

Pauwela Homes Notice of Establishment of Qualified Applicant List

This Notice is provided pursuant to the Residential Workforce Housing Agreements, as corrected and amended from time to time (“RWHA”), with the County of Maui (“County”), as administered by the Department of Housing and Human Concerns of the County (“DHHC”), to inform prospective owner-occupants purchasers of the intent to offer for sale 33 single family homes as house and lot with an accompanying farm plot area (each house, lot, and farm plot area combined is referred to as “Unit”). All Units will be conveyed pursuant to the Declaration of Condominium Property Regime (“CPR”).

Each Unit will be offered initially to prospective owner-occupants who meet the eligibility criteria identified in the RWHA (“Eligible Persons”). Each Unit sold to Eligible Persons will be subject to County “Use and Sale Restrictions”.

An “Eligible Person” means a person who meets all of the following criteria:

- a) Is a citizen of the United States of America or is a permanent resident alien who is a resident of Maui County, Hawaii;
- b) Is eighteen years of age or older;
- c) Has a gross annual family income, not including the income of minors, which does not exceed 140% of the Maui County, Hawaii, area median income as established by the United States Department of Housing and Urban Development (“HUD”);
- d) Has assets that do not exceed 140% of the Maui County, Hawaii, area median income as established by HUD;
- e) Has not had an interest of 50% or more in real property in fee or leasehold in the United States for a period of three years before the submittal of the Ownership Application where the real property is deemed suitable for dwelling purposes unless applicant is selling an affordable unit to purchase an affordable unit more appropriate for family size;
- f) Has been prequalified for a loan with the applicant’s choice of lender.

A “Resident” of Maui County, Hawaii means a person who meets one of the following criteria:

- a) Works in the County of Maui, Hawaii;
- b) Is a retired person who worked in the County of Maui, Hawaii immediately before retirement;
- c) Is a full time student who resides in the County of Maui, Hawaii;
- d) Is a disable person who worked in the Count of Maui, Hawaii immediately before becoming disabled;
- e) Is the parent or guardian of a disabled person who resides in the County of Maui, Hawaii;
- f) Is a spouse of a person who meets one of the Resident criteria 1 through 4; or
- g) Is the spouse or dependent of a deceased person who met one of the Resident criteria 1 through 4 on the date of the person’s death.

“Assets” means all cash, securities, stocks, bonds and real property. Real property shall be valued at fair market value on the date of the Ownership Application less liabilities on such real property.

In addition to the foregoing criteria, the Units will be offered initial only to those whose households are within certain income groups. Ten (10) Units will be offered to Eligible Persons whose gross annual

family income is more than eighty percent (80%), but not more than one hundred percent (100%) of the area median income as established by HUD, sixteen (17) Units will be offered to Eligible Persons whose gross annual family income is more than one hundred percent (100%), but not more than one hundred twenty percent (120%) of the area median income as established by HUD, and six (6) Units will be offered to Eligible Persons whose gross annual family income is more than one hundred twenty percent (120%), but not more than one hundred forty percent (140%) of the area median income as established by HUD.

The following are the income limits for each income group and asset limits (as of May 1, 2016) by household size and maximum Unit sales prices by income group for the Project:

| HUD Income Range | Maximum Gross Annual Household Income (1) | Home Type (2) | Number of Units (2) | Maximum Sales Price (1) |
|-------------------------|--------------------------------------------------|-----------------------|----------------------------|--------------------------------|
| <100% | \$81,500 | 3 Bedroom No Garage | 5 | \$449,200 |
| <100% | \$81,500 | 4 Bedroom No Garage | 5 | \$516,580 |
| <120% | \$97,800 | 3 Bedroom With Garage | 9 | \$539,100 |
| <120% | \$97,800 | 4 Bedroom With Garage | 8 | \$619,965 |
| <140% | \$114,100 | 3 Bedroom With Garage | 3 | \$628,900 |
| <140% | \$114,100 | 4 Bedroom With Garage | 3 | \$723,235 |

- (1) Annual Household Income is in accordance with the 2016 Affordable Sales Price Guidelines prepared by DHC, effective May 1, 2016;
- (2) The number and type of units are as of the date of this Notice and may be changed by Seller.

The Units shall be subject to restrictions on use and sale (the “County’s Use and Sale Restrictions”) during the Restriction Period.

The “Restriction Period” shall be ten (10) years for Units offered above eighty (80%) but below one hundred percent (100%) of area median income established by HUD, eight (8) years for Units offered above one hundred (100%) but below one hundred twenty (120%) of area median income established by HUD, and five (5) years above one hundred twenty (120%) but below one hundred forty (140%) of median income established by HUD.

The “County’s Use and Sale Restrictions” require among other things, the following:

- a) The Unit must be owner occupied at all times during the Restriction Period;
- b) If the Unit owner decides to sell the Unit during the Restriction Period, the Unit Owner must notify the DHC in writing of the decision to sell the Unit and, at the time notice is given, also must provide a Current Appraisal of the Unit to DHC. DHC shall have 90 calendar days after receipt of the written notice in which to determine whether the County will exercise an option to purchase the Unit. The maximum sales price the Unit Owner may receive for the Unit shall determine by DHC being the amount that is the Initial Appraisal plus twenty-five percent (25%) of any increase in value from the Initial Appraisal appraised value of the Unit.

- c) In the event that the Unit Owner sells the Unit within the Restriction Period, the new owner shall be required to comply with all deed restrictions for the remainder of the Restriction Period applicable to the Unit unless Waived by DHHC.

Beginning Monday, March 6, 2017, at 9:00am, interested persons may obtain an Ownership Application and other information concerning the Project by visiting the website www.PauwelaHomes.com or picking up applications at Home Street Bank, 395 Dairy Road Unit G, Kahului. Kauhikoa Land LLC is the Seller ("Seller") of the Project and West Maui Land Company, Inc. is the Seller's Broker ("Seller's Broker") representing the Seller.

In order to participate in the public lottery process for the 33 Units, potential buyers must submit a completed Ownership Application, which shall include a completed and executed Registration Agreement, Eligibility Affidavit, Owner-Occupant Affidavit and pre-qualification notice for a lender of Applicant's choice (the "Ownership Application"). If two or more owner occupants intend to reside jointly in the same Unit, they shall submit only one (1) Ownership Application and only one (1) of the prospective owner occupants shall be entitled to enter the public lottery.

The earliest that an Ownership Application for a Unit may be submitted is Monday, March 6, 2017 at 1:00pm at Home Street Bank, 395 Dairy Road Unit G, Kahului, HI 96792. Ownership Applications will be accepted until Monday, April 17, 2017 at 4:30pm. Ownership Applications must be submitted by the Applicant in person. If an Ownership Application is incomplete, the Applicant will not be entitled to participate in the public lottery. Submittal deadlines may be extended by the Seller.

After the close of the applicant period, accepted Ownership Applicants will be grouped in accordance with the HUD established income groups and Residents and nonresidents. A public lottery will be performed to create a wait list of prospective owner occupant for each HUD established income group separated by Residents and nonresidents ("HUD Bracket List" for 100%, 120%, and 140%). Residents shall receive priority unless there are no Residents in any higher income bracket.

After the public lottery is completed, a list of qualified applicants for each HUD Bracket List will be prepared. Seller's Broker will meet with qualified applicants, in the order in which their names were drawn in the public lottery to select their Unit, draft a purchase contract for selected Unit, and send a purchase contract for a Unit, together with notice that the selected Applicant has a period of 30 days in which to return to the Seller a signed purchase contract, an updated pre-approved notice from a lender of the selected applicant's choice that confirms the selected applicant's ability to obtain any financing necessary to complete the purchase of the Unit, an initial deposit in the amount of \$5,000, and copies of signed federal and state income tax returns for the selected applicant for the most recent year to verify the selected applicant's gross annual family income, place of residence, and employment. If the initial deposit is by way of a check which is returned due to insufficient funds, the purchase contract shall be terminated without any obligation on the part of the Seller and the selected applicant will be removed from the list of qualified applicants. If the selected applicant informs Seller that he or she is no longer interested in purchasing a Unit or if the selected applicant does not return the signed purchase contract and other documents within the 30 day period, the Seller shall offer the Unit to the alternative person on the HUD Bracket List using the same process. Seller shall continue to offer the Unit to persons on the HUD Bracket List using the same process until the sale of the Unit closes or until no further Resident names remain on the HUD Bracket List. If the Unit is not sold to a Resident on the HUD Bracket List for that Unit, Seller shall offer the Unit for sale to the Residents on the next higher HUD Bracket List using the same process. If the Unit is not sold and there are no other Residents who are on a higher HUD

Bracket List, Seller will offer the Unit for sale to nonresidents on the HUD Bracket List provided the qualified applicant income is within the residential workforce housing income group. Any units remaining unsold after this process may be sold at market rate without County Use and Sale Restrictions.

This information is intended to comply with the terms of the RWHA. To the extent of any conflict between this information and the RWHA, the RWHA shall control.