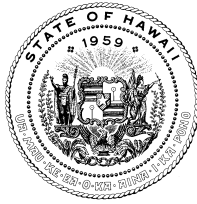


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March 2017

MEMORANDUM

TO: AOOU Fidelity Bond Exemption Applicants

FROM: Real Estate Commission ("Commission")

RE: July 1, 2017 - June 30, 2019 Condominium AOOU Fidelity Bond Exemption Applications

WHO MAY APPLY: HRS § 514B-143 (a) (3) (A) requires each AOOU having more than 5 dwelling units to secure a **fidelity bond** covering persons, including the managing agent and its employees who control or disperse funds of the association, in an amount equal to \$500 multiplied by the number of units, provided that the bond shall not be less than \$20,000 nor greater than \$200,000. An AOOU that is unable to obtain a fidelity bond may seek approval for a bond exemption from the Commission. All AOOU fidelity bond exemptions expire at the conclusion of the biennial registration period, shall be reapplied for with each biennial registration period, and shall be submitted at least 30 days prior to the biennial registration deadline. ***An additional \$50 nonrefundable bond exemption application fee shall be submitted with each bond exemption application pursuant to Hawaii Administrative Rules § 16-53-16.8 (3) (D) (ii).***

THREE TYPES OF BOND EXEMPTION APPLICATIONS: Attached are the three types of AOOU Fidelity Bond Exemption Applications approved by the Commission: **(1) Sole Owner, (2) 100% Commercial Use, and (3) 20 or Fewer Units.** AOOUOs may apply for only ONE type of bond exemption if the AOOU meets all the conditions and terms stated on the application form.

BOND EXEMPTION DEADLINE: Apply no later than Monday, May 1, 2017 if your AOOU is applying for a fidelity bond exemption. If requesting a bond exemption, select the type of exemption in Question 5.b. on page A-2 of the AOOU registration application, and submit ONE type of fidelity bond exemption application on page B-2, B-3, or B-4. ***You must add the additional \$50 nonrefundable bond exemption application fee to the total fees due on the bottom of page A-1.*** If the bond exemption application is denied, then the AOOU must submit evidence of current fidelity bonding no later than the Wednesday, May 31, 2017 biennial registration deadline.

IF THE AOOU IS NOT REQUESTING A BOND EXEMPTION FOR 2017-2019: Disregard the enclosed bond exemption application forms.