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FRACTIONAL/INTERVAL RESORT FINANCING GUIDE

PERSONS INTERESTED IN OBTAINING THIRD-PARTY FINANCING FOR FRACTIONAL INTERESTS AND CONDOMINIUMS SHOULD REVIEW THE FOLLOWING GUIDELINES AND ITEMS OF INFORMATION THAT ALL MAJOR LENDERS WILL LIKELY REQUIRE TO “APPROVE” YOUR PROJECT FOR MAKING LOANS TO THOSE WHO BUY YOUR INTERVALS, OR WHO WILL AGREE IN ADVANCE TO BUY THE MORTGAGES YOU TAKE, AT CLOSING. THIS IS “PROJECT FINANCING.” PLEASE GATHER ALL THE INFORMATION LISTED BELOW THAT APPLIES TO YOUR PROJECT. YOUR REAL ESTATE BROKER USUALLY HAS A GOOD WORKING KNOWLEDGE OF MANY OF THESE AREAS. IF YOU HAVE BEGUN YOUR FRACTIONAL PROJECT WITH OUR OFFICE, YOU CAN CALL US FOR INPUT ON THESE ITEMS.

1. Financing Proposal

- Describe the financing that you are requesting.
- Type of facility (receivables hypothecation or purchase; acquisition, construction or development). Usually this means you will be the lender and the institutional lender will buy or “hypothecate” the loans you generate.
- Dollar amount and term of commitment. This means the amount of money you want your buyers to be able to borrow. It is usually 75% or less of the overall purchase price, though some lenders will allow you to loan 90% to very strong buyers.

2. Project Description

- Overall project size and location. How many units, project address, etcetera?
- Proximity to major markets. Proximity to population centers.
- Proximity to key tourist attractions.

- Description of prominent features and amenities; things that stand out to buyers.
- Total number of units or sites (phased or not). Are you selling all units at once or releasing them a little at a time?
- Inventory summary.
Number of units currently completed and sizes and unit mix.
Total projected number of units to be completed.
Average proposed sales price.
Number of intervals sold or planned for sale (and over what period of time).
Total number of intervals available (usually six for each unit/house/condominium).
Photos of project and units.

3. Resumes

- Corporate/Company or individual owners (all).
- Principals of entities.
- Marketing and sales (company and individual).
- Property management company, if any.

4. Product Summary: Type of Land being developed and amenities.

- Fee simple, membership, other.
- Exchange affiliation, if any.
- Key features/purchase benefits.

5. Financial Statements/Tax Returns/Entity documents

- For Actual Borrower(s): 2 most recent fiscal year-end statements and latest quarter-end statements (current within last 3 months); Most recent 2 years tax returns.
- Guarantors (if not also a principal): most recent personal financial statement (current within last 3 months) signed and dated; Guarantors most recent 2 years tax returns.
- All organizational documents and any amendments thereto for the fractional program.

6. Sales and Marketing

- Summary of marketing programs (print media, telemarketing, box programs, OPC, referral, etc.).
- Summary of target markets and demographic characteristics including purchaser's minimum financial and credit scoring qualifications.
- Gross and net closing ratios by lead generation type by month for the last 6 months and years to date.
- Size of sales force.

- Summary of selling terms, copies of consumer documents and promotional materials in use.
- Copy of marketing contract.

7. Cash Flow

- Detailed historical sales and cash flow by month for previous 12 months, if relevant.
- Detailed projected sales and cash flow by month for next 24 months and annually thereafter until sellout. Please provide all assumptions used in preparing the cash flow.

8. Notes/Contracts Receivable (If existing portfolio generated-will require regardless of availability for purchase/hypothecation).

- Receivable reconciliation or accounts roll forward for last 12 months by month.
- Contractual aging of month end principal balance receivables, 12 months.
- Current servicing agency.

9. References

- Banks, finance companies, principal trade vendors.
High credit, balance outstanding, length of relationship.
Contact person, telephone number and address.

10. Homeowners Association

- Historical: prior 2 year-end financial statements.
- Projected: current year actual vs. projected budget.
- Condominium and/or Timeshare Declaration, including Amendments of Record and Covenants, Conditions and Restrictions.
- Articles & bylaws of association and any amendments thereto.
- Board of director meeting minutes last 12 months, annual owners association meeting minutes.
- Last 12 month owners' association news letters.
- Reserve study or most recent review.
- Special assessments—any since inception and effect on owner base.

11. Competition

- Name and proximity.
- Project comparability.
- Average selling price.
- Amenity comparability.
- Percent sold out.

12. Public Offering Statement, Regulatory Agency Approval, and all applicable attachments/exhibits

13. Additional information

- Copy of existing appraisal and phase one environmental study on the project, if available, a copy of original Sales and Purchase Agreement and Settlement Statement on the project and/or detail showing purchase price, date of purchase, detail of cash/equity down payment and expenditures to date.
- Copy of completed (executed by consumers) and blank set of consumer loan documents. To include an Application Purchase Contract, Note, Warranty Deed/Deed of Conveyance, Mortgage/Deed of Trust, Title Commitment/Policy, Disclosures (TILSA, RESPA, etc.), Right of Rescission, Buyer's Acknowledgement of Representation, Settlement Statements, etc.
- Copy of the insurance policy (s) on the project; should include a Liability and Loss Payable on the structures.