

FAQ

Pali Moana, Kauai LLC Offering

How is the LLC structured?

The Pali Moana partnership offering allows a small group of like-minded participants, typically 6-8 partners, to acquire shares in a Limited Liability Company (LLC) offered by Lifestyle Asset Group with that LLC becoming the legal owner of the home.

The partners forward a one-time capital contribution to invest in the LLC. The Pali Moana LLC units start at \$227,000 per unit where each unit represents a week of use per year and a 2.08% equity interest in the property. There is no debt allowed in the LLC so your capital is 100% backed by the hard assets of the LLC.

Thereafter, each partner only pays their prorated share of the operating costs and LLC management fees, which is \$6,250 per unit.

The partners will enjoy the home using a simple reservation process where there are no assigned specific weeks. Rather, owners can come and go based on availability and a rotating priority reservation protocol (described below). Partners can also sponsor unaccompanied guests.

What is the exit strategy?

The term is 8 years from the closing date, which mirrors the average time most people hold on to a second home. At the completion of the term, the property is sold and the partners will first receive back their original capital contribution plus their prorated share of any gains in the value of the property that may have accrued over the years.

What is the cost per night in this model as compared to renting a similar home?

This model has you enjoying vacations in a \$10m Kauai estate home at a cost per night of around \$892/night, all 100% professionally managed for zero hassle ownership. (\$6,250 in annual fees per unit divided by 7 nights in a unit= \$892/night).

It sounds a lot like a fractional real estate offering. Is it?

No. In a typical fractional offering, there are several weaknesses in the model that compelled us to do something very different. First, there is simply no demand for the resale of a fractional real estate interest once you decide you want to sell. As the fractional developer earned their margins on the front end of the transaction during the fractionalization process, with markups of 50% or more on the real estate being offered, it is not uncommon for a fractional real estate owner to get back only 30%-35% of their original investment when they sell their share ...if they can sell it all.

In our model, after the LLC term, the home is sold on the market as whole ownership and at the highest possible value, so all partners first get their original capital contribution returned plus their share of any appreciation that may have occurred over the term.

Furthermore, every commercial fractional project in the United States involves multiple units that are generally identical residences with a typical fractional project offering over 20 residences with 160 or more owners. If you own an interest in a commercial fractional project, you are very likely to stay in different residences each time you go.

In our model, you co-own ONE stunning luxury residence that only six to eight shareholders call home. There is nothing like this innovative option anywhere within the real estate ownership market.

How does the reservation system work?

As one of only select group of partners, you reserve your weeks in a process where in the first year, shareholder #1 (by order of commitment to invest in a property) chooses 50% of their allocated weeks, then shareholder #2 selects 50% of their allocated weeks, shareholder #3 picks 50% of their allocated weeks, and so on until and shareholder #7 chooses their weeks.

In year two, shareholder #2 chooses 50% of their allocated weeks, then shareholder #3, and so on.

In year three, shareholder #2 chooses, then #3, then #4, etc.

Then, after everyone has put down 50% of their allocated weeks for that year, we put the calendar on-line so everyone can reserve the rest of their weeks in real time, throughout the year, as their vacation time dictates.

What do the annual costs include?

All partners will pay their prorated share of the annual expenses and they billed quarterly. This covers all concierge services, reservation assistance, reciprocity to sister LLCs and Elite Alliance, pre-trip planning, pre-arrival grocery shopping, someone to report any maintenance issues, and operating expenses associated with home ownership: property taxes, insurance, utilities, homeowner association fees, miscellaneous repairs and maintenance, K-1 tax return filings for the LLC, etc.

Can I rent any unused weeks?

Pali Moana is located in an agricultural area that does not allow rentals.

Can I access the other residences of Lifestyle Asset Group?

Yes, and it adds tremendous additional value to the shareholders. Bottom line: between the other LLCs we manage and the locations within Elite Alliance, our strategic partner that is the leading exchange service provider for luxury private residence clubs around the globe, you can exchange your allocated weeks for travel to over 100 coveted destinations.

To learn more about the four and five star properties of Elite Alliance, visit www.elitealliance.com.

What are the steps in getting involved with an LLC Offering?

Getting involved is easy and requires the following steps only:

- a) When you move forward as one of the partners in the LLC, you will remit by check or wire transfer a fully refundable Reservation Deposit that will be held in an escrow account. Upon the receipt of your deposit, you will be given a priority number, i.e. 1-7, that will be used in the reservation selection process, as described above.
- b) You will receive the Offering Documents of the LLC which include the Operating Agreement, Subscription Agreement, Reservation and Lodging Rules, and other relevant information associated with becoming a partner. If you are not in agreement with any of the provisions of the agreements, you can request a full refund of your Reservation Deposit and it will be returned to you within 72 hours.
- c) You can request a tour, if time and travel allow. If the house does not meet your expectations or your personal interests, your deposit will be refunded.

d) Following the approval of both the Offering Documents and the tour of the home, you will receive a funding request for the balance of the LLC share to be funded into the escrow account which can only be used for the closing of the property. Occupancy will begin shortly thereafter.

That's it. No surprises, no risks, no pressure.

Interested in investing in an LLC? Please contact:

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