

**HOMESHARE HAWAII LLC, INTERVAL AND FRACTIONAL  
OWNERSHIP PROJECTS  
GENERAL INFORMATION ABOUT PROJECT OWNERSHIP©**

Fractional Ownership is a relatively simple and comparatively affordable ownership arrangement in which a two to six individuals or entities hold shared legal title to a single parcel of real estate or a condominium unit. Each owner has a “fraction” of the total ownership, in the typical project this is one or more “sixths” of the full ownership. We call the owners “Fractional Owners”. The owners obtain the right to use specific periods of time each calendar year, called “Intervals” in our project documents. Sometimes people refer to the owners as “Interval Owners” in the same way as they do to “Fractional Owners.” The Fractional Owners are also called “cotenants” according to Hawaii law. This means you share all aspects of ownership and responsibility for the property according to how much of the title you have purchased. Once you acquire title, your interest in your property legally is an interest in REAL property. You, along with the other Interval Owners, enjoy all the usual benefits of ownership of the property: renting, managing the property, and handling payment of taxes and maintenance costs and so on. Together with the other Interval Owners, you retain legal control. As cotenants you share responsibility for the care and condition of the property. Each year you will pay in advance for the expected costs of ownership. The agreement you sign about how your ownership works sets out all your rights and responsibilities to each other and to the laws of the State of Hawaii.

Financing of fractional interests is limited, as typically only “cotenancy” ownership is offered, and lenders require high standards of credit and careful project documents. If none of the fractional interests is financed, a unanimous vote the ownership may converted ownership to a Limited Liability Company (“LLC”) or Partnership (“LLP”) or another ownership entity for further protection from some liabilities.

Also by vote of the fractional owners a unit may self-manage, hire private management or decided to accept the cost of third party rental and property management. Subject to project documents, each owner will be able to decide to rent, exchange or otherwise use their time period as they see fit. In resort projects, if enough interval weeks remain in the resort rental pool to meet the requirements of a hotel operator, time may be left in a hotel operation.

Only you, as individual owners, can execute deeds, mortgages, leases of your time period and all other legal documents affecting legal title to your property, or you can give written instructions from you, the Interval Owner(s), to those who work for you.

The initial and estimated annual cost per interval and terms options are set out in the organizational documents. To insure that nobody can hurt another owner by failing to pay their fair share of costs, the expected annual expenses are usually collected several months before the start of each calendar year. Persons who do not pay their share may lose scheduled use, and perhaps even their entire interests.

Everyone will be required to keep the property in the same condition as it starts, except as the group may unanimously determine to the contrary. Each owner will be responsible for damages caused by them or their guests or tenants. Unexpected repairs may come up at any

time, and it may limit or hinder use for the repair time. This is a risk everyone must take and may affect one or more intervals more than others. Deferred maintenance and scheduled repairs that are not urgent will be completed during the two to three days per year that are not occupied by intervals and during the time between checkout and check in for the interval users. Three will always be at least sixty days of scheduled time for each owner, subject to unexpected events as noted above. In some cases insurance can be purchased to cover the costs of losing occupancy due to natural causes and casualties, or for people who refuse to move out when their time is up.

Owners will have one or more the following usage options, depending on the project:

- a. Using their interval time for themselves or as they see fit (for family, friends, etc.), including leaving the unit vacant for any part of their time.
- b. They may place all or any part of their share of time into vacation rental.
- c. They may place their weeks with RCI or another vacation exchange company. If the project is not an approved resort at the time of creation it may be difficult to explore this alternative.

Usually the time intervals are fixed and permanent for every year, unless all six interests vote for another plan. Without changing your period of ownership you may trade all or part of your time with other interval owners from time to time. You may find another owner who would want to come twice in a year for a one-month period as you might and you may work out exchanges of time to suit you both. You may also exchange for time in other units in the project as you may agree. All options are open to you in this way. This is to be handled by individual owners, a list of whom will be provided to all interest owners. You must ALWAYS, however, KEEP OWNERSHIP OF AT LEAST SIXTY DAYS OF USE to comply with the laws of Hawaii.

Your interval may qualify under the IRS rulings as a second home and therefore all interest might be tax deductible. See your tax adviser to find out if you can deduct parts of your expense either as a second home or rental property. FRACTIONAL PROPERTY IS NOT OFFERED AS AN INVESTMENT AND NO RENTAL PERFORMANCE IS PROMISED OR ANTICIPATED. YOU MUST DO YOUR OWN INVESTIGATION IF YOU ARE APPROACHING THIS AS A PROFIT-MOTIVATED INVESTMENT. FINANCING ON THE PURCHASE IS LIMITED TO OUR APPROVED PROJECT LENDER. DUE TO THE SMALL PERCENTAGE OF LENDERS IN GENERAL FOR FRACTIONAL INTERESTS, YOUR 1/6<sup>TH</sup> INTEREST MAY NOT QUALIFY FOR FINANCING FROM CONVENTIONAL LENDERS IN HAWAII.

Home-Share Hawaii LLC© 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.