

PUBLIC OFFERING STATEMENT
ON
PAPOHAKU RANGLANDS SUBDIVISION

1. Name and Address of Subdivision. Kaluakoi Residential, LLC, a Hawaii limited liability company (the "Seller"), having its principal place of business at 745 Fort Street, Suite 600, Honolulu, Hawaii 96813.
2. Description of Land. The Papohaku Ranchlands Subdivision (the "Subdivision") consists of 90 single-family residential/agricultural lots situated at Kaluakoi and Ioli, Island of Molokai, County of Maui, State of Hawaii. The Subdivision is comprised of lots remaining from two previous subdivisions that are adjacent to each other, the original Papohaku Ranchlands subdivision and the Moana Makani subdivision, which are now commonly owned by the Seller and offered for sale under this Public Offering Statement. As the lots from the two previous subdivisions are distinct in certain respects, for convenience purposes, the lots belonging to the original Papohaku Ranchlands subdivision ranging in numbers from 128 to 365 will be referred to as the "Makai Lots,"¹ while Lots 24, 30, 45 and 51 of the Moana Makani subdivision will collectively be called the "Mauka Lots."² The general reference to a "lot" or "lots" shall mean one or all of the lots in the Subdivision, whether a Makai Lot or a Mauka Lot. The tax map key numbers for the individual lots owned by the Seller are set forth in Schedule C of those certain Status Title Reports prepared by Title Guaranty of Hawaii, Incorporated, dated January 29, 2002 and February 14, 2002, as the same may from time to time be hereafter amended (collectively, the "Title Report"). You are encouraged to obtain and review the Title Report for the tax map key number of the individual lot you may be interested in. Seller makes no representation or warranty, however, that any portion of the Subdivision, other than that portion which contains each respective purchaser's lot, will be developed or, if developed, as to the nature of such development, or as to the final number of lots to be developed.
3. Ownership of Land. Of the 306 single-family residential/agricultural lots which formed the original Papohaku Ranchlands and Moana Makani subdivisions, 90 single-family residential/agricultural lots are presently owned by the Seller and are being offered for sale at this time.

¹ The original Papohaku Ranchlands subdivision originally contained 293 lots, 274 of which were zoned as for single-family residential/agricultural use. Of those 274 lots, the Seller is currently offering 86 lots for sale pursuant to this Public Offering Statement. The lots for sale range from 5 to 28 acres in size.

² The Moana Makani subdivision originally contained 32 lots, each zoned for single-family residential/agricultural use. Of those 32 lots, the Seller is currently offering 4 lots for sale pursuant to this Public Offering Statement. These lots for sale range from 30 to 112 acres in size.

4. Nature of Interest to be Conveyed. Lots will be conveyed to purchasers in fee simple. Lot purchasers will be given nonexclusive access easements over the Subdivision roadways, which the fee owner and affiliate of the Seller, Kaluakoi Roads, LLC, plan to grant to the West Molokai Association and/or the Papohaku Homeowners Association. The access easements will terminate when and if the roadways are conveyed to the State of Hawaii (the "State"), the County of Maui, or other governmental authority, at which time the roadways will be available for public use.
5. Type of Instrument Used for Conveyance. Lot purchasers will receive a general warranty deed, which will be delivered and recorded when the purchase price for the lot and all other sums due under the sales contract are paid in full, and upon full compliance by the purchasers with the other terms of the sales contract.
6. Zoning Regulations. The Subdivision is zoned Agricultural by the zoning ordinances of the County of Maui. The proposed use of each lot in the Subdivision is single-family/agricultural. All proposed lots in the Subdivision will be improved in accordance with applicable zoning regulations. All owners must comply with the provisions of all applicable laws of the County of Maui and the State.
7. Use for Which Property Offered. The lots are offered and may be used for single-family/agricultural purposes in accordance with: the Declaration of Covenants and Restrictions of West Molokai, Land Court Document No. 784612 (the "Covenants"); as amended and supplemented by the Supplemental Declaration of Covenants and Restrictions, Land Court Document No. 922290, ("Supplemental Declaration"); the Seventh Supplemental Declaration of Covenants and Restrictions, Land Court No. 1096859 (the "Seventh Supplemental Declaration"); and the Papohaku Declaration of Covenants, Conditions and Restrictions, Land Court Document No. 1096895 (the "Papohaku Declaration"), each of which is filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii (the "Land Court"). In addition, the purchaser should also review, for compliance, the West Molokai Design Committee Rules which were adopted by the West Molokai Design Committee on November 5, 1976 ("West Molokai Design Committee Rules").
8. Encumbrances, Easements, Liens, Restrictions.
 - a. Encumbrances. As to the particular lot in which you may be interested, you are encouraged to obtain and review the Title Report. The encumbrances, easements, liens, restrictions, real property taxes and assessments (hereafter collectively referred to as the "Encumbrances") for the Subdivision and all its lots are set forth therein or in the documents and instruments described in the Title Report. You can only understand the Encumbrances affecting the Subdivision and any particular lot by reviewing the Title Report and the documents described therein. A copy of the Title Report is available for your inspection and copying at cost at Seller's real estate agent(s)' office and is on file with the Department of Commerce and Consumer Affairs of the State of Hawaii.

b. Easements. There are a number of utility, trail, flowage and other easements which may have an effect on the purchaser's plans for building or use of its lot. Various lots are affected by certain utility and drainage easements and/or setback designations. The effect of these easements and/or setbacks is that building on the lots will have to be planned so as not to interfere with the easements and/or setbacks. These easements and/or setbacks are shown on the Subdivision maps filed respectively with the Land Court on October 5, 1978 as Map 8 and on September 30, 1981 as Map 19, both a part of Land Court Application 1683. In addition, there are certain access easements reserved to the public over lots adjacent to the shoreline providing access from the roadways to the shoreline.

All lots are subject to a reservation in favor of the State of Hawaii of all mineral and metallic mines.

c. Liens. The Makai Lots will be subject to liens in favor of the Papohaku Homeowners Association and the West Molokai Association (collectively, the "Associations") as described in the Covenants, Seventh Supplemental Declaration, and the Papohaku Declaration. The Mauka Lots will be subject to liens in favor of the West Molokai Association, as described in the Covenants and Supplemental Declaration, but not to the Seventh Supplement and the Papohaku Declaration.

d. Restrictions. In addition to the encumbrances disclosed in the Subdivision maps filed as Map 8 and Map 19 of Land Court Application 1683 and the Title Report, the Subdivision will be subject to the Covenants, the Supplemental Declaration or the Seventh Supplemental Declaration, and where applicable, the Papohaku Declaration, each of which is filed in the Land Court.

Each residential home constructed, erected or placed on any lot, exclusive of the cost of any outbuildings, landscaping, fences, storage facilities or other accessory structures constructed, erected or placed on such lot, shall have a construction cost of not less than Sixty-Five Thousand Dollars (\$65,000.00), and shall comprise a total floor area of not less than one thousand two hundred (1,200) square feet, when measured from the inside of the perimeter walls.

With respect to the Makai Lots, the minimum construction cost of each residential home of \$65,000.00 shall be adjusted by the United States Average All Urban Consumers—All Items Index. The term "adjusted by the United States City Average All Urban Consumers—All Items Index" shall mean that stated dollar amount increased or decreased in the same proportion as the United States City Average All Urban Consumers—All Items Index figure most recently published by the U.S. Department of Labor, Bureau of Labor Statistics (or, if not so published, the most nearly comparable available index) is more than or less than said Index figure for December, 1981.

Prior to commencing any construction, the purchaser shall deposit with the West Molokai Design Committee (as described in the West Molokai Protective Covenants) a performance bond and labor and material payment bond each in the amount equal to 100% of the cost of such construction, in form and with surety satisfactory to the Design

Committee and naming the Design Committee as an additional obligee, guaranteeing the full and faithful performance of the purchaser's construction contract and the payment of all subcontractors, laborers and materialmen.

The purchaser is advised to carefully review, in its entirety, the Covenants, the Supplemental Declaration, the Seventh Supplemental Declaration, the Papohaku Declaration and the West Molokai Design Committee Rules, as these documents contain restrictions upon which a lot in the Subdivision may be used and improvements made thereon.

e. Lot 403. Lots 328 and 329 are located adjacent to Lot 403 as shown on Map 19 of Land Court Application No. 1683. Seller reserves the right (but not the obligation) to convey by way of quitclaim to the purchasers of these lots, as a tenant in common with the Seller, its successors and assigns, and others, an undivided 1/56 interest in and to Lot 403 and the right (but not the obligation) to grant to each such purchaser, and each such purchaser shall promptly accept the grant of, an exclusive easement over and across that certain easement area located on said Lot 403 and designated on Map 23 of Land Court Application No. 1683 which is immediately adjacent to the lot purchased by each such purchaser.

9. Existing Taxes, Special Taxes or Assessments. All real property taxes are paid current and there are currently no proposed special taxes or assessments which affect the Subdivision. Lot purchasers will be required to pay real property taxes assessed by the County of Maui. The real property taxes will vary, depending on the assessed value of the lot and any improvements placed on the lot by the purchaser. For the 2001-2002 tax year, real property taxes are assessed by the County of Maui at a rate of \$4.93 per \$1,000.00 assessed value of each residential lot and all structures located on the lot. The real property tax rate is subject to change at any time by the County of Maui.

There is a property owners' association for the Makai Lots known as the Papohaku Homeowners Association. The Papohaku Homeowners Association is a non-profit association, and membership in the Papohaku Homeowners Association is mandatory. In addition, a concurrent property owners' association is the West Molokai Association which is also a non-profit association, and membership for all owners of lots in the Subdivision is also mandatory. For each lot, as applicable, the Papohaku Homeowners Association currently assesses \$60.00 per year, and the West Molokai Association assesses \$30.00 per year.

As the development of the Subdivision proceeds, additional assessments from the Associations will be made. The assessments imposed by the Associations will be used for the improvement, maintenance, construction, replacement, repair of and additions to the Subdivision, certain recreational facilities and certain common properties of the Subdivision and West Molokai, the master-planned community project for the area. Because the Mauka Lots are not subject to the Papohaku Declaration and the Mauka Lot owners are not members of the Papohaku Homeowners Association, ownership of a Mauka Lot does not entitle the owner to use the Recreational Facilities. The purchaser is referred to the Covenants and the Papohaku Declaration for additional information.

10. Description of Roads. All roads within and leading to the Subdivision are constructed of asphaltic concrete. The roads within the Subdivision are presently maintained by Kaluakoi Roads, LLC, until such time as the roadways are conveyed to either or both of the Associations or dedicated to the State or the County of Maui.

Kalua Koi Road is the main roadway leading into the Subdivision from Maunaloa Highway and varies in right-of-way width within the Kaluakoi Resort from 48' to 80' wide. The interior roadways, such as Pohakuloa Road and Kulawai Loop, are 44' wide; the cul-de-sacs, such as Papapa Place, are 40' wide; and pavement widths are 20' to 22'.

11. Water Supply. Domestic water is supplied by a private water system operated and maintained by Molokai Public Utilities, Inc., a Hawaii corporation. Although Molokai Public Utilities, Inc. is a Hawaii affiliate of the Seller, water rates charged to consumers are regulated by the State Public Utilities Commission. Domestic water lines are extended to the boundary line of each lot. Meter installation and the connection of water service to the dwelling to be constructed on each lot will be the responsibility of the purchaser of each respective lot. According to Molokai Public Utilities, Inc., each lot purchaser will currently be charged a \$100.00 fee to install a 5/8" or 3/4" water meter plus a \$25.00 deposit for the meter. The amount of this fee and deposit is subject to change at any time by Molokai Public Utilities, Inc. (subject to regulation by the State Public Utilities Commission). Prior to the installation of a meter the lots are subject to a \$2.00/month water availability charge.

Seller is aware that Molokai Public Utilities, Inc. is currently meeting interim drinking water standards prescribed by the State Department of Health. Additionally, Federal Law regarding drinking water standards will require Molokai Public Utilities, Inc. to do one or more of the following: (1) construct a new treatment facility; or (2) expedite the construction of transmission systems which will allow the property to utilize only groundwater (and not surface water) for potable use. Seller also discloses that water usage beyond the property's current allocation requires the approval of the State Commission on Water Resource Management since the Island of Molokai has been designated as a Water Management Area and there is no assurance that such approval beyond current usage will be given, if requested.

12. Elevation of the Land. The elevation of the Subdivision extends from approximately 10' above sea level to approximately 1,000' above sea level. Some lots within the Subdivision have a sloping topography which will interfere with your use of the entire area within such lot.
13. Soil Conditions – Drainage. The soil composition within the Subdivision varies according to location, but generally consists of sandy, volcanic or clay soil. In addition, certain areas may be subject to poor surface drainage and/or soil erosion.

Topographically, there are some lots within the Subdivision which are sloped which may limit construction. The lots are being sold to purchasers in an "as is" condition, and Seller is making no express or implied warranty with respect to the condition of the soil

and site conditions of any of the lots, including, without limitation, any warranty regarding soil compaction, drainage and suitability of the property for the construction of any type of improvements. Seller shall have no liability to any purchaser for any defects in the condition of the soil, the site conditions of any lots which may affect the integrity of any improvements constructed on such lot, or for any defect in the condition of or damage to such improvements. Upon purchasing a lot, the purchaser shall be responsible for the grading and maintenance of the property, including drainage, wind and erosion control. All grading, excavation, boulder removal, fill, drainage and site work required for construction shall be the purchaser's responsibility. Closing by each purchaser pursuant to the terms of such purchaser's sales contract with Seller shall constitute full and complete acceptance by such purchaser of its lot in such lot's then-existing condition.

14. Sewage Disposal Facilities. The Subdivision is not serviced by a central sewage disposal system. Each lot owner will be responsible for installing an individual wastewater disposal system on the lot before constructing any residential improvements. Each purchaser will be responsible for bearing the cost of installing and maintaining the individual wastewater disposable system and ensuring that it meets all necessary governmental regulation.

An individual wastewater disposal system such as a septic tank is estimated to cost in the range of \$7,000 - \$10,000 dependent on the size of the system and the construction costs contingent on the physical characteristics of each lot. The cost for installation of an individual wastewater disposal system is an estimate only and does not take into consideration any unusual or extraordinary conditions. The purchaser should contact the State Department of Health and the County of Maui to determine what permits, and necessary approvals need to be obtained for installation of an individual wastewater disposal system.

15. Exposure to Natural Hazards. Except for the ocean frontage lots and limited areas within certain gulches, the remainder of the lots are classified by the Flood Insurance Base Map as areas with minimal flooding. The beach along the ocean front of the Subdivision narrows during the winter months and thus Lot 403 is subject to present as well as later federal and/or state laws or court decisions which may affect the ownership and size of Lot 403. Lots fronting Lot 403 are also advised that current and/or future laws may permit or allow access to the beach over a portion of their property by the general public and/or native Hawaiians. Also, because of their location, lots along the oceanfront may be subject to ocean spray damage.

An undertow is present in the surf along Papohaku Beach and the undertow and wave conditions make swimming and boating at Papohaku Beach hazardous.

In addition, the Subdivision is located on the windward side of the Island of Molokai. Strong winds and gusts are experienced on a consistent basis which may, for some individuals, impact on the quiet enjoyment of their property.

To Seller's knowledge, the Subdivision is not presently exposed to other natural hazards, however, the Seller makes no representation that natural hazards will, or will not, occur at the Subdivision.

16. Responsibility for Construction and Maintenance of Existing and Proposed Improvements. The lots will be sold without a dwelling. The off-site improvements which include all roads and water, electrical and telephone lines and facilities have been installed to the property line. Maui Electric Company, Ltd., Molokai Division, will be responsible for maintaining the electrical utilities, Verizon Hawaii, Inc. will be responsible for maintaining the telephone utilities, and Molokai Public Utilities, Inc. will be responsible for maintaining the private water system. The cost of construction on the Island of Molokai will be higher than the cost on the Island of Oahu or Maui, and you are encouraged to investigate this further before deciding to make your purchase.

The roadways are presently maintained by Kaluakoi Roads, LLC until such time as the roadways are conveyed to either or both of the Associations or are dedicated to and accepted by the State or the County of Maui. If the roadways are transferred to the Associations, an assessment will be made upon the property owners for maintenance and replacement costs of the roadways. However, if the roadways are accepted and dedicated to the State or the County of Maui, then the State or the County of Maui will be responsible for the maintenance and replacement costs of the roadways. Seller makes no assurance that the roadways are now up to governmental standards for acceptance and dedication, and you are advised that additional requirements may be imposed prior to acceptance of such roadways by the State or the County of Maui.

17. Electricity, Telephone, Gas. Underground electrical and telephones lines are connected up to the property lines. Gas lines are not installed in the Subdivision. Each lot purchaser will be responsible for installing electrical and telephone lines within each lot and dwelling. The cost of installation for electrical lines will vary depending upon the location and/or characteristics of each lot. Therefore, lot purchasers are encouraged to contact Maui Electric Company, Ltd. directly for more information. According to Verizon Hawaii, each purchaser will be charged an initial installation fee of \$45.50 plus \$42.00 for the installation of each additional telephone jack. The scheduling for telephone installation at a new location takes approximately one (1) week. You are advised that the costs of goods and services on the Island of Molokai generally, including the costs of electricity in particular, are higher than on the Island of Oahu or Maui. The foregoing fees and charges are subject to change at any time.

Natural gas lines and cable television are not available in the Subdivision. Purchasers, however, may contract directly with The Gas Company to install propane gas tanks at their respective lots. The installation fee for a 124-gallon tank is \$110.50 and the cost for an initial fill of 104 gallons of gas is \$275.17 (\$2.54 per gallon plus tax). The Gas Company will require a \$100.00 deposit and the monthly service charge will be \$7.00. The purchaser is responsible for installing galvanized piping from the tank to appliances. The foregoing fees and charges are subject to change at any time.

18. Type of Mail Service that U.S. Postal Service has agreed to provide this Subdivision. At the present time, there is no U.S. Postal Service Delivery to the individual lots. Each purchaser will have to make arrangements to pick-up mail at Maunaloa Town or at another post office on the island.

19. Fire and Police Protection. Fire and police protection are provided by the County of Maui. The fire station is located approximately 18 miles from the site of the Subdivision and the police station is located approximately 22 miles from the site of the Subdivision. Fire hydrants have been installed in the Subdivision pursuant to the requirements of the County of Maui. Certain lots within the Subdivision may be designated as a Class "10" rating for fire insurance purposes, which results in a higher cost to the purchaser. This circumstance is partly due to the distance between the fire station and the Subdivision as well as the estimated response time by the fire protection authority. The Seller makes no representation as to the adequacy of fire and police protection available to the Subdivision.
20. Public Transportation. The Subdivision is located approximately 14 miles from the airport. The Subdivision is not served by public bus service, nor is there public ground transportation available to transport people to the Subdivision from the airport. However, private taxi service is usually available from the airport.
21. Schools. Maunaloa Elementary School, a public elementary school, is located at Maunaloa Town, which is approximately 10 miles from the Subdivision. Molokai Intermediate and High School, a public intermediate and high school, is located at Hoolehua, which is approximately 18 miles from the Subdivision.
22. Shopping Facilities. A variety of small retail stores and shops are located within 10 miles at Maunaloa Town.
23. Hospitals or Medical Facilities. The Molokai General Hospital is located approximately 22 miles from the Subdivision site in Kaunakakai Town. Other medical related facilities, including a dentist and an optometrist, are also located in Kaunakakai Town.
24. Terms and Provisions of Sale. Seller intends to sell the lots in fee simple without any dwellings or improvements. The full purchase price plus closing costs, prorations and such other sums as may be due pursuant to the sales contract will be required to be paid in cash by the purchaser at closing.

The lots will be sold pursuant to a sales contract signed by the purchaser. The sales contract will require the purchaser to make one or more cash deposits prior to closing, and to pay the full balance of the purchase price plus other charges, as indicated above, in cash at closing. The sales contract is a legally binding document, and therefore, the purchaser should read each provision of the sales contract very carefully. The purchaser should feel free to consult an attorney or any other person(s) of the purchaser's choosing to review the sales contract and advise the purchaser.

25. Existing or Proposed Association of Lot Owners. Each purchaser of a lot in the Subdivision will automatically become a member of the homeowners association created by the West Molokai Declaration, which is organized as a Hawaii nonprofit corporation known as the West Molokai Association. Pursuant to the Papohaku Declaration, owners of the Makai Lots shall also automatically become a member of the Papohaku Homeowners Association, which is organized as a Hawaii nonprofit corporation.

Assessments imposed by the Associations may be used for the improvement, maintenance, construction, replacement, repair of and additions to the Subdivision, its common property, and any other purpose provided or allowed by the Covenants or the Papohaku Declaration or under the law. The purchaser is referred to Section 9 of this document, the Covenants and the Papohaku Declaration for further details.

26. Escrow or Trust Agreement. An escrow agreement has been executed by the Seller with Title Guaranty Escrow Services, Inc. for the closing of the sale of the lots in the Subdivision.

27. Description of Road Maintenance Fund. At present there is no road maintenance fund. Kaluakoi Roads, LLC maintains the roads leading to and within the Subdivision. Assessments for the maintenance of the roads and other common property of the Associations may be collected from the owners at some future date in accordance with the Covenants and the Papohaku Declaration.

The roadways are presently maintained by Kaluakoi Roads, LLC until such time as the roadways are conveyed to either or both of the Associations or accepted by and dedicated to the State or the County of Maui. If the roadways are transferred to either or both of the Associations, an assessment will be made upon the property owners for maintenance and replacement costs of the roadways. However, if the roadways are accepted by and dedicated to the State or the County of Maui, then the State or the County of Maui will be responsible for the maintenance and replacement costs of the roadways. Seller makes no assurance that the roadways are now up to government standards for acceptance and dedication, and you are advised that additional requirements may be imposed prior to acceptance of such roadways by the State or the County of Maui.

28. Representative or Real Estate Agent in Hawaii. The Seller is currently utilizing a nonexclusive listing arrangement under which it has engaged the services of Swenson Real Estate, whose mailing address is P.O. Box 1979 Kaunakakai, Hawaii 96748, to act as the Seller's real estate agent(s). The Seller may also engage other Hawaii licensed real estate agents to act on Seller's behalf in the sale of the Subdivision lots.

29. Exposures to Unnatural Hazards. A former military practice bombing range site is located on various lots in the extreme southwest portion of the Subdivision from which the government has previously removed the surface ordnance. Seller believes, but has no personal knowledge, that this was a World War II aerial practice range which has not been utilized as a bombing range within the past 40 years. Seller is aware that the site contains subsurface ordnance which will need to be excavated and removed prior to constructing improvements on the affected lots. The former practice bombing range encompasses certain lots in the Subdivision, including but not limited to Lots 293 through 303, 308 through 315, 317 through 321, 329 through 332, 334 through 336, and 338 through 346, some of which lots are being offered for sale at this time. All of the statements in this section, above, are made by the Seller without any independent investigation. Each purchaser of any lot included in the bombing range site must acknowledge in its sales contract with the Seller that the purchaser desired and sought the lot with the understanding that the location of the lot may result in nuisances or hazards to persons and property on the lots as a result of such ordnance. Each such purchaser

must further covenant in the sales contract that it shall assume all risks associated with the location of the lot, including but not limited to the risk of personal injury or property damage arising from such ordnance, and shall indemnify and hold harmless Seller and its agents and representatives from any liability, claims or expenses, including attorneys' fees and costs, arising from such personal injury or property damage. These provisions of the sales contract will continue to survive beyond closing of the purchase of such lots.

A landing field owned by an individual lot owner for the use of, among other things, privately owned propeller aircraft is located on Lot 288 within the Subdivision. Landings and/or takeoffs are unscheduled and may be made without prior notice to residents of the neighboring lots. Seller makes no representation as to the permanency, or whether the use of such a facility is permitted by, or authorized by, the Covenants, the Papohaku Declaration, or under the law.

Subject to any required land use and/or zoning approvals, the Supplemental Declaration would permit the following uses on these Mauka Lots:

(a) Lot 42: the establishment, operation and maintenance of: (i) radio transmission and broadcasting facilities and activities of all types; (ii) transmission towers, equipment and facilities, and (iii) all related communication and broadcasting operations, activities, services, equipment and facilities.

(b) Lot 43: (i) the establishment, operation and maintenance of horse stables and equestrian schools, centers and facilities of all types; (ii) the purchasing, raising and selling of horses, and (iii) all related activities, occupations and facilities.

(c) Lot 51: the establishment, operation and maintenance of airport runways and facilities and all related or customary commercial and/or passenger servicing facilities, establishments and activities (including, but not limited to, public restaurants and car rental agencies).

30. Recreational Amenities. A golf course, tennis courts and related facilities ("Recreational Amenities") are located adjacent to the Subdivision as part of the Kaluakoi Hotel & Golf Course. Such Recreational Amenities are currently not operating. No representations or warranties, whether verbal or written, have been or are made by Seller or any other person with regard to the continuing ownership of, or operation or use rights in any portion of the Recreational Amenities. Each purchaser acknowledges and understands that such purchaser has no guaranteed or vested right to use or own a membership in any of the Recreational Amenities, and that such purchaser does not acquire interest in any of the Recreational Amenities by virtue of taking title to such purchaser's lot. Purchaser acknowledges that neither Seller, Seller's agents, nor any other person has made any representation, whether express or implied, that the Recreational Amenities are owned by or will become Common Property (as defined in the Declarations) of the Associations, or any other owners' association.

Lot 150 has been conveyed to the County of Maui for use as a public park. Lot 370 has been conveyed to the Papohaku Homeowners Association for use as an Association Recreational Facility (See Paragraph 31 below).

31. Construction of Recreational Facilities. The Papohaku Declaration requires the Papohaku Homeowners Association (in which the purchaser shall automatically become a member upon the recordation of the deed conveying the property to the purchaser), to construct certain recreational facilities ("Recreational Facility", or alternatively, "Recreational Facilities") upon certain Common Property owned by the Papohaku Homeowners Association. Generally, the Papohaku Declaration provides that upon the affirmative vote of ten percent (10%) or more of owners in a meeting duly called and held, the Papohaku Homeowners Association shall be required to construct at least the following community recreational facilities on Lot 370 which is to be conveyed to the Papohaku Homeowners Association: one swimming pool (not less than 40' x 15' in size), together with all necessary appurtenant equipment; one recreational size tennis court; one completely enclosed recreational/activity building containing not less than one restroom, and one kitchenette (which shall be equipped with hot and cold running water, counters, cabinets and space for one standard size refrigerator, oven and counter top range); and an additional 600 square feet of enclosed floor space. Such construction must proceed in compliance with the provisions of the Covenants and pursuant to plans and specifications approved by the Seller. The Seller shall, upon written request from the Board of Directors of the Papohaku Homeowners Association, deposit the sum of \$75,000 into a special account for purposes of paying a portion of the cost of constructing these recreational facilities. All other sums necessary to complete the construction of the facilities shall be borne by the Papohaku Homeowners Association. The purchaser is referred to Section 2 of Article VIII of the Papohaku Declaration for further details on the Papohaku Homeowners Association's obligation to construct the recreational facilities.

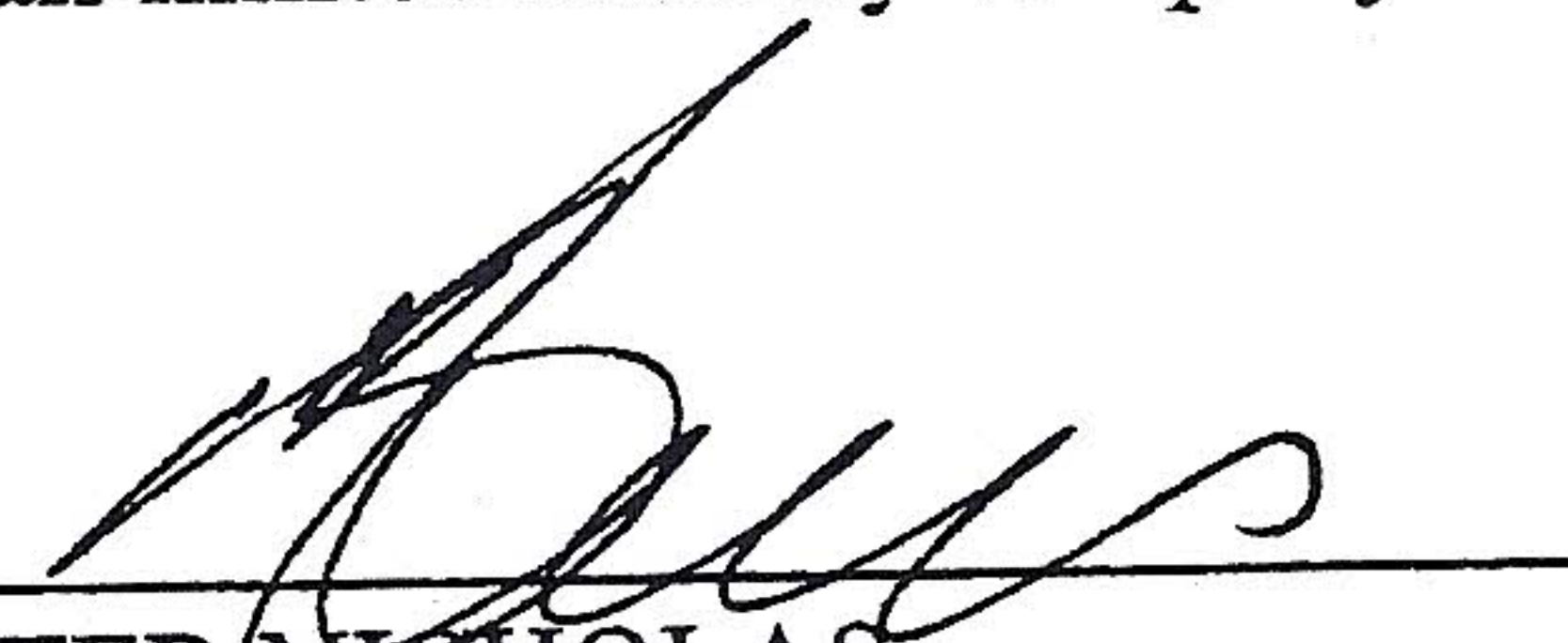
Mauka Lot owners will not be assessed any fees for the development of the Recreational Facilities since they are not members of the Papohaku Homeowners Association. As a result they are not entitled to use of the Recreational Facilities.

THIS SUBDIVISION HAS BEEN REGISTERED WITH THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS, STATE OF HAWAII, ON MAY 1, 2002. REGISTRATION DOES NOT INDICATE APPROVAL OR DISAPPROVAL OF THE SUBDIVISION.

THIS PUBLIC OFFERING STATEMENT MUST BE GIVEN TO EACH PURCHASER AT THE TIME OF THE SALE AND A RECEIPT THEREFOR MUST BE TAKEN. THE PURCHASER MUST ALSO BE GIVEN AMPLE OPPORTUNITY TO READ THIS STATEMENT. THE SALE OF SUBDIVISIONS IN HAWAII IS GOVERNED BY CHAPTER 484, HAWAII REVISED STATUTES.

EACH PURCHASER HAS A SEVEN-DAY PERIOD, AFTER SIGNING A CONTRACT TO PURCHASE SUBDIVIDED LANDS FROM THE SELLER, TO RESCIND THE CONTRACT AT NO PENALTY TO THE PURCHASER.

KALUAKOI RESIDENTIAL, LLC,
a Hawaii limited liability company

By 
PETER NICHOLAS
Its Manager

RECEIPT FOR PUBLIC OFFERING STATEMENT

Registration No. 1100 _____, 20____

A copy of the PUBLIC OFFERING STATEMENT of the Papohaku Ranchlands Subdivision was received from Kaluakoi Residential, LLC, or its agents, at the time of purchase of parcel(s) no. _____. I or (we) was (or were) given the ample opportunity to examine this statement before making the purchase.

Purchaser

Purchaser

Purchaser

Purchaser