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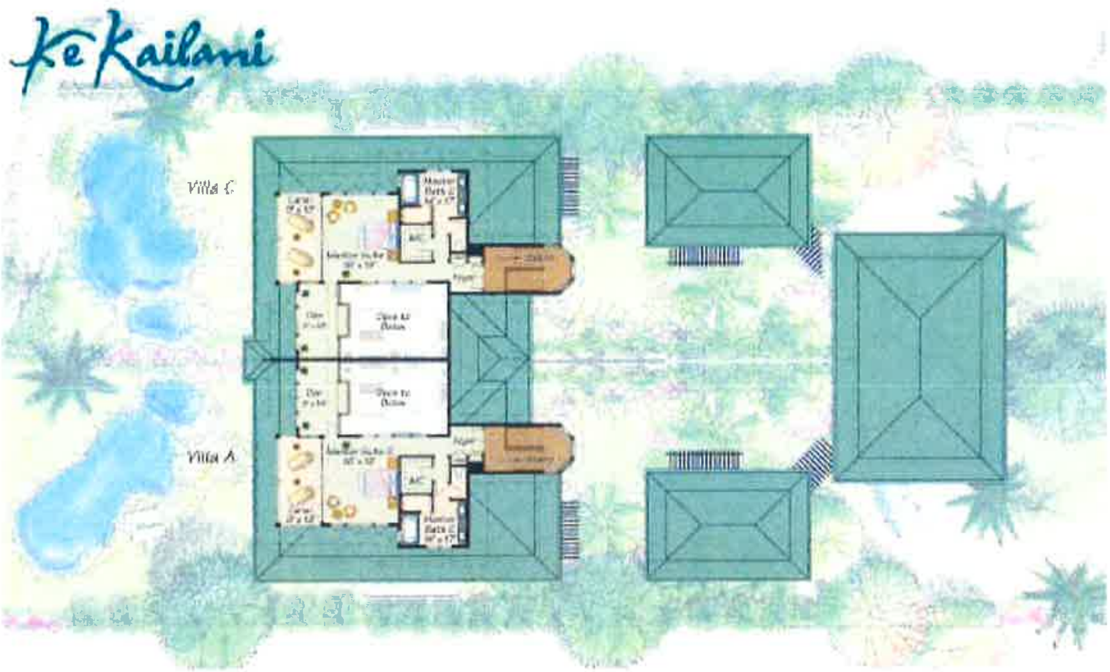
CONTINUED

Villas First Floor Plan, courtesy of Ke Kailani Development



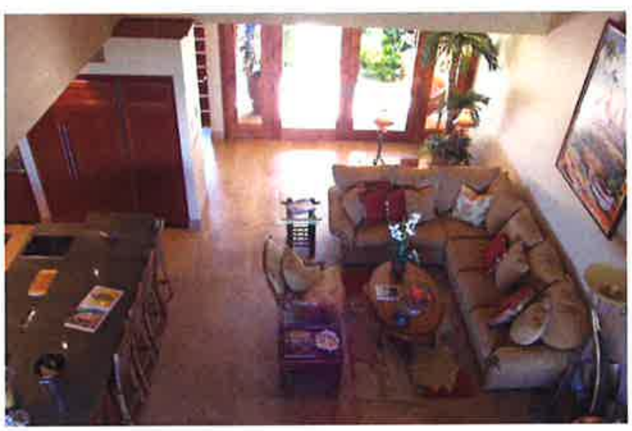
Villas Second Floor Plan, courtesy of Ke Kailani Development

Photos of the subject Villas taken on the January 22, 2009 site visit are provided following.

View of a typical "Villa C" unit with upgraded water feature. Detached guest suite is shown at the right of photo, attached home is in the center of photograph.

View of detached garage with additional space for golf carts.

View of interior Alan Wong designed kitchen.



View of Living Room taken from second floor den, kitchen is depicted to the left of photograph. Camera is facing south.

View of the lower level master suite looking out into a private lanai area. Camera is facing in a makai direction.

View of lower level master bathroom, outdoor shower is visible at the right of photograph.

View of Villa's private pool off rear lanai areas. The South Golf Course is depicted in the background.

View of adjacent Lot 16-3 from second level master suite.

View facing north/northwest towards ocean. Photograph taken from the second level.

View of detached guest suite, camera facing in an easterly direction.

Interior view of guest suite, wet bar featured at the rear of photograph.

HIGHEST AND BEST USE

DEFINITION AND DISCUSSION

Highest and best use is defined in The Dictionary of Real Estate Appraisal (*Appraisal Institute, 4th Edition, 2002, Page 135*) as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."-*

The highest and best use of a specific parcel of land is not determined through subjective analysis; rather, highest and best use is shaped by the competitive forces within the market where the property is located. Given the market orientation of highest and best use analysis and market value, highest and best use analysis is the basis for all valuation assignments. It is important to note that while the concept is linked to feasibility, the reasonable likelihood that a project will satisfy specific objectives, feasibility analysis often address considerations that are beyond the scope of highest and best use analysis.

Highest and best use is associated with the land residual concept of the classical economists which incorporates the principles of balance and the related concept of contribution which are concerned with equilibrium among the agents of production (i.e., labor, capital, coordination and land). Essentially, the theory is that land value is equivalent to the portion of total property income that remains after all of the improvement costs are paid. Implicitly, then, land is worth what it can earn. As such, the use decision is fundamental to determining how much income a site can produce. Under the land residual concept, the income to the land is the driving force of property value. (Note: *in Hawaii, this traditional theory may have limitations in situations where the market data indicate that owner/users are willing to pay very high prices for sites in order to secure a place for their business operations; even in the face of prevailing rental rates for improved properties that would not support the prices paid*).

The definition of highest and best use applies to the use of a site as though vacant, as well as to the total property as improved. The highest and best use of the land, if vacant and available for use, may be determined to be different from the existing improved use. This will be true when the existing improvements do not reflect an optimum use, but still make a contribution to total property value in excess of basic land value (*i.e., an interim use*). The existing use will generally continue until the land value in its highest and best use exceeds the sum of the value of the entire property in its existing use plus the cost to remove the improvements. In appraisal reports where market value of an improved property is the purpose of the assignment, and where land value is estimated separately, it is appropriate to include summary statements that describe our analyses and conclusions relative to the highest and best use of the site as improved.

The overall subject development has been developed into Ke Kailani as it currently exists. More importantly, numerous lots and Villas have already been sold to individual purchasers. Furthermore, the project has been encumbered by the terms contained within the Community Rules of Ke Kailani, Declaration of Protective Covenants, Conditions and Restrictions for Ke Kailani, By Laws of the Ke Kailani Community Association and CC&Rs of the Mauna Lani Resort. Hence, we do not believe there is the potential to redevelop the entire development site. Similarly we do not believe there is the potential for radical departure from the current program of intended uses which include sales of vacant lots (for single-family home development) and improved villas for primarily whole ownership type use. Furthermore, the existing lot sizes and configuration of the unsold lots appear consistent with market tastes. We do not believe any consolidation or re-subdivision is warranted aside from Lot 16. As noted, the undeveloped portion of Lot 16 would need to be reorganized as CPR lots or subdivided into standard lots in order to be sold as multiple (8) house lots.

Hence the highest and best use appears to involve continued sale and marketing of house lots and the Villas as they currently exist. However, the development has met only limited success following its initial roll-out in 2005. Our analysis of the subject development suggests its lack of success was impacted by softening market conditions as well as failure to correspondingly adjust prices. We cannot identify anything fundamentally wrong with the concept and design of the project that significantly impacted sales absorption.

It is more likely that the subject lots would be owned/managed under one of these scenarios: 1) removed from the market until conditions improve; 2) be offered at a steep discount to over-penetrate the market and spur sales absorption; or 3) repositioned or improved with semi-custom homes and villas then sold.

We currently cannot identify any potential scenarios (not involving significant speculation) where the subject lots can be repositioned under current entitlements and land use restrictions. In addition, we do not believe improving the lots with spec. homes or additional Villas will significantly spur absorption. It would also appear to make more sense to market the undeveloped portion of Lot 16 as additional house lots.

The definition of market value presumes a hypothetical sale. By extension, we have analyzed highest and best use based on the motivations of a typical owner. We do not believe anyone would realistically acquire the project and remove the inventory from the market. Only a well capitalized entity who already owned the inventory might entertain this. Accordingly, a key presumption to our analyses is that a hypothetical investor can only acquire the subject in bulk at a given price (value) that will allow the investor to undertake a strategy which will allow an expedited sales absorption (investment holding) period and still generate a sufficient level of return. Our broker interviews regularly revealed that buyers are still highly interested and continue to have the financial strength to make purchases of luxury vacation homes, but are waiting for the market to bottom or at least stabilize. Hence, the indicated strategy would appear to have merit.

Section II

MARKET OVERVIEW

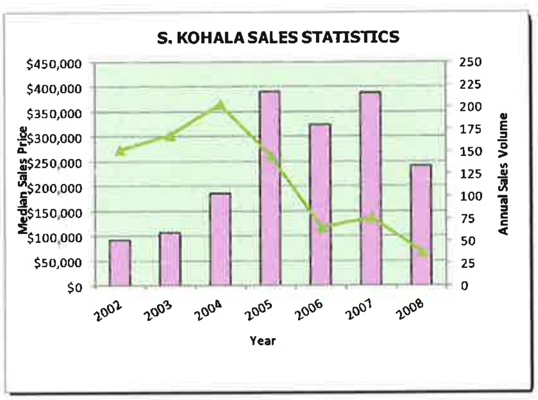
MARKET OVERVIEW

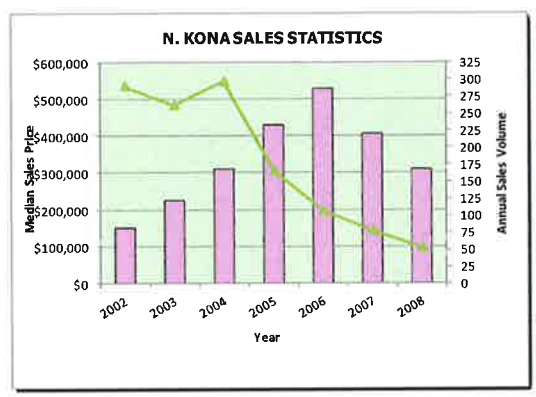
INTRODUCTION

The subject property interests are specifically identified as the unsold inventory comprised of 24 subdivided lots, 8 CPR lots and two Villas. On an overall basis, the subject property interest was considered primarily to be comprised of vacant residential lots. The following market overview was focused accordingly.

The purpose of this *MARKET OVERVIEW* is to address the depth of demand for the unsold subject inventory in the current market and to discuss future sales absorption prospects for the unsold subject lots.

Market demand for resort residential properties along the Kohala Coast (actually containing portions of the North Kona and South Kohala Districts) reached unprecedented levels between 2003 through 2005. In part, the record demand was the combined result of several factors including: (1) the growing popularity of Kukio and Hualalai as resort communities targeted toward the ultra luxury, (2) the release of available development sites to third party developers in the Waikoloa, Mauna Lani and Mauna Kea resorts; (3) the overall strength of Hawaii's residential real estate market, (4) the then historically low mortgage rate environment and relaxed underwriting criteria, (5) the significant influx of mainland vacation home buyers, and (6) increase in value of these buyers' already existing real estate portfolio including personal residence.





Source: Hawaii Information Service MLS Statistics

Annual median sale price and sales volume statistics are provided following for S. Kohala and N. Kona Districts. The purple bars represent annual median sale price, while the green line represents annual sales volume. While median sale price behaved a little differently between 2006 and 2007 in the two districts, it is clear that median price corrected sharply in 2008. Both markets peaked in 2004 in terms of sales volume and both exhibit a similar linear decline in volume through 2008. With the global financial crisis worsening in the Fall of 2008, the market appeared to take another dramatic turn with a near absence of sales activity.

OVERVIEW PARAMETERS

Parameters for the Market Overview were limited to Kohala Coast resort developments in the North Kona and South Kohala Districts. In further narrowing market parameters, we observed that the various developments can be readily categorized in distinct submarkets. Kukio (including its sister projects of Manini'owali and Ka'upulehu), Hualalai, and Kohanaiki to a lesser extent are considered to involve examples of the new resort model. These developments involve private communities located in a resort setting featuring private golf and beach clubs. Typically there is little to no lodging as well as a noticeable absence of timeshare and fractional interest developments.

Older projects that existed prior to 1990, including Mauna Lani, Mauna Kea and Waikoloa, reflect the traditional resort model found throughout Hawaii. These resorts are designed around luxury hotels and resort golf courses open to the public. While residential real estate is still a major component, these resorts are more likely to contain entry level condominiums and timeshare/fractional product as well luxury homes and house lots located on the water and or golf course. These resorts are also more likely to contain residential projects developed by third parties, like the subject.

The values/sale prices of house lots in Kukio and Hualalai typically trade for at least a 50% premium (for similarly exposed lots) over that found in the traditional resorts to the north. The least expensive lots in Kukio (including Manini'owali and Ka'upulehu), which do not have golf course frontage, currently exceed $2MM. While buyers do occasionally entertain a lower tier product in Kukio or Hualalai in exchange for location, we did not consider lots here to be realistic substitutes for the subject lots. Hence, we believe market conditions within projects found in the traditional resort areas to be more indicative of that for the subject property. Our focus will be on market activity within Mauna Lani, Mauna Kea and Waikoloa.

In recognition of the nature of the subject property, this study will also focus primarily on residential lots. In addition, while an overview of historic market conditions is somewhat helpful, we have focused primarily on more contemporary market conditions which have proceeded the market peak of 2006.

PURCHASER PROFILE

The vacation home market has clearly slowed in Hawaii since the end of 2006. Prior to that, practically any and every project entering a Hawaii resort area had its developer inventory quickly absorbed by the market and sales prices were constantly being tested. Many opined that eroding equity in Mainland properties have prevented or dissuaded prospective buyers of Hawaii vacation properties. Others cited the investment rationale that sale prices will correct and that currently is not the time to buy. Buyers are thus thought to be trying to time the bottom of the market. The target market for the subject is anticipated to be the high net worth individual/couple that can treat this acquisition as a true discretionary purchase and is motivated by the investor rationale on a secondary basis. These buyers may likely have other vacation residences and a purchase within the subject development may not be their first vacation home property. Furthermore, our experience indicated that many of the buyers could still pay cash if they so chose.

According to a 2007 National Association of Realtors (NAR) study, the share of residential properties purchased for use as vacation homes fell to 12% in 2007 from an estimated 14% in 2006. Similarly, the share of residential investment property purchases fell to 21% from 22% over the same period. Vacation home and investment property purchases declined more steeply than sales of homes for use as primary residences. Vacation home sales decreased by 30.6% in 2007 to 740,000, dropping to a level consistent with the pace of sales earlier in the decade. According to the NAR study, potential home buyers may have chosen to delay a purchase given concerns about a weakening economy and uncertainties in the financial and mortgage markets.

The most recent NAR study found that the attribute most desired in a vacation home is its proximity to an ocean, river or lake, followed by proximity to recreational or sporting activities, and next by its location close to vacation or resort areas. Hawaii offers its buyers all of these attributes and the proposed subject development, in particular, fits this profile.

There is a wide array of resort residential opportunities on the Kohala Coast featuring a wide stratum of price points. Buyers of subject lots are unlikely to be the same buyer seeking a timeshare unit in Waikoloa or an entry level attached condominium. Conversely, subject lot buyers also typically will not be the same buyer considering a $20MM+ estate in Kukio. However, lot buyers could also conceivably consider a completed single-family home (particularly a new one or candidate for extensive renovation).

Potential buyers for the subject lots will also consider the strength and weaknesses of Ke Kailani as well as that of the Mauna Lani resort in general. Typical buyers here may not be at the same level of wealth as that typically found in Kukio and Hualalai (however, they will still be of a high net worth). We note that certain residents in Mauna Lani have the financial wherewithal to live anywhere but choose Mauna Lani. Buyers at Ke Kailani may also place a lower premium on the private club and golf aspects found in Kukio and Hualalai. At a given price point, a buyer would have to accept a lesser desirable product in Kukio and Hualalai compared to what could be purchased in Ke Kailani. Potential buyers could also view Ke Kailani and Mauna Lani as a slightly lower cost alternative to product at Mauna Kea. Conversely, potential buyers will likely prefer the more exclusive reputation of Mauna Lani over neighboring Waikoloa.

There is only a single unsold oceanfront subject lot and two unsold villas. There are no off-ocean lots available in Waikoloa, while oceanfront lots here are priced over $3MM. Hence, the typical purchaser profile is characterized as specifically seeking a lot in

Mauna Lani or Mauna Kea. The market for the vast majority of the subject lots can be further narrowed to buyers not specifically seeking an oceanfront lot and are operating at a price threshold of under $2.5MM.

It has been our experience that buyers of vacation homes often find condominium ownership to be preferential due to the long periods in which the property is often vacant and the built-in convenience of a maintenance staff/services and resident manager. Condominiums are also typically less expensive than a single family residence. The trade off is the lack of privacy and the absence of personalized touches found in a custom home. Buyers who choose detached single family homes over condominiums generally place a high degree of importance on privacy, prestige and custom design and often are of significant economic means. It is also believed that buyers can also better rationalize paying for a single family home at a high price threshold but not a condominium unit. Also, in terms of large and lavish homes, there are no realistic substitutes involving condominiums.

In terms of the market for the subject Triangle Lots, we believe it is somewhat more narrow than the Tier 3 lots. The Triangle lots, which have limited view amenity and are relatively small, are priced accordingly at under $1 million. Hence, its primary attribute is affordability. However, these attributes do not appear to marry-up well with the motivations of the typical lot buyer in a luxury resort. These lots are also unlikely to appeal the higher net worth buyers.

The effective market for these lots thus appears to be a budget minded buyer who is specifically seeking a lot to build a custom home and does not want a condominium. After considering the cost to build a custom home (say $400 to $500) per square foot, the all in cost is likely $2.5 and higher. However, at this price point, such a home may be considered as a substitutable option to the better condominium units in the Mauna Lani Resort. In addition, these lots also have the benefit of Ke Kailani's amenities while competitive inventory (primarily at Champion Ridge) has no amenities.

SUBJECT SALES HISTORY

The subject residential vacant lots entered the market in 2005 in the form of pre-sales. The first closings occurred in 2005. The Ke Kailani Villas was subsequently released to the market in the fall of 2007. A summary of developer sales activity is provided below.

Sales Activity Ke Kailani				
Lot Number	Lot Size	Contract Date	Original Sales Date	Original Sales Price
3	44,148	1/16/2009	1/20/2009	4,950,000
4	43,813	6/18/2005	10/7/2005	8,500,000
6	53,985	9/6/2005	12/27/2005	3,500,000
7	55,726	9/6/2005	12/27/2005	3,100,000
8	59,271	6/6/2005	11/4/2005	2,800,000
9	56,194	9/6/2005	12/27/2005	2,650,000
10	49,034	4/6/2007	5/15/2007	2,600,000
15	43,363	6/18/2005	11/9/2006	1,950,000
#1A	Villa	6/18/2005	11/30/2007	3,950,000
#2A	Villa	12/6/2006	10/31/2007	4,530,000
21	34,968	4/6/2007	8/15/2007	1,550,000
22	35,508	6/1/2005	10/31/2005	1,495,000
23	38,905	7/27/2005	11/17/2005	1,595,000
24	38,251	5/6/2005	10/18/2005	1,495,000
25	45,307	5/12/2005	10/19/2005	1,595,000
28	18,338	1/10/2007	4/5/2007	800,000
29	19,889	1/17/2006	3/23/2006	915,000

As discussed, only four Villas were ever completed. In addition, not all of the project amenities have been completed as of the date of value. It is our understanding that unlike marketing efforts utilized by other projects, the entire subject inventory was never rolled out in a single offering. The Developer instead chose to only make selected lots and Villas available to the market (via Developer sales that were also listed on the MLS).

As exhibited, the subject did not have a developer sale during 2008, despite continued marketing of the project. A lot sale, involving acquisition by the adjacent home owner, occurred in January 2009. While market conditions were undeniably soft during 2008, the complete lack of any sales is considered a market anomaly. Our discussions of this matter with Steve Hurwitz (principal broker for the project), suggest that the lack of sales appears to be primarily the result of the Developer's reluctance to lower sale prices. (Price reductions were already common place in this market during 2008.) The only other competitive project undergoing project sales in 2008 was Kauna'oa, which is described in greater detail following. This project sold only a single house lot and a single condominium during 2008. This provides some perspective on the subject's recent sales performance.

Alternatively, the lack of sales does not appear to be the product of a lack of acceptance by the market for the subject product. While we do not consider all design and concept decisions to be optimal, we considered the location and existing design and concept to be desirable by the market. Like the more exclusive of the newer developments in

Mauna Lani, Mauna Kea and the Waikoloa Resorts, the subject is gated and contains private club amenities.

HISTORIC SALES VOLUME

We reviewed the historic sales volume of vacant lots in the Mauna Lani and Mauna Kea Resorts since 2007. These sales involve both Developer sale and resale activity. As exhibited in Table II-1, there were only 10 sales in 2007 and 5 in 2008. After removing three oceanfront sales in 2007 (involving sale prices over $4MM) there were only 7 sales in 2007. As exhibited, the majority of the sale activity has occurred in Mauna Lani.

For illustrative purposes, we have also included sales activity of the North Kona projects not considered directly competitive with the subject.

MARKET OVERVIEW SUMMARY TABLE
SALE PRICE RANGE AND ABSORPTION RATES OF VACANT LOTS
MANINIOWALI, KUKIO, KAUPULEHU AND HUALALAI

PROJECT	TYPICAL LOT SIZE (In Acres)	SALE PRICE RANGE OF VACANT LOTS (Approximate) [1]	TOTAL NUMBER OF SALES SINCE JAN. '05	ABSORPTION RATE SINCE JAN. '05 (Per Month)	TOTAL NUMBER OF SALES SINCE JAN. '07	ABSORPTION RATE SINCE JAN. '07 (Per Month)
Maniniowali	1.5 to 3.0	$1.3 MM to $3.0 MM	55	**1.25**	15	**0.75**
Kukio	0.5 to 1.0	$1.5 MM to $20.0 MM	61	**1.39**	16	**0.8**
Kaupulehu	1.0 to 2.5	$2.3 MM to $17.5 MM	19	**0.54**	N/A [2]	N/A [2]
Hualalai	0.2 to 1.8	$1.1 MM to $20.0 MM	48	**1.09**	22	**1.1**

[1] Based on sales that recorded from 2007 forward.

[2] Recordation information not available for all lots. Thus data on number of lots sold since January 2007 was not available.

SOURCE: LESHER CHEE STADLBAUER, INC.

COMPETITIVE SUPPLY

Our research unveiled a variety of sale listings in projects still in developer sales as well as older projects containing vacant lots that were sold but never developed with homes. A full inventory of available listings are summarized in **Table II-2**. Currently there are 38 active listings excluding subject listings. Of this total, 24 are priced below $3MM and 16 are priced below $2MM.

TABLE II-1

VACANT HOUSE LOTS - SALES
MAUNA LANI AND MAUNA KEA RESORTS
2007-2008

TMK DIV 3	AREA IN S.F.	RESORT	PROJECT	EXPOSURE	SALE PRICE	SALE DATE
6-2-08: 15	39,114	Mauna Kea	Mauna Kea Fairways		$2,250,000	March-07
6-2-12: 02	36,874	Mauna Kea	High Bluffs		$1,296,000	March-07
6-8-34: 33	28,823	Mauna Lani	Pauoa Beach		$1,760,000	March-07
6-8-27: 32	22,289	Mauna Lani	Champion Ridge		$950,000	March-07
6-8-34: 44	38,014	Mauna Lani	Pauoa Beach	Beach Club	$3,350,000	March-07
6-8-36: 28	18,340	Mauna Lani	Ke Kailani		$800,000	April-07
6-8-36: 10	49,223	Mauna Lani	Ke Kailani	Golf	$2,600,000	May-07
6-8-33: 09	42,210	Mauna Lani	49 Black Sand	Ocean	$4,750,000	August-07
6-8-34: 05	61,420	Mauna Lani	Pauoa Beach	Ocean	$6,100,000	September-07
6-8-34: 04	60,984	Mauna Lani	Pauoa Beach	Ocean	$6,700,000	September-07
6-8-34: 20	33,702	Mauna Lani	Pauoa Beach		$2,450,000	February-08
6-2-19: 18	93,013	Mauna Kea	Kaunaoa		$7,500,000	June-08
6-8-33: 30	43,996	Mauna Lani	49 Black Sand	Golf	$1,740,000	June-08
6-8-24: 01	25,633	Mauna Lani	The Cape		$850,000	August-08
6-8-33: 38	46,174	Mauna Lani	49 Black Sand	Golf	$1,200,000	September-08

Source: Lesher Chee Stadlbauer

TABLE II-2

VACANT HOUSE LOTS - ACTIVE LISTINGS
MAUNA LANI AND MAUNA KEA RESORTS
JANUARY 2009

TMK DIV 3	AREA IN S.F.	RESORT	PROJECT	EXPOSURE	LIST PRICE	DOM
6-8-36: 30	18,730	Mauna Lani	Ke Kailani		$695,000	
6-8-36: 40	15,798	Mauna Lani	Ke Kailani		$695,000	
6-8-36: 28	18,340	Mauna Lani	Ke Kailani		$795,000	114
6-8-27: 21	23,535	Mauna Lani	Champion Ridge		$1,150,000	41
6-8-36: 22	35,511	Mauna Lani	Ke Kailani	Golf	$1,150,000	369
6-8-27: 03	23,527	Mauna Lani	Champion Ridge		$1,200,000	217
6-8-27: 32	23,289	Mauna Lani	Champion Ridge		$1,200,000	43
6-8-33: 37	45,302	Mauna Lani	49 Black Sand	Golf	$1,200,000	1362
6-8-33: 39	34,020	Mauna Lani	49 Black Sand	Golf	$1,200,000	1362
6-8-33: 40	35,153	Mauna Lani	49 Black Sand	Golf	$1,200,000	1362
6-8-33: 41	33,062	Mauna Lani	49 Black Sand	Golf	$1,200,000	1362
6-8-27: 12	27,334	Mauna Lani	Champion Ridge	Golf	$1,250,000	142
6-8-27: 29	26,129	Mauna Lani	Champion Ridge		$1,295,000	610
6-8-34: 32	32,204	Mauna Lani	Pauoa Beach		$1,450,000	204
6-8-27: 27	29,053	Mauna Lani	Champion Ridge	Golf	$1,550,000	267
6-8-24: 18	21,964	Mauna Lani	Mauna Lani Pt.	Golf	$1,750,000	914
6-8-34: 23	28,809	Mauna Lani	Pauoa Beach		$1,795,000	650
6-8-36: 26	44,867	Mauna Lani	Ke Kailani	Golf	$1,800,000	628
6-8-36: 14	43,996	Mauna Lani	Ke Kailani	Golf	$1,950,000	628
6-8-34: 34	30,820	Mauna Lani	Pauoa Beach		$2,195,000	414
6-8-34: 35	34,178	Mauna Lani	Pauoa Beach		$2,395,000	414
6-8-34: 37	33,055	Mauna Lani	Pauoa Beach		$2,395,000	513
6-8-36: 12	48,352	Mauna Lani	Ke Kailani	Golf	$2,650,000	628
6-8-24: 27	43,560	Mauna Lani	The Cape	Golf/Near Ocean	$3,295,000	195
6-8-33: 09	42,210	Mauna Lani	49 Black Sand	Ocean	$5,990,000	265
6-2-19: 21	32,940	Mauna Kea	Kaunaoa		$1,300,000	444
6-2-12: 01	31,564	Mauna Kea	High Bluffs		$1,386,000	600
6-2-19: 02	33,015	Mauna Kea	Kaunaoa	Golf	$1,625,000	150
6-2-19: 26	42,673	Mauna Kea	Kaunaoa	Golf	$2,250,000	92
6-2-19: 12	42,217	Mauna Kea	Kaunaoa		$2,295,000	10
6-2-19: 13	36,702	Mauna Kea	Kaunaoa		$2,295,000	652
6-2-08: 12	24,606	Mauna Kea	Fairways North		$2,500,000	329
6-2-19: 08	36,614	Mauna Kea	Kaunaoa	Golf	$2,700,000	329
6-2-08: 04	24,752	Mauna Kea	Fairways North		$3,000,000	34
6-2-19: 07	64,904	Mauna Kea	Kaunaoa	Golf	$3,700,000	329

Source: Lesher Chee Stadlbauer

MAUNA LANI RESORT

Mauna Lani Resort experienced a boom of residential development activity since 2003. However, aside from Ke Kailani, we could not identify any other existing projects within the Mauna Lani Resort that contained unsold developer inventory involving vacant lots as of the date of value.

In terms of future potential inventory, we are aware of at least two condominium projects (**Laulea** and **Nohana Kai**) that are being postponed due to due unsupportive market conditions. These projects could conceivably enter the market in the future as vacant house lot developments.

We considered three projects which contain active resale listings of particular note including the nearby **49 Black Sand Beach** and **Champion Ridge** subdivisions in Mauna Lani. The third is the **Pauoa Beach Club**, which was similar to Ke Kailani in terms of unit mix, amenities and being a private gated community, completed developer sales several years ago. More details surrounding this development can be found at www.pauoabeach.com. Currently, there are four listings available at between $1,450,000 and $2,395,000.

The **49 Blacksand** development (below) features 49 home sites which front Honoka'ope Bay and the Mauna Lani South Course (opposite from the subject along the 8th Fairway). This gated development also features a private beach club, park and tennis courts. Currently, there are four listings available at $1,200,000 and a single oceanfront lot listed at $5,990,000.

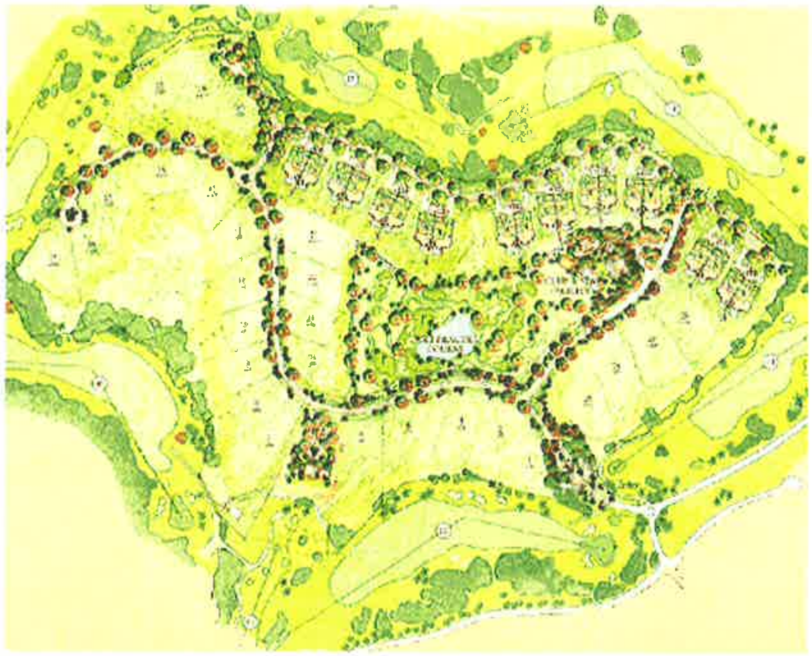
The **Champion Ridge** development (below) features 33 home sites, a limited number of which have golf frontage. This gated development does not feature any private amenities. Currently, there are 6 resales available at list prices between $1,150,000 and $1,550,000.

There was also a limited listings in Mauna Lani's other subdivisions including vacant house lots (**The Cape and Mauna Lani Point Estates**).

MAUNA KEA RESORT

The Mauna Kea resort was the first luxury resort to be developed in South Kohala during the 1960s by the Rockefeller family. In addition to the landmark Mauna Kea Hotel, it contains another luxury hotel (Hapuna Prince), two championship golf courses and luxury residences. The resort has a reputation of attracting "old money", while the Mauna Kea Beach Hotel has a worldwide following. The Mauna Kea Hotel and golf course recently completed a $150 million renovation following earth quake damage suffered in 2006. Following the renovation, it is expected that the hotel will return to a 5 Star/Diamond rating. Mauna Kea was historically considered the most exclusive of the Kohala Coast resorts until the entry of Hualalai in the 1990s. Despite this, this project still maintains an air of desirability over Mauna Lani and Waikoloa. It is believed that the Mauna Kea golf course will convert to restricted private play similar to Hualalai.

The Mauna Kea Resort currently contains two active developments. **Wai'ula'ula at Mauna Kea Resort** will feature only a mix of detached and attached product (but no vacant lots). **Kauna'oa** consist of 28 estate home sites and 20 luxury condominium townhomes and features the Kauna'oa Country Club, an elegant club and spa facility exclusively for Kauna'oa homeowners and their guests. More details surrounding this development can be found at www.kaunaoa.com. During 2008, project sales consisted of only a single sale of house lot and a single sale of a condominium unit. Currently 7 home sites are available at sale prices between $1,300,000 and $3,700,000.



There was also a limited listings in Mauna Kea's other subdivisions including vacant house lots (**High Bluffs and Fairways North**).

INTERVIEWS WITH MARKET PARTICIPANTS

Although market demand for mid-market residential properties has slowed considerably since 2005 on the Island of Hawaii, the remaining unsold subject lots have a distinctly different target market. As such, we considered it appropriate to focus our research strictly on subdivisions similar to the Ke Kailani at Mauna Lani project. In addition, we interviewed numerous Realtors active in the luxury and ultra-luxury home market. Provided following is a listing of such individuals and the respective companies with which they are affiliated. Market participants interviewed include:

- Mr. Stephen Hurwitz, Managing Director (Ke Kailani Realty LLC)
- Ms. Kathryn Freitas, Realtor (Kauna'oa Realty LLC)
- Ms. Rochelle Moniz, Club Manager (Kauna'oa Realty LLC)
- Mr. Robert Rediske, Realtor (Rediske Realty LLC representing Wai'ula'ula)
- Ms. Cathy Klarin, Realtor (Kohala Coast Properties)
- Mr. Ralph Usina, Realtor (Mauna Lani Realty, Inc.)
- Mr. Richard Rocker, Realtor (Richard B. Rocker, Realtor)
- Ms. Victorius Metzler, Sales Executive (Centex Homes for Halii Kai)

- Karin Kohler (Mauna Kea Realty)

Common observations made by the market participants are provided following:

- Demand for luxury residential product has softened considerably over the past year. In the past, there was usually a less dramatic slowdown in the ultra-luxury residential market compared to mid-market product in North Kona. However, brokers are experiencing a prominent slowdown in the ultra-luxury market, and many have opined that they have "never seen anything like this".

- Many of the brokers felt that various factors attributed to the softening of the market including the subprime crisis, the recent presidential election (many buyers are having the "wait and see" attitude) and the poor U. S. economy. Unanimously, however, market participants felt that the stock market crash in the fall of 2008 marked the recent dramatic halt in sales activity.

- Potential buyers of luxury residential product are less affected by the current economy than typical (non-luxury) home buyers because they typically do not require extensive financing. Nevertheless, some potential buyers have chosen to delay purchases to observe whether prices will decline further, especially given concerns about the weakening economy and uncertainties in the financial and mortgage markets.

- Brokers regularly reported having numerous potential clients that are waiting for the market to "bottom out" before buying. While there was a notable absence of sales, brokers generally reported a continued high level of interest. A broker also observed that the volume of showings is still relatively active.

- One broker reported that a buyer of a vacant lot who paid cash is having some problems financing the ~$2,000,000 single family improvements on the lot. However, the majority of the buyers in this market are still for the most part able to pay all cash and finance out of choice (not necessity). It was opined that once a threshold of $3 to $5 million dollars is eclipsed, financing is generally not a consideration for most of these buyers.

- While most buyers undoubtedly have experienced a decline in wealth, many buyers still have significant wealth and can still afford to purchase vacation residences. However, it was observed that buyers no longer have any "urgency" to buy and realize there will be continued opportunity to buy at prevailing prices or lower prices in the future. Also, it was opined that buyers are attempting to "time the market" and avoid buying on the way down. Considering such purchases do not usually involve a primary residence, buyers have limited motivation to currently re-enter the market.

- Of the deals that are occurring, it was reported that buyers generally believe that they are benefitting from a discounted price that has clearly declined from a former value threshold.

- Market participants indicated that even in today's softer market, incentives and price drops are not enough to spur buyers to re-enter the market. Brokers are encouraging buyers to make offers far below asking prices but many brokers still cannot target what needs to occur before sales volume increase. One broker opined that stabilization of the market and general economy alone may be enough to get buyers to return to the market. Others believe significant more market correction may first need to occur.

- As for the buyers that are "waiting in the wings" many of them want an existing custom home that is brand new. On the other hand, with the drop in construction prices, there are still buyers that would want to purchase a vacant lot and build their dream home. That being said, all of the brokers felt that there were no spec. builders looking for vacant lots, or if they were it would be in the Hualalai or Kukio Resorts.

- In the Mauna Kea Resort, the Kauna'oa sales broker opined that the earthquake & subsequent closure of the Mauna Kea Beach hotel had a profound effect on the cooling of the market. When it reopened at the end of 2008, interest began to pick up due to sheer foot traffic & she had more interest in her project and actually had three sales in 2008. She did not feel that the developer will decrease prices significantly due to its current financial structure and profit threshold. Wai'ula'ula in particular is reportedly very slow due to too much competitive inventory, and the developer's reluctance to offer vacant lots. Halii Kai in Waikoloa on the other hand is having steady sales due to price slashes & incentives. This project confirmed that current sale prices will not cover development costs.

- Potential luxury resort buyers are still predominantly from the west coast of the United States with a select few from Canada and other foreign countries. The buyers & potential buyers appear to be newly retired couples in their 50's and 60's with extended families.

- Several market participants indicated that Mauna Lani's only true substitute is the neighboring Mauna Kea Resort. Although other resort areas such as Hualalai and Kuki'o involve similar projects, these resorts were often reported by market participants as somewhat superior compared to Mauna Lani and Mauna Kea. One broker opined that Hualalai and Kukio is the "place to be seen" and hobnob with the rich and famous. Mauna Lani used to be perceived in this way until a wave of entry level resort condominiums were developed here over the past five years. Hence, Mauna Lani is not perceived as exclusive as it once was. Conversely, the resorts in South Kohala do not suffer from the vog that often plagues North Kona, where Kukio and Hualalai are located.

CONCLUSIONS

The subject lots involve a relatively wide stratum of product type that ranges from a trophy oceanfront lot, golf lots with and without ocean views, and small, off golf lots that are among the least expensive in the market. The project also is gated and features private club amenities. All of the product types have a relatively high level of direct substitutes. The gated and club amenities also are common in many of the newer developments in Mauna Lani and Mauna Kea. Hence, the subject is not sufficiently differentiated from its competition that it can or has outperformed the market.

The Mauna Lani Resort is viewed in the market as a lower cost alternative to product in Mauna Kea (to a lesser degree) and in Kukio and Hualalai (to a greater degree). Our market interviews suggest that Mauna Lani is not considered as exclusive as it once was following the wave of entry level condominium development that occurred here since 2000. The simultaneous rise of private resort communities in North Kona has also diminished the desirability of Mauna Lani. The renovation of the Mauna Kea Beach Hotel and conversion of the Mauna Kea golf course to a private play facility may also widen the gap between these resorts. We believe this market perception has a direct impact on how buyers view Ke Kailani. However, Mauna Lani is still considered to be desirable resort, while we consider the existing Ke Kailani lots and amenities to be consistent with market tastes.

Much of the inventory of available lots is comprised of resales involving house lots that were sold but never developed (as opposed to developer sales). There is believed to an extensive supply of such lots existing. Hence, the subject will likely continue to face a high volume of new resale listings as current listings are removed from the market for the foreseeable future.

In addition, while we did not consider such locations as being directly competitive, there is also extensive existing inventory of undeveloped lots in Kukio (including Manini'owali and Ka'upulehu) and Hualalai. In addition, another private resort community will shortly enter the market. Kohanaiki involves a 450-acre proposed master-planned golf resort community located south of Kona International Airport and north of Honokohau State Park. As proposed the development will feature up to 500 residential units, including single-family lots, condos, and townhomes. Amenities will include an 18-hole Rees Jones-design golf course, spa, fitness center, and an 8,000 square-foot beach club. The site features over 1.5 miles of ocean frontage. The developer is Kennedy Wilson and Discovery Land Company.

Accordingly, the existing supply of lots is relatively daunting given the level of sales absorption experienced over the past two calendar years. Even during 2006, when sales prices were appreciating, relatively few sales occurred. A return to 2004/2005 sales absorption levels would serve to hasten absorption of the subject lots. However, given the current state of the national and global economy (as well as current buyer sentiment) we believe it is extremely difficult to predict when this may occur. As of the date of value, the return of such market conditions did not appear likely in the foreseeable future.

Alternatively, it is difficult to fathom that the Developer (or successor investor) of the unsold subject inventory would maintain the current course of selling a small number of lots each year. Based on 2007 and 2008 sales levels, it would conceivably take 10+ years to completely absorb the subject lots and villas.

The most likely scenario involves a combination of further correction in sales prices (in conjunction with some stabilization in the economy) which may spur the eventual return of buyers (but unlikely to 2004/2005 levels). Our broker interviews regularly revealed that buyers are still highly interested and continue to have the financial strength to make these purchases, but are waiting for the market to bottom or at least stabilize. However, while the continued softening of sale prices is easily envisioned, it is extremely difficult to accurately project when economic conditions will improve. Even with steep price correction, we believe it will take several years for the subject inventory to be absorbed.

Section III

VALUATION

VALUATION

OVERVIEW

The subject property involves the remaining inventory (unsold) within the Ke Kailani Subdivision, which consists of two completed Villas and 32 vacant house lots. The Villas comprise two of the four existing units within an organized condominium property regime (CPR) that is presently comprised of four Villas, eight additional CPR lots and excess land. At one time, all the lots were proposed to be developed with additional Villas, which reflect a duplex design with a shared common wall. As of the date of value, it appears that the highest and best use of the undeveloped portions of the CPR is to sell them as vacant house lots (as opposed to further construction of Villas). The undeveloped portion of Lot 16 has informally been plotted into 8 additional house lots. The 32 house lots thus include 8 CPR lots and 24 standard subdivision lots. It is believed that the 8 CPR lots can possibly be removed from the CPR and subdivided into standard subdivision lots. The remaining lots and homes are legally organized as standard subdivided lots with their own tax parcel numbers which can readily be transferred.

We will first estimate the aggregate retail value of the various components. The various real property interests to be valued herein are summarized below, in the order of presentation in this valuation section **(Valuation Sections IIIA - IIIE)**.

- **VALUATION SECTION III-A:** Improved Villa Benchmark Valuation by the Sales Comparison Approach
- **VALUATION SECTION III-B:** Vacant Lot Benchmark Valuation by the Sales Comparison Approach
- **VALUATION SECTION III-C:** Aggregate Retail Valuation – Remaining Inventory
- **VALUATION SECTION III-D:** Discounted Bulk Value via Discounted Cash Flow Analysis
- **VALUATION SECTION III-E:** Discounted Bulk Value via Market Derived Bulk Discounts (Test of Reasonableness)

VALUATION METHODOLOGY

The valuation of real property typically involves the use of three traditional approaches to value: the Cost Approach, Sales Comparison Approach, and Income Capitalization Approach. The selection of the applicable approach is dependent on the quality and quantity of data, its relative significance, defensibility, and applicability as it pertains to the property under consideration. If more than one valuation approach is used, or more than one technique within an approach, the resultant analyses are reconciled to arrive at a final value conclusion. These valuation techniques are described following, as well as the way the techniques relate to the appraisement of the subject real property interests valued herein.

The **Sales Comparison Approach** to market value is based on the principle of substitution which holds that a prudent purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute on the open market. Under the Sales Comparison Approach, an indication of value from transactions of similar properties is estimated, utilizing appropriate units of comparison, and making adjustments to the sales prices of the comparables based on certain elements of comparison. The reliability of the Sales Comparison Approach is dependent upon the availability of comparable market data within a marketplace of fairly homogeneous properties, where market warranted adjustments are more clearly identifiable. The Sales Comparison Approach was utilized in this report solely as a basis for valuing the aggregate retail value of the subject Villas and lots. Elements of this approach were also utilized in applying bulk discounts to the aggregate retail value.

The **Cost Approach** to market value is comprised of a set of procedures by which the current replacement or reproduction cost of improvements is estimated, depreciation from all causes accruing to those improvements is deducted, then an estimate of land value is added to obtain an indication of overall property value. The Cost Approach is particularly applicable when the property being appraised involves relatively new or proposed improvements, which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site for which no comparable properties exist.

The subject properties reflect non-contiguous portions of a completed subdivision. Ultimately, we did not believe the Cost Approach in this instance would result in a credible approach to value.

With the **Income Capitalization Approach**, value is typically viewed and measured as the present worth of anticipated future income projected to be derived from the possession of ownership rights in real estate. This approach was utilized in estimating the discounted or bulk sales value, via discounted sales analysis, of the subject property. In estimating discounted or bulk sales value, holding, marketing and profit were subtracted from sales revenue during the sales absorption period. The timing of the anticipated positive and negative cash flows is recognized within a discounted cash flow analysis. The discounted or bulk sale value was estimated by this approach.

The various Valuation subsections included in this report are presented following.

VALUATION SECTION IIIA: IMPROVED VILLA BENCHMARK VALUATION BY THE SALES COMPARISON APPROACH

OVERVIEW

Certain benchmark units were selected as representatives of the subject units. The valuation of these benchmarks serves as a basis for the valuation of the remaining subject units.

The Sales Comparison Approach was considered to be most applicable to the valuation of the subject Villa Benchmark units. The Sales Comparison Approach is based on the principle of substitution, which presumes that the purchaser of a property will consider the alternatives available and that the purchaser will act rationally or prudently on the basis of this information. This valuation approach involved the transactions of improved luxury residential properties, which were compared to the subject Benchmarks in regards to certain elements of comparison, after time of sale and terms of sale factors were considered.

The subject units have been exposed to the market since being built in 2007 with list prices of over $4.4 million. Two of the four Villa units were sold at the end of 2007. As of the effective appraisal date, the remaining two Villas remain available. Villa A and Villa C are attached by a common wall and are mirror reflections of each other. Since four Villa units (two "A" units and two "C" units) are essentially duplicates of each other, they are easily compared against this benchmark.

SELECTION OF THE SUBJECT BENCHMARK UNIT

As described in the *PROPERTY DESCRIPTION SECTION* of this report, the subject's four Villa units include three-bedroom units (featuring two reverse floorplans). All models reflect a two-level floorplan. Living areas for the units involve 3,371 square feet, lanai areas total 814 square feet, and garage areas of 642 square feet. In addition to bedrooms and bathrooms, each residential unit features a kitchen, great room, dining room, living room, a lanai, and two car detached garage. Each unit is partially furnished as described and have all appliances included at the time of sale.

Subject Benchmark No. 1 involves Unit #2C and represents a "Villa C" type unit, which is a three-bedroom/three-and-a-half bath model including 3,371 square feet of living area. The Villa is the model unit and contains high-end luxury interior finishes, furnishings and appointments (as described within the *IMPROVEMENT DESCRIPTION* subsection of the *PROPERTY DESCRIPTION SECTION*).

SELECTION OF MARKET COMPARABLES

Various transactions of residential condominiums in the identified Market Area (Mauna Lani and Mauna Kea), were reviewed and considered as potential indicators of fee simple value for the subject Villa Benchmark. In selecting improved comparables, we limited our criteria to transactions which: 1) involved residential units in luxury condominium projects located in the selected Market Area; 2) occurred since 2007; 3) involved improvements which compared well with the identified Benchmarks in terms of unit configuration, age, condition, view, size, and quality; and 4) involved a fee simple land tenure.

In further refining our search we concentrated on selecting comparables from projects that featured golf course frontage and/or ocean views. We also sought units within gated projects that contained private club amenities like the subject. Finally, we sought to focus on units involving a duplex or low density attached design, similar to the subject. In particular, we reviewed sales activity in the Halia Hale at Kauna'oa condominium in Mauna Kea, which we considered to be the best indicator. Unfortunately, there was only one sale within our selected time period. We also considered sales in the Kolea Condo Villas located in the neighboring Waikoloa Resort.

The remaining condominium inventory which had transacted since the beginning of 2007 was considered to be inferior in terms of improvements and age or highly dissimilar in location. In order to target realistic substitutes for our subject benchmark, we ultimately utilized the following as comparables: 1) an actual sale and an active listing from within the subject development; 2) a sale from within the Kauna'oa development (Halia Hale), which is the most similar development to be delivered in the subject market area; and 3) a penthouse sale within the Kolea Condo Villas in Waikoloa. While Waikoloa is somewhat different from the subject in terms of location, this condominium development was considered relatively similar in improvement, concepts and amenities.

Overall, we believe that our research captured the best available comparables for use in our valuation of the subject Villa Benchmark. Each of the selected transactions was analyzed in detail for the ultimate purpose of estimating the fee simple subject Benchmark value. An *Improved Sale Comparables Map* exhibiting the location of the subject property and cited comparable transactions is provided. Also, the respective comparables are summarized following, as well as in the Market Data Adjustment Schedule (**Table III-1**) and in transaction resumes within the *IMPROVED SALES DATA SECTION* of this report. Transaction Nos. 1 through 3 were adjusted in order to estimate a fee simple value for the subject Villa Benchmark (as exhibited on Table III-1).

TABLE III-1

KE KAILANI, MAUNA LANI
MARKET DATA ADJUSTMENT SCHEDULE
SUBJECT FEE SIMPLE VILLA VALUATION
(AS OF JANUARY 22, 2009)

DESCRIPTION	SUBJECT	TRANSACTIONS 1	2	3	Listing
PROJECT DATA:					
Tax Map Key (Division 3)	6-8-36: 16 CPR 4	6-8-36: 16 CPR 3	6-2-19: 29 CPR 5	6-9-11: 19 CPR 48	6-8-36: 16 CPR 4
Project	Ke Kailani	Ke Kailani	Halia Hale at Kaunaoa	Kolea Condo Villas	Ke Kailani
Location	Mauna Lani	Mauna Lani	Mauna Kea	Waikoloa	Mauna Lani
Land Tenure	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Year Built	2007	2007	2006	2003	2007
Building Style	Duplex	Duplex	Duplex	Low-rise	Duplex
Amenities	Grotto,Park,etc.	Grotto,Park,etc.	S/Pool, Spa,Exer,Par-3	S/Pool	Grotto,Park,etc.
INTERIOR UNIT DATA:					
Unit Number	2C	2A	6A	8F	2C
Bedroom/Bathroom Count	3/3.5	3/3.5	4/3.5	3/3.5	3/3.5
Floor	2-Story	2-Story	2-Story	1-Story	2-Story
Net Living Area (SF)	3,371	3,371	3,373	2,147	3,371
Lanai Area (SF)	814	814	985	429	814
Total Area	4,185	4,185	4,358	2,576	4,185
Assigned Parking Stalls	2-Garage	2-Garage	2-Garage	1-Garage	2-Garage
View	Ocean	Ocean	Partial Ocean, Mountain	Ocean	Ocean
Interior Amenities	S/Pool,Spa,AC,DW,WD, Furniture	S/Pool,Spa,AC,DW,WD	S/Pool,Spa,AC,WD, Grill, Furniture	AC,DW,WD,Grill, Furniture	S/Pool,AC,DW, WD
Condition	New	New	Excellent	Excellent	New
Date of Contract		Dec-06	Aug-08	Nov-07	Listing
Cash Equivalent Sales Price		$4,530,631	$3,750,000	$3,400,000	$4,400,000
Sales Price per SF of Net Living Area		$1,344	$1,112	$1,584	
Sales Price per SF of Total Area		$1,083	$860	$1,320	
Days on Market		0	468	21	
ADJUSTMENTS					
Conditions of Sale		$100,000	$0	$0	
Adjusted Sale Price		$4,630,631	$3,750,000	$3,400,000	
Time/Market Conditions Adjustment Factor		0.74	0.95	0.86	
Adjusted Sales Price		$3,445,555	$3,564,967	$2,913,487	
Project Age, Condition and Amenities		0	(89,124)	72,837	
Design		0	0	72,837	
Location Adjustment		0	(178,248)	72,837	
Interior Unit Characteristics:					
Amenities		0	0	145,674	
Condition		0	35,650	72,837	
View		0	89,124	(178,248)	
Net Living Area		0	0	415,243	
Bedroom Count		0	0	0	
Bathroom Count		0	0	0	
Lanai/Yard Area		0	0	0	
Parking		0	0	29,135	
NET ADJUSTMENT		0	(142,599)	703,153	
TOTAL ADJUSTED SALES PRICES		$3,446,000	$3,422,000	$3,617,000	
Weighting		50%	30%	20%	
Product		$1,723,000	$1,026,600	$723,400	
SUMMARY OF ADJUSTED VALUES					
AVERAGE ADJUSTED VALUE					$3,495,000
WEIGHTED AVERAGE ADJUSTED VALUE					$3,473,000
CONCLUDED FEE SIMPLE VALUE					**$3,470,000**

SOURCE: LESHER CHEE STADLBAUER

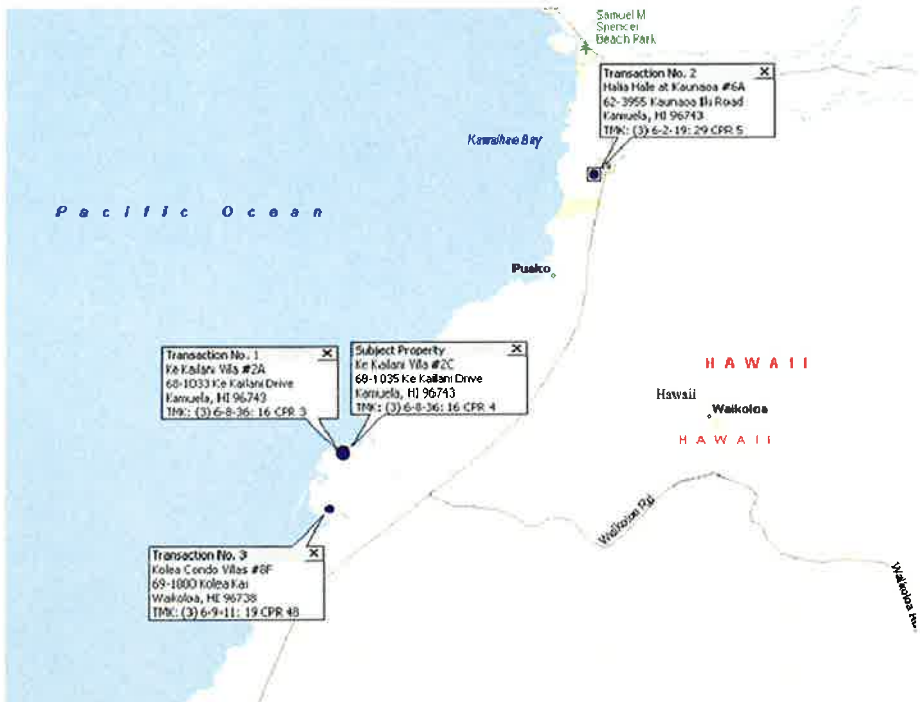
Transaction No. 1 involves the sale of Unit 2A in the subject project. This two-level 3-bedroom/3.5-bath unit contains 3,371 square feet of interior area and was in the same new condition at the time of the sale. Unit 2A is the attached unit and reverse floor plan of our Benchmark Unit 2C. The unit included similar high-end washer/dryer, dishwasher, refrigerator, range/oven, central air-conditioning, swimming pool & spa, detached studio/bath (included in the above room count) and detached two-car garage. The unit features similar golf course frontage and distant ocean views. The transaction occurred in December 2006 (pre-sale contract date) and featured a sales price of $4,350,631.

Transaction No. 2 involves the resale of Unit #6A in the Halia Hale at Kauna'oa project in Mauna Kea. This two-level 3-bedroom/3.5-bath unit contains 3,373 square feet of interior area and was considered to be in excellent (hardly lived in) condition. The unit included similar high-end washer/dryer, disposal, dishwasher, refrigerator, range/oven, and 2-car garage. The unit has ocean views and has frontage along the Kauna'oa Country Club par-3 golf course. The transaction occurred in August 2008 (contract date) and involved a sales price of $3,750,000. The project features the following amenities: the private par-3 golf course, a club facility including swimming pool & spa, exercise pavilion and residential concierge. It is located in the Mauna Kea Resort, north of the subject's Mauna Lani Resort area.

Transaction No. 3 involves a resale of Unit #8F in the Kolea Condo Villas project in the nearby Waikoloa Resort. This one-level third-floor 3-bed/3.5-bath unit contains 2,147 square feet of interior area and was determined to be in excellent condition. The unit included washer/dryer, disposal, dishwasher, refrigerator, range/oven, and one garage stall. Access to the unit is via keyed elevator. The unit has panoramic yet slightly obstructed ocean views. The transaction occurred in November 2007 (contract date) and involved a sales price of $3,400,000. The project features an infinity and kiddie pools, spa and fitness hale.

Provided following are Improved Sale Comparables Map exhibiting the location of the subject property and cited comparable transactions:

IMPROVED SALES COMPARABLES MAP



Source: Microsoft Streets & Trips, annotations by Lesher Chee Stadlbauer

MARKET DATA ADJUSTMENT SCHEDULE

Market data adjustment schedule reflecting the fee simple Villa Benchmark valuation analyses is presented in **Table III-1**. Additional descriptive data of the comparables are included. The respective schedules exhibit a summary of the selected comparable sales, together with necessary adjustments required to recognize for various valuation elements of comparison.

The elements of comparison under consideration in this analysis were:

- Time/Market Conditions;
- Overall Condominium Project;
- Design/Private Amenities;
- Location;
- Interior Unit Characteristics;
- Condition of the Unit;
- View;
- Living area; and
- Parking.

Positive adjustments were utilized if the subject Benchmark was considered superior to a comparable and negative adjustments were considered if the subject Benchmark was determined to be inferior to a comparable. The following discussion will report adjustments as percentages; however, in the market data adjustment schedules the amounts reflect the reported dollar values as applied to the sale prices.

Where possible, we have attempted to support our adjustments through paired sales analysis, published trend data, and broker opinion survey. However, we again cite the relative data failure that has occurred in this market and our resulting inability to produce a scientific basis for applying all adjustments. Accordingly, our adjustments are also based on appraiser opinion, which has been refined over our experience analyzing over 50 proposed and existing residential developments across the State of Hawaii within the past five years. We also note that the vast majority of adjustments fall within 10% of sale price bases.

The individual elements of comparison are summarized as follows:

Conditions of Sale: The subject is fully furnished. Transaction Nos. 2 and 3 were also sold with luxury high quality furnishings. Transaction No. 1 was adjusted upward by $100,000 (the estimated value contribution from the furnishings in the subject unit) to account for this distinction.

Time/ Market Conditions: All of the comparables are located within the same submarket as the subject. As discussed in the preceding Market Overview, the market for condominiums in South Kohala continues to soften.

The median sale price for condominiums in South Kohala properties declined ~22% between year-end 2007 and year-end 2008. Sales volume declined ~23% during the same period. [1] However, this statistic is probably skewed by the inclusion of sales statistics from outside resort areas (such as Waikoloa Village). By comparison, median condominium price in North Kona declined only by ~ 7%. We adjusted the comparables by -1% per month up (-12% annually) up to the date of value.

Project Age, Condition & Amenities: This adjustment recognizes the overall desirability of the condominium project in which the comparables are located in as compared to the subjects'. Differences in project age, condition, design, and common amenities were considered. The age and project amenities of the subject

[1] Source: Hawaii Information Service MLS Statistics

and comparables are listed within the market data adjustment schedules. The subject and comparable projects feature overall similar project amenities, with each project possessing at least a swimming pool and fitness centers.

The subject's project amenities include frontage along the Mauna Lani South Golf Course, the Oceanfront Grotto featuring infinity and children pools, spa, BBQ areas, kitchen and locker room facilities as well as a separate Hana Pono Park that will feature tennis, volleyball, basketball courts as well as swimming pools and fitness center. For purposes of our analyses, we have assumed that Hana Pono Park will be completed in the near future.

The Halia Hale at Kauna'oa has notable amenities including the Kauna'oa par-3 golf course, which is available exclusively for Kauna'oa residents, a Club facility which includes a swimming pool & spa, exercise pavilion, kitchen, wine storage and a residential concierge. The amenities in Kauna'oa are considered slightly superior to the subject's. Overall, this project was considered superior to the subject project and negative -2.5% adjustment was applied to Transaction No. 2.

The Kolea Condo Villas features amenities such as a private beach club fearing an infinity edge and children's pools as well as a fitness center. Overall, this project was considered slightly inferior to the subject project and a nominal +2.5% adjustment was applied.

A Villa owner at Ke Kailani is required to pay total monthly maintenance fees of ~ $3,650. While this amount is notable, it is bracketed by the non-subject comparables on a unit basis. In addition, we believe maintenance fees become less of an issue in dealing with luxury real estate (whose sales price is often less impacted with buyers' ability to qualify for financing).

Design/ Private Amenities: The design of the Villa improvements involve attached duplex homes with a common wall. The units are accessible through a private locked gate near the garage. In addition, there is a private entry courtyard, a detached studio/bath, a private swimming pool and private lanais. While the homes are attached, the developer designed them to have the feel of a detached dwelling. We believe market tastes prefer this design with private access.

The Halia Hale involves a nearly perfect match in terms of having a duplex attached design with a detached feel. In addition, the Halia Hale also features a private yard and swimming pool. No adjustment was deemed necessary in terms of design.

The Kolea Condo Villas, on the other hand, involves a three-story six-plex design. Access to the penthouse unit is via a keyed elevator. Although this unit has a single-level floor plan, the +2.5% adjustment reflects the "townhouse" feel of this transaction as opposed to the single family feel of the subject. In addition, there is no private yard area or swimming pool amenity for this unit and it is adjusted an additional +5% for individual amenities. However, units in this project do have access to a private beach club with pool.

Location:

The subject is located in Mauna Lani and features close proximity to the ocean and golf course. In addition, Mauna Lani is considered desirable in terms of its resort feel as well as shopping and golf amenities. However, it has historically been considered inferior to the Mauna Kea Resort and slightly superior to the Waikoloa Resort which is considered a more family type resort. We adjusted Transaction Nos. 2 and 3 by -5% and +2.5%, respectively.

We note that view amenity was treated separately.

Interior Condition:

As discussed, the Ke Kailani Villas are considered to be in new condition. The comparables were reported to be in new or excellent condition.

The comparables range in age between 2003 (Kolea Condo Villas) to new construction. Typically, condominiums will be subject to some level of replacement at some point. However, because many of these units are not utilized as permanent residences there is often limited wear and tear. Our sales verification has determined that the comparables are considered to be in excellent to new condition. The Kolea Condo Villas units were also considered to be slightly inferior in terms of quality of finishes.

The comparable in Halia Hale was adjusted by a nominal +1% of its adjusted sale price for its condition. The Kolea

Condo Villa was adjusted +2.5%. The dollar equivalent of these adjustments were considered to be sufficient to replace wall and floor covering as needed.

View:

It has been our experience that view planes are commonly a significant driving factor in values. In particular, we note that golf course and ocean views are highly prized in Hawaii and significant price premiums are commanded by residential dwellings with such views. The Benchmark has distant yet unobstructed ocean view planes as well as frontage along a golf course. The subject site is slightly elevated and features views of the ocean from the first floor but more so the second floor.

Transaction Nos. 2 and 3 also involve ocean views. Transaction No. 2 also features distant ocean views that overlook the par-3 golf course and other dwellings. This unit was adjusted +2.5% for slightly inferior views. Transaction No. 3, being a higher penthouse unit, features panoramic yet distant ocean views. This unit was adjusted -5% for view amenity.

Living Area Differences:

Differences in living area are typically not recognized by the market to be worth the full unit value of a comparable. When the area in question is less than 100 square feet it is often difficult to visually appreciate the extra space (for similarly configured units). Accordingly, differences in living area were recognized only once the difference exceeded this threshold. Differences in living area for the smaller Kolea Condo Villa was measured by a factor of 25% of the adjusted unit sale price.

Parking:

The Benchmark includes a detached garage with room for golf carts. The Halia Hale also features a two-car garage and no adjustment was necessary to this comparable. The Kolea Condo only possesses a parking garage for one-car and is adjusted by +1%. We considered this distinction to be relatively nominal considering the vacation home nature of this property type.

CONCLUSION OF SUBJECT
BENCHMARK VALUE

After allocating the previously discussed adjustments to the market data in the subject Sales Comparison analysis, the adjusted values were then weighted for comparability/reliability in order to arrive at certain final value conclusions. Essentially, those transactions requiring the least amount of adjustment were accorded primary emphasis to arrive at estimated fee simple values for the subject Benchmarks. Based on this process, it was our opinion that the fee simple market value of subject benchmarks, as of January 22, 2009, is as follows:

Benchmark Unit	Bed/Bath	Living Area	Appraised Value	Per SF Living Area
2C	3/3.5	3,371	$3,470,000	$1,029

As exhibited in the Table III-1, we have also included an active listing in Ke Kailani. In Table III-1, the subject Benchmark is presently being listed by the Developer at $4,400,000. However, we note this listing involves a marketing time in excess of 500 days. Hence, our lower value conclusion would appear reasonable.

VALUATION SECTION III-B: VACANT LOT BENCHMARK VALUATION BY THE SALES COMPARISON APPROACH

OVERVIEW

We have estimated the aggregate retail value of the 32 subject lots. We note that all 32 of the lots have been graded and connected to utilities.

The subject lots can be readily segmented due to their differences in exposure (golf, ocean, non-golf) and view planes. These differences have resulted in significant premiums/discounts in comparing individual lots. The oceanfront lots within the project have traditionally been referred to as Tier 1 lots. There is only a single unsold Tier 1 lot. The handful of lots immediately mauka of these lots, which have good ocean views, were referred to as Tier 2 lots. There are two unsold lots classified as Tier 2. The remaining lots that front the golf course were referred to as Tier 3 lots. The vast majority of the unsold inventory involves Tier 3 lots. The off-golf lots adjacent to Hana Pono Park were referred to as Triangle lots. As discussed in Section II, there has been relatively little sales activity in the Mauna Lani and Mauna Kea resorts since the beginning of 2008. Hence, there was a tangible data failure in selecting available market data.

In consideration of the limited available market data and small number of Tier 1 and Tier 2 lots, we limited the benchmark analysis to a Tier 3 and Triangle lots. The valuation of these benchmarks serves as a basis for the valuation of the remaining 29 non-Benchmark subject lots which do not front the ocean. The retail value of subject Lot 3, which fronts the ocean, is discussed in a following section.

SELECTION OF SUBJECT VACANT LOT BENCHMARK

We selected Lot 14 (TMK: 6-8-36: 14) as the representative benchmark (Benchmark No. 2) for the Tier 3 lots. This 44,137 square-foot lot features a rectangular shape and a level topography. This lot features golf course frontage (near the 5th Green of the South Course) and views over the golf course, other portions of the resort, and the Kohala Mountain range. The lot has partial ocean views of Honokaope Bay.

We selected Lot 30 (TMK: 6-8-36: 30) as the representative benchmark (Benchmark No. 3) for the Triangle lots. This 18,730 square-foot lot features a regular shape and level topography. This lot does not feature golf course frontage but fronts Hana Pono Park. This lot features also features a mauka view that is obscured by existing development.

SELECTION OF MARKET COMPARABLES

We believe that the absolute best indicators of value would involve the sale of other vacant lots in the subject Ke Kailani development. However, there was insufficient sales activity from within the development. As a result, we extended our search for market data to the entire Mauna Lani Resort. There was only eight transactions during 2007 and four during 2008 (these transactions were exhibited in Preceding Table II-1).

We also considered extending our search to the neighboring Waikoloa resort and the Mauna Kea resort. However, Waikoloa did not include any off-ocean inventory, while there was similarly only a very limited volume of sales activity in Mauna Kea. As discussed, our market research indicates that sales activity in the North Kona resort communities of Kukio (including Manini'owali and Ka'upulehu) and Hualalai are inferior as indicators. Accordingly, we limited our research to sales activity within Mauna Lani that occurred within the past two years. Market data adjustment schedules are provided in **Tables III-2 and 3**. In selecting data, we included a single sale within Ke Kailani within each benchmark. We also included a current active listing within Ke Kailani as a point of reference.

Each of the selected comparables was analyzed in detail for the ultimate purpose of estimating the fee simple subject value for Benchmark Nos. 2 and 3. Also, the respective comparables are summarized following in transaction resumes within the *VACANT LOT SALES DATA SECTION* of this report. We note that the comparables are labeled as Transaction Nos. 4, 5, and 6 (Tier 3 Lots) and Transaction Nos. 7, 8 and 9 Triangle Lots).

Transaction No. 4 involves the sale of a 43,996 square-foot lot (TMK: 6-8-33: 30) located within the 49 Black Sand Beach subdivision across the 6th fairway from the subject. Like the subject, this project is gated and includes a private beach club and recreational amenities. The vacant lot had an ocean view and features a rectangular parcel shape and level topography. This transaction occurred in March 2008 (contract date) and featured a sales price of $1,740,000.

Transaction No. 5 involves the sale of Lot 10 within Ke Kailani (TMK 6-8-36: 10). This transaction occurred in May 2007 (contract date) and featured a sales price of $2,600,000.

Transaction No. 6 involves the sale of an 33,702 square-foot lot (TMK: 6-8-34: 20) located within the Pauoa Beach subdivision adjacent to the Orchid at Mauna Lani hotel. Like the subject, this project is gated and includes a private beach club and recreational amenities. However, this project also features a white sand beach while also enjoying selected amenities in the adjacent hotel. The vacant lot had an ocean view (over the oceanfront lot below) and features a rectangular parcel shape and level topography. This transaction occurred in February 2008 (contract date) and featured a sales price of $2,450,000.

TABLE III-2

KE KAILANI, MAUNA LANI
MARKET DATA ADJUSTMENT SCHEDULE
SUBJECT FEE SIMPLE LAND VALUATION
(AS OF JANUARY 22, 2009)

DESCRIPTIONS	SUBJECT	4	5	6	Listing
Tax Map Key (Division 3)	6-8-36: 14	6-8-33: 30	6-8-36: 10	6-8-34: 20	6-8-36: 14
Street Address	68-1025 Ke Kailani Drive	68-1018 Honokaope Pl	68-1017 Ke Kailani Dr	68-1048 Pauoa Way	68-1025 Ke Kailani Drive
Location	**Ke Kailani, Mauna Lani**	**49 Black Sand Beach, Mauna Lani**	**Ke Kailani, Mauna Lani**	**Pauoa Beach Subdivision**	**Ke Kailani, Mauna Lani**
Gross Land Area in Square Feet	44,137	43,996	49,035	33,702	44,137
View Amenity	Partial Ocean	Ocean, Mountain	Partial Ocean	Ocean	Partial Ocean
Property Frontage	Golf	Golf	Golf	Non-Golf	Golf
County Zoning	RM-3.0	RM-3.0	RM-3.0	VH-1.25	RM-3.0
Height Limit					
Type of Transaction		Deed	Deed	Cash	Listing
Date of Contract		Mar-08	May-07	Feb-08	
Days on Market		114	362	266	628
Sale Price		$1,740,000	$2,600,000	$2,450,000	$1,950,000
Sales Price per SF of Useable Site Area		$39.55	$53.02	$72.70	
ADJUSTMENTS					
Adjusted Sale Price		$1,740,000	$2,600,000	$2,450,000	
Conditions of Sale		$0	$0	$0	
Adjusted Sale Price Adjusted Sale Price		$1,740,000	$2,600,000	$2,450,000	
Property Rights Conveyed		$0	$0	$0	
Adjusted Sale Price Adjusted Sale Price		$1,740,000	$2,600,000	$2,450,000	
Time Adjustment Factor		0.90	0.79	0.88	
Adjusted Sale Price		1,563,700	2,066,300	2,163,900	
Location		78,185	0	-216,400	
Zoning		0	0	0	
Utilities		0	0	0	
Physical Characteristics:					
Shape, Topography, Frontage, Etc.		78,185	0	0	
View/Exposure		0	-361,600	-270,500	
Size		0	0	108,195	
NET ADJUSTMENT		$156,370	-$361,600	-$378,705	
Adjusted Sales Price per SF of Site Area		$1,720,070	$1,704,700	$1,785,195	
Weighting		40%	50%	10%	
Product		$688,028	$852,350	$178,520	

SUMMARY OF ADJUSTED VALUES	
Average Value per Square Foot of Site Area	$1,736,655
Weighted Average Value per Lot	$1,718,898
CONCLUDED FEE SIMPLE LOT VALUE (Rounded)	**$1,720,000**

SOURCE: LESHER CHEE STADLBAUER

TABLE III-3

KE KAILANI, MAUNA LANI
MARKET DATA ADJUSTMENT SCHEDULE
SUBJECT FEE SIMPLE LAND VALUATION
(AS OF JANUARY 22, 2009)

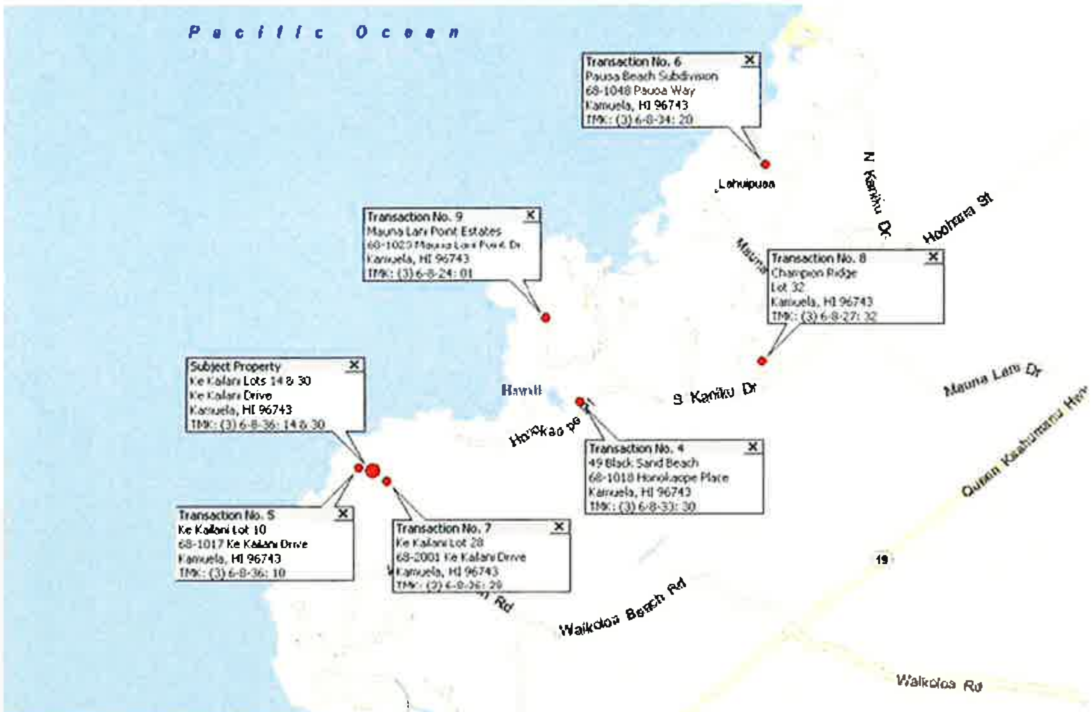
DESCRIPTIONS	**SUBJECT**	**7**	**8**	**9**	**Listing**
Tax Map Key (Division 3)	6-8-36: 30	6-8-36: 28	6-8-27: 32	6-8-24: 01	6-8-36: 30
Street Address	68-2005 Hana Pono Loop	68-2001 Ke Kailani Dr	Lot 32	68-1023 Mauna Lani Point Dr	68-2005 Hana Pono Loop
Location	**Ke Kailani, Mauna Lani**	**Ke Kailani, Mauna Lani**	**Champion Ridge, Mauna Lani**	**Mauna Lani Point Estates, Mauna Lani**	**Ke Kailani, Mauna Lani**
Gross Land Area in Square Feet	18,730	18,340	23,289	25,633	18,730
View Amenity	None	None	Mts, Partial Ocean	None	None
Property Frontage	Park	Park	None	None	Park
County Zoning	RM-4.0	RM-4	RM-3.0	RM-3.0	RM-4
Height Limit					
Type of Transaction		Cash	Conv	Conv	Listing
Date of Contract		Jan-07	Mar-07	Jul-08	N/A
Days on Market		434	39	0	N/A
Sale Price		$875,000	$950,000	$850,000	$695,000
Sales Price per SF of Useable Site Area		$47.71	$40.79	$33.16	$37.11
ADJUSTMENTS					
Adjusted Sale Price		$875,000	$950,000	$850,000	$695,000
Conditions of Sale		-75,000	0%	0%	0%
Adjusted Sale Price Adjusted Sale Price		$800,000	$950,000	$850,000	$695,000
Property Rights Conveyed		0%	0%	0%	0%
Adjusted Sale Price Adjusted Sale Price		$800,000	$950,000	$850,000	$695,000
Time Adjustment Factor		0.76	0.77	0.94	1.00
Adjusted Sale Price		607,100	733,800	800,200	695,000
Location		0	36,690	0	
Zoning		0	0	0	
Utilities		0	0	0	
Physical Characteristics:					
Shape, Topography, Frontage, Etc.		0	0	0	
View/Exposure		61,000	-36,700	-120,000	
Size		0	-36,690	-40,010	
NET ADJUSTMENT		$61,000	-$36,700	-$160,010	
Adjusted Sales Price per SF of Site Area		$668,100	$697,100	$640,190	
Weighting		40%	30%	30%	
Product		$267,240	$209,130	$192,057	

SUMMARY OF ADJUSTED VALUES

Average Value per Square Foot of Site Area	$668,463
Weighted Average Value per Lot	$668,427
CONCLUDED FEE SIMPLE LOT VALUE (Rounded)	**$670,000**

SOURCE: LESHER CHEE STADLBAUER

Provided following is a *Vacant Lot Sale Comparables Map* exhibiting the location of Benchmark Nos. 2, 3 and the cited comparable transactions.



Source: Microsoft Streets and Trips, annotations by Lesher Chee Stadlbauer

Transaction No. 7 the sale of Lot 28 within Ke Kailani (TMK 6-8-36: 28). This transaction occurred in January 2007 (contract date) and featured a sales price of $875,000. While this sale recorded at $875,000, it was reported that $75,000 was credited back to the buyer.

Transaction No. 8 involves the sale of a 23,289 square-foot lot (TMK: 6-8-27: 32) located within the Champion Ridge subdivision east of the subject. While gated, this project does not include any private amenities and is located well off the water. This parcel featured a regular parcel shape and level topography. The rear of this site also fronts Kaniku Drive, which is a primary vehicular thoroughfare within the resort. This transaction occurred in March 2007 (contract date) and featured a sales price of $950,000.

Transaction No. 9 involves the sale of a 25,633 square-foot lot (TMK: 6-8-24: 01) located within the Mauna Lani Point Estates subdivision. This project does not include any private amenities but is adjacent to the Mauna Lani Beach Club which is available to all owners in Mauna Lani. The vacant lot had limited views and was adjacent to the neighboring condominium development. The site also features a slightly irregular parcel shape and level topography. This transaction occurred in July 2008 (contract date) and featured a sales price of $850,000.

MARKET DATA ADJUSTMENT SCHEDULES

Market data adjustment schedules reflecting the fee simple Benchmark valuation analyses are presented in **Tables III-2 and 3**. Additional description data of the comparables are included. The adjustment schedule exhibits a summary of the selected comparable sales, together with necessary adjustments required to recognize for various valuation elements of comparison.

The elements of comparison under consideration in this analysis were;

- Conditions of Sale;
- Time/Market Conditions;
- Location;
- View;
- Utilities;
- Zoning; and
- Lot Area/Shape/Topography;

Positive adjustments were utilized if the subject Benchmark was considered superior to a comparable and negative adjustments were considered if the subject Benchmark was determined to be inferior to a comparable.

The individual elements of comparison are summarized as follows.

Conditions Of Sale: All the transactions were determined to be arm's length, cash-out transactions to the seller. Transaction No. 7 featured a recorded sales price of $875,000. It was reported that $75,000 was credited back to the buyer. We adjusted this sale price accordingly. No adjustments were determined to be necessary.

Time/Market Conditions: We have included certain paired sale data involving vacant house lots in **Table III-4**. While there was a small number of sale/resale transactions occurring between 2005 and 2008, we believed the more relevant indicator involved sale/active listing data. The available data exhibits rates of depreciation between -.1% and -.86% per month (reflecting overall declines of -4.38% to -27.50%). However, we note that these listings will likely sell at below their asking prices. In addition, we note the sale involving the steepest depreciation is located in Ke Kailani. According to MLS statistics, the median sale price for a

TABLE III-4

VACANT HOUSE LOTS - MAUNA LANI AND MAUNA KEA RESORTS
PAIRED SALES ANALYSIS

Project	TMK Div 3	Date of Initial Sale	Purchase Price of Initial Sale	Date of Resale or Listing	Purchase Price of 2nd Sale	Price Appreciation or Depreciation	No. of Mos. Between Sales	Indicated Price Appreciation or Depreciation
Paired Sales 2005-2008:								
Pauoa Beach	6-8-34: 20	Oct-06	$2,600,000	Feb-08	$2,450,000	-5.77%	15	**-0.4%**
Mauna Lani Pt.	6-8-24: 01	Oct-05	$935,000	Aug-08	$850,000	-9.09%	34	**-0.27%**
Selected Active Listings								
Ke Kailani	6-8-36: 22	Aug-06	$1,512,907	Listing	$1,150,000	-23.99%	28	**-0.86%**
Pauoa Beach	6-8-34: 23	May-05	$2,000,000	Listing	$1,795,000	-10.25%	43	**-0.2%**
Pauoa Beach	6-8-34: 32	Mar-05	$2,000,000	Listing	$1,450,000	-27.50%	45	**-0.6%**
Kaunaoa	6-2-19: 12	Feb-05	$2,400,000	Listing	$2,295,000	-4.38%	46	**-0.1%**
Kaunaoa	6-2-19: 13	Dec-05	$2,700,000	Listing	$2,295,000	-15.00%	36	**-0.4%**
Kaunaoa	6-2-19: 21	Sep-05	$1,650,000	Listing	$1,300,000	-21.21%	38	**-0.6%**

SOURCE: LESHER CHEE STADLBAUER

house lot in South Kohala decline 38% during 2008 (from year end 2007). However, we considered this statistic to be skewed by market activity in Waikoloa Village. We adjusted the market data by the equivalent of -1% per month (-12% per annum) between their transaction dates and the date of value.

Location:

This element of comparison addresses the quality of the project in which the lots are located. All of the comparables are located in the Mauna Lani Resort. Transaction No. 4, which is located in 49 Black Sand Beach, was considered slightly inferior due to the age of this project, and was adjusted by +5%. Transaction No. 6, which is located in Pauoa Beach was considered to be superior to Ke Kailani due to its location adjacent to a white sand beach and luxury hotel. This transaction was adjusted downward by -10%. Transaction No. 8 was adjusted upward by +5% due to its lack of amenities as compared to Ke Kailani. The scale of this adjustments was tempered in consideration of the entry level nature of these lots and the associated fees involved with the additional amenities.

Zoning and Utilities:

No adjustments were necessary.

Shape/Topo:

Benchmark Nos. 2 and 3 feature regular parcel shapes. Transaction No. 4 was adjusted upward by +5% in recognition of its long narrow shape.

View/Exposure:

Subject Benchmark 2 features golf frontage and golf/ocean views. Transaction No. 4 also fronts the golf course and has ocean views. Transaction No. 5, which is in Ke Kailani, was adjusted downward by -17.5% for its superior ocean view. Transaction No. 6 does not front the golf course but is located sufficiently above its neighboring lot (which directly fronts the ocean) that the lot features almost direct ocean views. This comparable was negatively adjusted by -12.5%. Transaction No. 4 was not adjusted.

Subject Benchmark 3 fronts the "active" portion of Hana Pono Park but is not immediately adjacent to the pools, tennis or basketball courts. Transaction No. 7 is immediately adjacent to a proposed tennis court and thus considered inferior. This transaction was positively adjusted by +10%. Transaction Nos. 8 and 9 were adjusted downward by -5% and -15%, respectively for their superiority in this regard.

Lot Area:

Similar to the preceding Villas analysis, we believe surplus area is recognized at less than full unit value by the market. We believe the benchmark lot areas was relatively typical for their respective submarkets. Transaction No. 6 was adjusted upward by +5% to reflect its smaller area as compared to its respective benchmark. Transaction Nos. 8 and 9 were adjusted downward by -5% to reflect their larger parcel sizes. Smaller differences in lot area were not recognized.

CONCLUSION OF SUBJECT
VACANT LOT BENCHMARK VALUES

After allocating the previously discussed adjustment to the market data in the subject Sales Comparison analysis, the adjusted values were then adjusted for comparability/reliability in order to arrive at certain final value conclusions. Essentially, those transactions requiring the least amount of adjustment were accorded primary emphasis to arrive at an estimated fee simple value for the subject Benchmarks.

Our value conclusions are as follows:

Benchmark Lot	Tier	Lot Area	Appraised Value
14	3	44,137	$1,720,000
30	Triangle	18,730	$670,000

As exhibited in the Tables III- 2 and 3, we have also included an active listing in Ke Kailani that can be readily compared to the individual benchmarks. In Table III-2, the subject Benchmark is presently being listed by the Developer at $1,950,000. However, we note this listing involves a marketing time in excess of 600 days. Hence, our lower value conclusion would appear reasonable.

In Table III-3, the subject Benchmark is presently being listed by the Developer at $695,000. It was formerly listed at $915,000, but reduced in mid 2008. Hence, our lower value conclusion would again to appear reasonable.

Additional active listings in the Mauna Lani and Mauna Kea resorts were exhibited in preceding Table II-2.

VALUATION SECTION IIIC: AGGREGATE RETAIL VALUATION LOTS & VILLAS

VILLAS

Subject Benchmark No. 1 (Villa 2C) was estimated to have a current retail market value of $3,470,000. We then reflected the contributory value of furnishings (estimated at $100,000) to this model unit. The only other unsold Villas involved Unit 1C, which was considered to be essentially a perfect substitute for 2C.

As illustrated, the aggregate retail value of the two unsold Villas was estimated to be $6,840,000.

TABLE III-5

VILLAS
AGGREGATE RETAIL VALUATION
KE KAILANI

SUBJECT UNIT DATA									
UNIT NO.	PLAN TYPE	BED/ BATH	LIVING AREA	LANAI AREA	BENCHMARK VALUE	LOCATION / VIEW	FURNITURE	TOTAL	OVERALL CONCLUDED FEE SIMPLE VALUES
1C		3/3.5	3,371	1,477	$3,470,000	$0	-$100,000	-$100,000	$3,370,000
2C		3/3.5	3,371	1,477	$3,470,000	$0	$0	$0	$3,470,000
			6,742						$6,840,000

* The benchmark unit is highlighted in the chart.
Source: LESHER CHEE STADLBAUER, INC.

VACANT LOTS

The estimated benchmark values of Benchmark No. 2/Tier 3 (Lot 14) and Benchmark No. 3/Triangle (Lot 30) were utilized as a basis for valuing the remainder of the subject lots (30). The remaining Tier 2 and 3 lots were compared against Benchmark No. 2, while the remaining Triangle Lots were compared against Benchmark No. 3. In the retail valuation analysis exhibited in **Tables III-6 and 7**, when the Benchmark is superior to another lot a negative adjustment was made (when the Benchmark is inferior a positive adjustment is made). Adjustments were considered for differences in view planes, lot shape, and lot area. Ultimately, adjustments only for lot area were applied; however, we have also included discussions of view and lot shape differences. We did not believe it necessary to adjust the CPR lots on Lot 16 for title issues in terms of CPR lots being any less desirable than standard subdivision lots. We also believe these lots can possibly be removed from the CPR and re-subdivided into standard lots. Our adjustments are discussed as follows.

TABLE III-6

TIER 3 LOTS
AGGREGATE RETAIL VALUATION
KE KAILANI

LOT NO.	TIER	SQUARE FOOTAGE	ORIGINAL DEVELOPER LIST PRICE	BENCHMARK VALUE	LOCATION/ EXPOSURE	VIEW	LOT SIZE	PHYSICAL CHARACT.	TOTAL	OVERALL CONCLUDED FEE SIMPLE VALUES	CURRENT LISTED SALE PRICES
1	2	43,783	$ 4,750,000	$1,720,000	-$172,000	$860,000	$0	$0	$688,000	$2,408,000	
2	1	57,868	$ 8,000,000	$4,950,000	$0	$0	$247,500	$247,500	$495,000	$5,445,000	
5	2	49,501	$ 7,500,000	$1,720,000	$0	$860,000	$0	$0	$860,000	$2,580,000	
11	3	47,742	$ 2,300,000	$1,720,000	$0	$344,000	$0	$0	$344,000	$2,064,000	
12	3	48,488	$ 2,200,000	$1,720,000	$0	$344,000	$0	$0	$344,000	$2,064,000	$2,650,000
13	3	48,083	$ 2,100,000	$1,720,000	$0	$172,000	$0	$0	$172,000	$1,892,000	
14	3	44,137	$ 1,950,000	$1,720,000	$0	$0	$0	$0	$0	$1,720,000	$1,950,000
16-3	3	35,444		$1,720,000	$0	$0	-$86,000	$0	-$86,000	$1,634,000	
16-4	3	35,444		$1,720,000	$0	$0	-$86,000	$0	-$86,000	$1,634,000	
16-5	3	35,444		$1,720,000	$0	$0	-$86,000	$0	-$86,000	$1,634,000	
16-6	3	35,444		$1,720,000	$0	-$344,000	-$86,000	$0	-$430,000	$1,290,000	
16-42	3	35,444		$1,720,000	$0	-$344,000	-$86,000	$0	-$430,000	$1,290,000	
16-43	3	35,444		$1,720,000	$0	-$344,000	-$86,000	$0	-$430,000	$1,290,000	
16-44	3	35,444		$1,720,000	$0	-$344,000	-$86,000	$0	-$430,000	$1,290,000	
16-45	3	35,444		$1,720,000	$0	-$344,000	-$86,000	-$86,000	-$516,000	$1,204,000	
17	3	39,361	$ 1,600,000	$1,720,000	$0	-$430,000	$0	-$86,000	-$516,000	$1,204,000	
18	3	36,564	$ 1,500,000	$1,720,000	$0	-$430,000	-$86,000	-$86,000	-$602,000	$1,118,000	
19	3	36,156	$ 1,500,000	$1,720,000	$0	-$430,000	-$86,000	-$86,000	-$602,000	$1,118,000	
20	3	34,530	$ 1,450,000	$1,720,000	$0	-$430,000	-$86,000	-$86,000	-$602,000	$1,118,000	
26	3	44,995	$ 1,600,000	$1,720,000	$0	-$430,000	$0	-$86,000	-$516,000	$1,204,000	$1,800,000
27	3	50,105	$ 1,495,000	$1,720,000	$0	-$430,000	$0	-$86,000	-$516,000	$1,204,000	
										$36,405,000	

* The benchmark unit is highlighted in the chart.

Source: LESHER CHEE STADLBAUER, INC.

TABLE III-7

TRIANGLE LOTS
AGGREGATE RETAIL VALUATION
KE KAILANI

LOT NO.	SQUARE FOOTAGE	ORIGINAL DEVELOPER LIST PRICE	BENCHMARK VALUE	LOCATION/ EXPOSURE	VIEW	LOT SIZE	PHYSICAL CHARACT.	TOTAL	OVERALL CONCLUDED FEE SIMPLE VALUES	CURRENT LISTED SALE PRICES
30	18,730	$ 915,000	$670,000	$0	$0	$0	$0	$0	$670,000	$695,000
31	19,922	$ 915,000	$670,000	$0	$0	$0	$0	$0	$670,000	
32	21,099	$ 925,000	$670,000	-$67,000	$0	$0	$0	-$67,000	$603,000	
33	23,254	$ 935,000	$670,000	-$67,000	$0	$33,500	$0	-$33,500	$637,000	
34	32,501	$ 1,100,000	$670,000	-$67,000	$0	$67,000	-$67,000	-$67,000	$603,000	
35	26,770	$ 995,000	$670,000	-$67,000	$67,000	$33,500	-$67,000	-$33,500	$637,000	
36	21,338	$ 985,000	$670,000	-$67,000	$67,000	$0	-$33,500	-$33,500	$637,000	
37	18,635	$ 975,000	$670,000	-$67,000	$67,000	$0	-$33,500	-$33,500	$637,000	
38	18,636	$ 965,000	$670,000	$0	$67,000	$0	-$33,500	$33,500	$704,000	
39	19,748	$ 970,000	$670,000	$0	$67,000	$0	-$33,500	$33,500	$704,000	
40	15,798	$ 895,000	$670,000	$0	$67,000	-$33,500	-$33,500	$0	$670,000	$695,000
									$7,172,000	

* The benchmark unit is highlighted in the chart.

Source: LESHER CHEE STADLBAUER, INC.

Tier 1 Lot

Only a single Tier 1 lot remains unsold. Lot 2 features direct ocean frontage (sea cliff) and features panoramic view planes. The adjacent lot (Lot 3) sold shortly after the date of value for $4,950,000.[2] We utilized this as the basis to value Lot 2. The lot was sold to the existing owner of Lot 4; however, our confirmation of this sale indicates that the sale price resulted in active negotiations between buyer and the Developer and did not implicitly involve a consolidation premium. We also interviewed a sales agent (who wishes to remain anonymous) who counseled the buyer on this sale. We considered this to be the best available indicator for the market value of Lot 2. The only other notable indicators involve 2007 sales of oceanfront lots in Pauoa Beach (see Table II-1) that exceeded $6,000,000, a current listing in 49 Black Sand Beach (see Table II-2) at ~ $6,000,000 and active listings at Kolea and Naupaka Place in Waikoloa ($3,300,000 to $6,250,000).

Lot 3 is slightly smaller (44,148 sf) and features an irregular shape. After adjusting for these items, Lot 2 was estimated to have a current retail value of $5,445,000.

Location/Exposure:

Lot 1 is adjacent to the Grotto, which results in concerns with privacy and noise. Lot 1 was adjusted downward by -10%. All of the Tier 3 lots front the Mauna Lani South golf course, but do not front the ocean. No adjustments were necessary.

Certain Triangle lots will directly front the portion of Hana Pono Park that will feature active recreation areas (tennis, basketball courts, swimming pools) and parking lot. Hence, certain lots (which are not extraordinarily large) may be negatively impacted by noise and privacy concerns. Benchmark 3 does not front these particular areas. The affected lots were negatively adjusted downward by -10%

View:

Differences in view plane quality can result in large differences in pricing for otherwise similar product in a residential project or subdivision. This is particularly true in luxury resort residential property.

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[2] We were provided with a purchase contract dated January 16, 2009.

Benchmark 2/Lot 14 features good view planes over the golf course and partial ocean views. The lots makai of the Benchmark tended to have superior views, while those mauka of the benchmark tended to have inferior views. In order to estimate appropriate adjustments, we reviewed the historic Developer sale data presented below. In particular, lots adjacent to our benchmarks have been sold and can be compared with the sales of other lots throughout the project in order to estimate view premiums by paired sales analysis. By virtue of the existing sales activity, we believe the market has been somewhat established in terms of how view premiums are recognized. However, with the overall softening of market values, we believe the view premiums have narrowed over time.

Based on this historic sales data, selected Lots between 2 and 27 (Tier 2 and 3 lots) were adjusted by a range of between +50% and -25% of the Benchmark lot value of Benchmark No. 2/Tier 3. Aside from the two Tier 2 Lots (1 and 5), the remaining Tier 3 lots were adjusted by between +20% and -25%.

Developer Sales Activity
Ke Kailani

Lot Number	Lot Size	Sales Date	Sales Price
3	44,148	1/20/2009	4,950,000
4	43,813	10/7/2005	8,500,000
6	53,985	12/27/2005	3,500,000
7	55,726	12/27/2005	3,100,000
8	59,271	11/4/2005	2,800,000
9	56,194	12/27/2005	2,650,000
10	49,034	5/15/2007	2,600,000
15	43,363	11/9/2006	1,950,000
21	34,968	8/15/2007	1,550,000
22	35,508	10/31/2005	1,495,000
23	38,905	11/17/2005	1,595,000
24	38,251	10/18/2005	1,495,000
25	45,307	10/19/2005	1,595,000
28	18,338	4/5/2007	800,000
29	19,889	3/23/2006	915,000
15			

Benchmark 3/Lot 30 does not feature a view amenity. Even its mauka views are blocked by existing development (primarily the Halii Kai condominium). However, certain benchmark lots had relatively good unobstructed views of Mauna Kea. These lots were positively adjusted by +10% against the value of Benchmark No. 3.

The Halii Kai condominium development was relatively close to the subject Triangle lots such that it impacted view planes and decreased privacy for certain lots. However, we considered the remaining Tier 3 lots to be lesser impacted due to their greater distance from this neighboring development and greater individual lot size.

Lot Area: The more expensive Tier 2 and 3 lots tend to be larger than the Triangle lots. The subject Benchmarks typically match up well with their respective lots in which they are being compared against. Hence, there are no extreme size differences in the analysis. Furthermore, the size differences were treated as surplus land of limited contributory value. Size differences that exceeded 15% of the respective benchmark areas were typically treated by a range of -5% to +10% of benchmark value. Smaller land areas were considered to be relatively indistinguishable by the typical buyer.

Physical Characteristics: All of the lots in Ke Kailani feature a graded, level topography. Certain lots may be above street grade, but are level. However, certain lots feature an irregular parcel shape or may feature a long narrow shape that may be less desirable. Certain Tier 3 lots also included ungraded lava flow area which serves a buffer with the golf course. This area is considered unusable. Certain Triangle lots suffer from irregular triangle shaped parcels. Such lots were adjusted by the equivalent of between -10% and -5% of their respective benchmark values.

CONCLUDED AGGREGATE RETAIL VALUE

The aggregate retail value of the unsold Villas and lots, as of January 22, 2009, is exhibited following:

Type	Number	Retail Value
Villas	2	$6,840,000
Tier 2 and 3 Lots	21	$36,405,000
Triangle Lots	11	$7,172,000
Total	34	**$50,417,000**

The reported aggregate retail value reflects the combined market value of the individual Villas and lots, as if sold to individual purchasers. This total should not be interpreted as the market value or the subject property interest. We again note that the retail values are reflective of prevailing market conditions as of the date of this report.

As a check of reasonability, we cite the following active listings for lots in Ke Kailani. The concluded retail values for the subject lots in Tables III-2 and 3 typically trail their substitutable listings. We also note that an offer of $2,300,000 was submitted on Lot 5 in 2008. Our appraised value of Lot 5 ($2,580,000) is excess of the offer but less than the Developer's counter offer of $3,500,000 which was not accepted. Hence, we considered our findings to be reasonable. No other bona fide offers were submitted during 2008.

VACANT HOUSE LOTS - ACTIVE LISTINGS
KE KAILANI
JANUARY 2009

TMK DIV 3	AREA IN S.F.	EXPOSURE	TYPE	SALE PRICE	DOM
6-8-36: 30	18,730		Developer	$695,000	
6-8-36: 40	15,798		Developer	$695,000	
6-8-36: 28	18,340		Resale	$795,000	114
6-8-36: 22	35,511	Golf	Resale	$1,150,000	369 [1]
6-8-36: 26	44,867	Golf	Developer	$1,800,000	628
6-8-36: 14	43,996	Golf	Developer	$1,950,000	628
6-8-36: 12	48,352	Golf	Developer	$2,650,000	628

[1] Current price reduced in December 2008.