the need for multiple appraisals. We will only move forward in the process if we both agree on the value provided by the appraiser.
4. Satisfy the Conditions	All conditions outlined in the commitment letter must be met.
5. Sign the HESA	Upon meeting all the requirements outlined in the Commitment Letter, we will send you the HESA documents for your review and signature. Please carefully review the HESA legal documents with your financial, tax and legal advisors, and family members as part of your due diligence. We are also available to discuss the HESA with them, at your request. Once you have reviewed the details, please sign and submit the HESA documents back to us.
6. Receive Funds	After signing the closing documents, you will receive a lump sum cash payment within 10 business days. You are then free to use the money how you choose.

The benefits of partnering with us

As a homeowner looking for a way to unlock the value of your home to fund life projects & events, consider these benefits of partnering with us for the HESA.

Access your equity

If you have 30% equity in your home, and you don't want to move, lock in with high interest rates, or take on equity-eroding products, you can access a portion of your home's value with no monthly interest payments.

Our values

We are committed to upholding our values of transparency and integrity in all our interactions.

Financial freedom

You're free to spend the money on helping out a loved one or paying off high-interest debt — whatever you choose — without monthly interest payments.

Stay in your home

Attain your most cherished life goals without moving out of your home, and rest easy knowing your existing equity is protected.

Partnering with us has its perks

To demonstrate how much we appreciate our homeowners, we are constantly working to unveil exclusive offers. The Home Equity Partners continue to connect with trusted companies to provide even more cost-saving benefits to our homeowners.

Glossary

Appraised Home Value (AHV)
The current fair market value of a home, assessed by an independent, reputable appraiser at the beginning of the HESA process. Both the homeowner and HEQ must agree to the AHV, as it serves as the basis for determining the Initial Payment and Investment Percentage.

Ending Agreed Value (EAV)
The final determined value of a home at the conclusion of the HESA, which occurs when a homeowner sells their home, initiates a Homeowner Buyout, or reaches the 10-year mark. The EAV is typically based on the sale price or, if no sale occurs, an independent, third-party appraisal. This value may be adjusted downward if a Renovation Adjustment applies or upward if a Maintenance Adjustment is required.

HEQ Homeowner Guide
This document provides an overview of the key terms and conditions associated with the HESA. It is not intended to be all-inclusive, and the specific terms may vary from those outlined in a Commitment Letter.

HEQ Percentage
The portion of the home's future value change attributed to HEQ. If the home's value increases from the Starting Agreed Value, HEQ's share is calculated as four times the Investment Percentage. However, if the home's value decreases beyond the Starting Agreed Value, HEQ's share in the loss is equal to the Investment Percentage (restrictions apply).

Home Equity Sharing Agreement (HESA)
A financial arrangement where homeowners partner with HEQ to access a portion of their home's equity in exchange for sharing a percentage of any future increase or decrease in the home's value.

Home Finance Cap
A provision in the HESA that limits the total amount of financing secured by a home to 75% of its Appraised Home Value. This includes outstanding mortgage balances, undrawn credit lines, and the Investment Percentage. Financing not secured by a home, such as personal loans or credit cards, is not included in this limit.

Homeowner Buyout
The option for a homeowner to terminate their HESA by buying out HEQ's share without selling the home.

HEQ does not share in any loss if a home's value decreases since the start of the HESA. This means that the Ending Agreed Value will be at least equal to the initial Appraised Home Value, even if the market value has declined. As a result, at a minimum, a homeowner will need to repay the Initial Payment plus any amounts attributed to the Risk Adjustment.

Initial Payment
The upfront payment provided to homeowners at the start of the HESA. While homeowners are free to use this payment as they wish, we encourage them to use the funds in a productive and meaningful way.

Investment Percentage
The amount of the Initial Payment a homeowner receives from HEQ as a percentage of the Appraised Home Value.

Maintenance Adjustment
A potential upward adjustment to the Ending Agreed Value to account for any loss in value due to poor maintenance of the home (beyond normal wear and tear). This ensures that HEQ does not share in the loss of value resulting from the homeowner's failure to maintain the property in good condition. The amount of the Maintenance Adjustment is determined through third-party inspections and appraisals.

Defects or conditions that could significantly impact your home's future value as outlined in an inspection will be noted in a **Maintenance Addendum**.

Renovation Adjustment
A potential downward adjustment to the Ending Agreed Value to reflect the increase in value from renovations or improvements made to the home. This adjustment ensures that the homeowner can recoup any investments made in enhancing the property. Only renovations or improvements that collectively add a minimum of $25,000 in value to the home will qualify. The amount of the Renovation Adjustment is determined by third-party inspections and appraisals.

Restriction Period
The first three years of the HESA is a period during which HEQ will not share in any loss, even if the homeowner decides to sell. This means the Ending Agreed Value will not fall below the initial Appraised Home Value, regardless of market fluctuations. This restriction is designed to ensure that the HESA operates as intended, providing maximum financial benefit for homeowners who use it as a long-term solution.

Risk Adjustment
A 5.0% discount is applied to the Appraised Home Value at the time of origination to establish the Starting Agreed Value. This adjustment helps account for the inherent uncertainties in the appraisal process and enables HEQ to expedite the HESA without the need for multiple appraisals, keeping costs down. However, the Investment Percentage is based on the Appraised Home Value, not the Starting Agreed Value.

Starting Agreed Value (SAV)
The Starting Agreed Value is calculated by applying a 5.0% downward Risk Adjustment to the Appraised Home Value. The SAV is the baseline value for determining changes in home value over the course of the HESA, with any increase in value being shared with HEQ based on the HEQ Percentage.

The Home Equity Partners (HEQ)
The Home Equity Partners is a forward-thinking, Toronto based real estate investment company commited to providing practical, straightforward alternatives to traditional debt financing. The HEQ leadership team is comprised of highly experienced and respected professionals in the real estate, finance, legal, and banking industries.

The Home Equity Partners

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