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To Persons Interested in Fractional Development **via Email**

RE: Fractional Ownership in Hawaii

Aloha:

Each week we receive requests for information regarding the growing fractional interest phenomenon in Hawaii. The form of ownership is also called "interval ownership" by some people; as used in real estate sales and development the meanings are essentially the same. This is already a multi-billion dollar industry in other parts of the United States (and around the world), but has just begun to emerge in Hawaii. There are a number of projects here and the industry is growing rapidly. The following information is very general and may or may not apply to any particular property, but will give you an idea of the documents and other information needed to make an initial determination of whether a particular property is suitable for fractional ownership. I provide some broad guidelines in this letter, but no conclusions should be based on the general information it contains.

If you have received this letter, you or someone you know has made an inquiry to our office about fractional or interval ownership in a particular property in Hawaii. We perform a flat rate service for the review of documentation and information required to evaluate any subdivision, condominium or similar land use for possible interval ownership of land in Hawaii. As you may be aware, fractional or interval ownership differs significantly from timeshare, and some condominium and subdivision documents restrict or limit some uses, including fractional interest projects.

To prepare and perform a review of potential projects we charge a fee of \$2,500.00 plus tax, for evaluation of property and analysis of general legal constraints under applicable zoning codes and State law. We also review and evaluate all matters shown on your deed or title report and any additional information you can share about your property or prospective purchase.

While projects can be done in all zoning districts, Ag use presents specific challenges that vary from County to County. Project review for property in Kauai County may receive a discount due to the number of projects and our greater command of local requirements.

If you wish us to pursue evaluation of a specific property you will need to gather the information listed below. If you want service immediately and we have time to accommodate you, you may forward your payment by wire or direct deposit to our trust account (deposit slip and wiring instructions can be provided) to accelerate review. Unless we agree to the contrary before we begin, our review can generally be completed within six (6) business days of receipt of the relevant documents. The list is inclusive of projects in all zoning districts, and applies to subdivisions as well as condominiums, PUD's, Co-Ops, Land Trusts and most other common forms of ownership. It will work with offices, industrial space, campground and RV spaces and farms. Please ignore the items that do not apply to your property. To the extent they exist for your property we require the following documents for full review; failure to give us all of them will limit the usefulness of our opinion or might change it for matters discovered in the future. It is your responsibility to obtain the needed information or the cost of obtaining further information will be added to your expense.

1. Copy of your Deed to the property and all encumbrances made after acquisition of title, if any. If you do not own it, a title report will do.
2. Declaration of Condominium Property Regime plus any and all amendments thereto for condo projects.
3. Bylaws plus any and all amendments for homeowner associations and condo associations.
4. House Rules for condominiums and any Declaration of Covenants, Conditions and Restrictions for all types of projects, plus any amendments to such documents; some people call these "restrictive covenants."
5. Any other written regulations about use of the property, especially for check-in of renters, guests, vacation rental occupants, timeshare users, etc., which are applied to your individual property or subdivision or resort-wide.
6. Copies of applicable conditional use permits, variances, SMA Permits, CDUA's (Conservation District use agreements) or other governmental restrictions, licenses and use authorizations, especially those that may be canceled for failure to kept the rules; this includes farm plans on Maui.
7. Any thing else that you believe may bear on use of your property.
8. Any written proposals or plans for your proposed project.

If you do not have a title report or copies of recorded documents, we can obtain copies of recorded instruments or documents for you. We pay \$9.00 (which will be billed to you) for each recorded document that you do not provide to us and that we have to order. If we must order a title report, the amount paid to the title company (usually \$350) will be due from you or added to the fee for your evaluation.

We work with many brokers, lenders and escrow companies for the purchase, sale, development and financing of fractional, condominium and other real estate projects, and can

make referrals for your real estate needs. We do not promise anything regarding them or their services, only that they work in such areas and our dealings have been satisfactory. We receive nothing for such referrals.

In conjunction with the main Hawaii office of Old Republic Title Company (ORTC) on Oahu we have been presenting informational seminars on each of the main islands in Hawaii. ORTC has created a comprehensive title and escrow program for fractions and timeshares that will facilitate the orderly and accurate processing of fractional sales and financing, including individualized computer accounts for every fractional project. The program will allow real-time management of sales and escrow procedures, an invaluable tool in this new industry. The seminars occur approximately every six weeks. Contact our offices or Old Republic (Laura Merrifield at 808-223-5207) for specific information.

If you want us to review your property kindly sign below and forward your documents and retainer to one of our Hawaii offices.

Sincerely yours,



Steven R. Lee and
Ethan R. Okura

SRL:co

Attachment: Wiring Instructions and Deposit Slip

ACCEPTED AND AGREED:

Signature

Date

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Homeshare HawaiiSM projects have been reviewed by a qualified attorney at law and are listed with real estate brokers familiar with interval ownership concepts to insure you are looking at a property you can own with confidence.