

The Luxury Second Home Partnership Model

Frequently Asked Questions

What is the legal structure of the partnership?

- Lifestyle Asset Group creates a Limited Liability Company (LLC), a Single Purpose Entity LLC that is the legal owner of this vacation home. The LLC then releases membership and the offering enables approximately 6-10 partners to acquire memberships into the LLC.
- Partners forward a one-time capital contribution and these funds are combined to acquire the property in all cash. There is no debt permitted in the LLC.
- Each partner pays their prorated share of the annual operating costs and management fees.
- Each partner typically enjoys 4-8 weeks of use per year and can sponsor unaccompanied guests.
- There is a defined, eight-year exit strategy so it is clear upfront how and when your investment, plus any appreciation, is returned.

What is included in the annual fees?

The annual fees cover all operating expenses associated with home ownership: property taxes, insurance, utilities, homeowner association fees, miscellaneous repairs and maintenance, tax return filings for the LLC, etc.

Lifestyle Asset Group is also compensated for its concierge services like pre-arrival grocery shopping and trip planning, the 7x24 management of the property, accounting services, reviewing and approving all invoices by the various providers and trades and remitting payment, actively managing the reservation request process, reciprocity to sister LLC residences and Elite Alliance homes, and working to refill cancellations by partners that cannot travel the dates they reserved and more.

Our mission is to ensure that every moment of your vacation is spent on vacation and that there are no maintenance demands that are associated with owning a second home.

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How and when do the partners get their initial capital contribution back? What about gains in the value of the property? How is that distributed?

At the completion of the 8-year LLC term, the property is sold its highest possible value. The partners will first receive back their original capital contribution and then their share of any gains in the value of the property that may have accrued over the LLC term. If the partners are not ready to sell, there is the option to extend the LLC term another year via a supermajority vote.

How does this model compare to other fractional offerings?

In a typical fractional real estate offering, there are several weaknesses in the model:

There is no exit strategy in most fractionals. Each owner is left to their own devices to resell their share, which is difficult and typically at a loss. Our model has a defined exit strategy, so you know exactly when and how you are getting your money back.

There is no demand for a 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, with markups of 50% or more on the real estate's value when originally offering the fractional interests, it is not uncommon for a fractional real estate owner to realize only 30%-35% of their original investment when they sell their share...if they can sell it all. In our model, the home is both acquired and resold as traditional whole ownership, ensuring a predictable, reliable, and hopefully profitable exit strategy for all stakeholders.

Every commercial fractional project in the United States involves **multiple units that are generally identical residences, i.e.,** 20 residential units 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. Our model, conversely, owns ONE stunning luxury second home that only six - eight partners call home. We have departed 180 degrees from the commercial fractional product with hundreds of owners and dozens of residences and personalized it completely. There is nothing like this innovative option anywhere within the second home ownership market.

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Describe the reservation system.

Lifestyle Asset Group's rotating priority reservation system (PRP) allows partners to plan their vacations with as little or as much advance notice as they choose. You can sponsor unaccompanied guests, giving you the flexibility to send family and friends on amazing vacations, use them as a reward for a high-performing employee, or as a donation to your favorite charity.

Reservations are made two ways:

- 1) Each partner is assigned a number 1-6, or 1-8, depending the number of partners and when they first commit to the project. Once assigned a number, the partners will first choose one reservation in the ensuing 12-month calendar in an order from shareholder #1 through #6, then a second reservation in an order of #6 to #1. The order of 1 through 6 and 6 through 1 changes each year with partner 2 advancing to 1 in the second year of the PRP and partner 1 moving to 6 in year two. By rotating the order in the selection process under the PRP, all partners will have years of holding position #1, #2, etc.
- 2) The second reservation protocol is the application of the shareholder's remaining allocation of weeks following the PRP when each shareholder can evaluate their own timelines and schedules in applying their remaining weeks in their account for additional dates that are attractive to them. There is no formal structure to these reservations and they are all first come-first serve; last minute or well planned.

"Space Available" Reservations

There will be periods during the year when the property will be unreserved and available and shareholders are welcome to reserve the home on short notice. Accordingly, whenever the home is available and unreserved twenty-one (21) days hence, this opportunity for free, short notice reservation shall be deemed "Space Available."

What is the rental participation program?

If the community where the home is located allows for nightly rentals, you have the option to use all your allocated weeks or you can donate unused weeks to a rental pool and receive credits against your annual fees.

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What is my overall cost per night in this model?

Our chief aim is to create a better way to own a fabulous vacation home in one's favorite destination at a fraction of the cost that it would cost to rent a similar home or own it by yourself. If you take your annual fees divided by your allocation of nights, your overall cost per night is only \$985. That is the same price as a 599 sq. ft hotel suite on Maui, yet you are enjoying vacations in a \$16,500,000 6-bedroom, 6.5-bath, 7,931 sq. ft. private home. Furthermore, this cost per night does not take into account any appreciation you receive at the end of the term.

Can I access the other residences of Lifestyle Asset Group's LLCs?

Yes, between the sister LLCs managed by Lifestyle Asset Group and the locations within the Elite Alliance, the leading exchange service provider for luxury private residence clubs around the globe, you can exchange your weeks for travel to over 100 coveted destinations and remarkable properties all over the globe.

To learn more about the four and five-star properties of Elite Alliance, visit <https://www.elitealliance.com/>

What are the next steps?

You can reserve one of the LLC shares by putting down a fully refundable reservation deposit. Upon receipt, you will receive the complete set of legal documents which include the LLC Operating Agreement, Offering Membership Materials and Subscription Agreement.

The management team will work with you and /or your professional advisors to ensure all your questions are answered before deciding to invest.

Please contact us via email or give us a call today to get started on your due diligence.

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