

333 SACRAMENTO STREET  
SAN FRANCISCO, CA 94111-3601  
TEL. 415.834.1800 FAX 415.834.1888  
[www.WoodLLP.com](http://www.WoodLLP.com)

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June 6, 2023

## TO WHOM IT MAY CONCERN

Re: Settlement Payments to Waiting List Class Members in *Kalima* Settlement.

Our law firm is serving as tax counsel to the Court in the *Kalima v. State of Hawai'i* class action settlement. We were asked to give our tax opinion concerning the settlement payments made to the class members and any obligations the Claims Administrator may have to withhold federal income taxes or to issue IRS Forms 1099 to class members. We have issued a formal tax opinion stating our conclusions and reasoning which is available on <https://www.kalima-lawsuit.com>.

Our opinion is that the Claims Administrator is *not* required to issue IRS Forms 1099 to class members or to withhold amounts for federal income taxes from the class members' settlement payments. Our conclusion is that the settlement payments can be characterized as tax-free reimbursements of previously paid land rent or as a tax-free return of tax basis with regard to amounts paid on account of land mortgage payments and construction costs. We encourage class members to discuss with their own tax advisers to determine if their particular situation may cause some or all of their settlement payments to be subject to federal or state income tax.

For example, a class member may have taxable income if he is being reimbursed for *more* than the actual amount he previously expended for land rent payments for the period covered by the settlement payments, or if he previously claimed tax deductions for land rent or the interest component of land mortgage payments for the period covered by the settlement payments. For class members who are receiving compensation for construction costs or the principal portion of land mortgage payments, they may have taxable gain if these payments exceed their adjusted tax basis in their properties.



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As with any tax opinion we render, we cannot guarantee that the Internal Revenue Service or the courts will concur in the event of an audit. We ask that any questions be directed to the Kalima Claims Administrator. Thank you.

Very truly yours,

**Wood** LLP



Robert W. Wood

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