

Registration No. S-1179
Preliminary Registration: March 22, 2010
Final: June 29, 2011
Amended: June 7, 2013

PUBLIC OFFERING STATEMENT
HILO HILLSIDE ESTATES (PHASE I)

1. NAME AND ADDRESS OF SUBDIVIDER: MOANIALA HOLDINGS LLC, a Hawaii limited liability company (“Seller”), having its principal place of business and post office address at 1050 Bishop St. #252, Honolulu, HI 96813.

2. DESCRIPTION OF LAND: Hilo Hillside Estates is an agricultural-residential subdivision (the “Project”) located on a total of approximately 170.620 acres of land (“Property”) in Kukuau 1st, South Hilo, on the Island of Hawaii in the State of Hawaii (the “State”) designated as TMK: (3) 2-4-008-014. The Project is intended to be developed and sold in two (2) or more phases and covered by one or more registrations. It is currently contemplated that when fully completed, the Project will include one hundred forty three (143) agricultural-residential lots ranging between 1.000 to 1.545 acres in size, fourteen (14) roadway lots, and one (1) drainage lot. Seller, however, makes no guarantee or warranty that all of the currently planned lots will be developed. The Project is more fully described in the Project Summary and General Information (“Project Summary”) attached as Exhibit A and made a part of this Public Offering Statement.

Seller is currently developing and offering lots in Hilo Hillside Estates, Phase I (“Subdivision”), which is scheduled to consist of fifty-six (56) agricultural-residential lots ranging between 1.000 to 1.513 acres in size (Lots 406 through 461, as shown on Map 109, filed in the Office of the Assistant Registrar of the Land Court to the State of Hawaii with Land Court Application No. 1205 of the Cooke Trust Company, Limited). Seller may offer all or a part of these lots for sale. A copy of the map showing the Subdivision is attached hereto as Exhibit C (the “Map”). A full size copy of the Map is available for inspection at the offices of Seller.

3. OWNERSHIP OF LAND: Seller is presently the fee simple owner of the Subdivision which is being offered for sale, pursuant to that certain Warranty Deed dated March 14, 2005, and recorded in the Office of Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3240097.

4. NATURE OF INTEREST IN LAND TO BE CONVEYED: Lots in the Subdivision will be conveyed to purchasers in fee simple upon closing of the purchase.

5. TYPE OF INSTRUMENT USED FOR CONVEYANCE: Lot purchasers will receive a Warranty Deed with Reservations and Covenants which will be delivered and recorded when the purchase closes escrow.

6. ZONING REGULATIONS: The Project is located within the State Land Use Agricultural District and is subject to Hawaii Revised Statutes Chapter 205 (the “State Land Use Law”). Under the State Land Use Law any residences located within the Agricultural District must qualify as farm dwellings under the State Land Use Law. Farm dwellings include single-family dwellings located on and used in connection with a farm, or where agricultural activity provides income to the family occupying the dwelling.

The Project is designated as Rural on the County of Hawaii General Plan Land Use Pattern Allocation Guide Maps. This General Plan designation allows for a mix of small farms, wooded areas, and open fields as well as residences, commercial facilities that serve the residential and agricultural uses in the area, and community and public facilities.

County of Hawaii Change of Zone Ordinance No. 08-115, effective September 10, 2008, amended County of Hawaii Rezoning Ordinance No. 93-3 which changed the zoning of the Project from Agricultural (A-20a), (A-10a) and (A-3a) to Residential and Agricultural (RA-1a) ("Zoning Ordinance"). No community development plan has been adopted by the County of Hawaii for the area in which the Project is located.

The Project is not located within the Special Management Area and development is not subject to HRS Chapter 205A and the Special Management Area Rules and Regulations for the County of Hawaii.

All proposed lots in the Project will be developed in accordance with applicable land use and zoning regulations and ordinances. All owners must comply with the provisions of all applicable laws of the County of Hawaii ("County") and the State, including the State Land Use Law as well as the Zoning Ordinance.

All owners must also comply with the provisions of the Hilo Hillside Estates Declaration of Covenants, Conditions and Restrictions filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. T-8053268, as it may be amended (the "Declaration"), which governs portions of the Project. In the event of any conflict or inconsistency between the County ordinances or the State laws and the Declaration, the more restrictive provision will control if it does not violate applicable County ordinances or State laws.

The entire Project is being designed and developed as an agricultural-residential subdivision, with all lots to be used for farm dwellings and other agricultural purposes to the fullest extent permitted by the Declaration and applicable law. It is Seller's intention that each owner of a lot shall control, to the maximum extent possible, and as permitted by all relevant laws, ordinances and regulations, the Agricultural Uses within such owner's lot in accordance with the Declaration. A minimum of fifty-one percent (51%) of each lot shall be reserved for Agricultural Uses (the "Agricultural Lot Easement"). Each lot in the Project will be divided into two components: (i) a specific area ("Building Envelope"), which is that portion of the lot reserved for the building of a Dwelling and all related Improvements, and (ii) an area designated as a natural area ("Natural Area"), which shall be utilized as open space or for Agricultural Uses. The portion of the lot designated as the Agricultural Lot Easement may be expanded into the Natural Area as necessary to comply with federal, state, or local laws and regulations.

Copies of the State Land Use Law and the Zoning Ordinance are available from us upon request. Although Seller will provide copies of the Zoning Ordinance for purchaser's convenience, Seller does not make any representations or warranties regarding the accuracy of the copies provided or the applicability of these instruments to the purchasers' use of land within the Project. Seller invites purchasers to review the State Land Use Law, the Zoning Ordinance and Hawaii County Code Chapter 25 (Zoning) ("Zoning Code") regarding zoning in their entirety and/or to consult an attorney or State or County officials as to their applicability to purchasers' use of lots in the Project. The State Land Use classification and County Zoning designations for the Project are shown on the maps attached as Exhibit "B-1" and Exhibit "B-2".

7. USE FOR WHICH PROPERTY OFFERED: The entire Project has been designed and developed as a high-quality agricultural-residential subdivision. Accordingly, based on land use regulations

that apply to the Project, including without limitation the State Land Use Law, it is intended that the lots within the Project be used exclusively for Dwellings, Agricultural Uses and uses accessory thereto (as such terms are defined in the Declaration).

The construction of an Ohana Dwelling or a Second Dwelling on a lot is expressly prohibited (as such terms are defined in the Declaration). The construction of a guest house is allowed subject, however, to compliance with all applicable requirements of the Zoning Code.

8. ENCUMBRANCES, EASEMENTS, LIENS, RESTRICTIONS: The lots in the Subdivision are currently subject to: (i) that certain Real Property Mortgage and Financing Statement dated December 23, 2010 in favor of First Hawaiian Bank, a Hawaii corporation ("Mortgagee"), recorded in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 4032284, as the same may be amended from time to time; and (ii) that certain Financing Statement dated December 23, 2010 in favor of Mortgagee, recorded in the Bureau of Conveyances of the State of the State of Hawaii as Document No. 2010-200210 (collectively the "Mortgage").

The Project will be subject to proposed and existing restrictions, easements and reserved rights. One or more of the currently existing easements may be cancelled, and additional easements may be created or granted by the Seller. Such additional easements have not as yet been designated or granted. Some of the proposed easements are shown on the Map, a larger copy of which is available for inspection at Seller's office. In addition, the existing and proposed easements and encumbrances, and the lots affected by such easements and encumbrances, are described below:

a. RESTRICTIVE COVENANTS AFFECTING ALL LOTS.

(1) HILO HILLSIDE ESTATES DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS: A complete copy of the Declaration will be provided each purchaser. Certain provisions of the Declaration, as discussed below, require lot owners to secure permissions, approvals or take certain actions before using their lot. However, this discussion will only highlight certain areas of the Declaration and should not be a substitute for a careful study of the Declaration.

(a) All improvements to any lot in the Project must comply with the provisions of the Declaration and the Hilo Hillside Estates Design Guidelines ("Design Guidelines"). Section 5.2 of the Declaration contains provisions for the architectural control over all properties within the Project. Before constructing any improvements on their lots, or making any modifications, additions, or alterations to any existing structures, units, or open space appurtenant thereto, purchasers must have the plans and specifications approved by the Declarant, or the Design Review Committee ("DRC"), whose members are appointed by the Declarant initially, then the Board of Directors ("Board") of the Association. The Declarant will have exclusive jurisdiction over all original construction and modifications, additions, and alterations to any existing structures, units, or open space on or within any portion of the Project until the Declarant delegates all or a portion of this authority to the DRC or the Declarant's rights under Article V or the Declaration terminates. Variances from the Design Guidelines may be authorized when circumstances, such as topography, natural obstructions, hardship, or aesthetic or environmental considerations, require. The inability to obtain approval of any government agency, any necessary permit, or particular financing is not considered a hardship warranting a variance. A copy of the Design Guidelines will be provided to each purchaser.

(b) Section 3.2 of the Declaration authorizes the Board to make and enforce rules and regulations in addition to those contained in the Declaration and to impose reasonable fees for the use of certain facilities of the Association.

b. Section 5.4 of the Declaration sets forth that the construction on a lot in the Subdivision shall commence no later than one (1) year after the date of approval of the final submission required by the Design Guidelines and shall be completed within twenty-four (24) months of commencement.

c. OTHER RESTRICTIONS. The Project is subject to the following restrictions and easements:

(1) Mineral and water rights of any nature in favor of the State of Hawaii.

(2) Easement (40 feet wide), as shown on Map 7, as set forth by Land Court Order No. 9816, filed September 12, 1950 (affecting Lots 446 to 452, 454 and 455).

(3) Easement "2" (15 feet wide) for electric transmission line purposes, as shown on Map 19, as set forth by Land Court Order No. 38920, filed December 28, 1973.

(4) Grant of Easement dated July 8, 1974, in favor of Hawaii Electric Light Company, Inc., filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 695348, affecting Easement "2".

(5) Forty (40) foot right-of-way easement, as shown on Maps 7 and 73, for access to Kukuau Street appurtenant to Lots 10-A-1, 10-A-2, 10-A-3, 10-A-4, 10-A-5, 10-A-6A, 10-A-6-B, 10-A-7, 10-B, 10-C, 10-d, 10-E, 10-f, 11-A and 11-B, as set forth by Land Court Order No. 104144, filed October 8, 1991 (affecting Lots 446 to 452, 454 and 455).

(6) Easement "250", for drainage and slope purposes, as shown on Map 94, as set forth by Land Court Order No. 142185, filed June 4, 2001 (affecting Lots 406, 407, 455 to 461).

(7) Easement "251", for slope purposes, as shown on Map 94, as set forth by Land Court Order No. 142185, filed June 4, 2001 (affecting Lot 455).

(8) Agreement dated June 5, 2009, filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 3873552, between Moaniala Holdings, LLC, a Hawaii limited liability company and County of Hawaii re: affordable housing requirements.

(9) Restriction of Vehicular Access Rights as shown on Map 109, as set forth by Land Court Order No. 188684, filed October 4, 2011, as amended (affecting Lots 406, 455 to 461).

d. EASEMENTS. There are easements affecting lots in this offering that may have an effect on the lot use plans of some individual lot owners. Some of these easements affect all of the lots in the Project while other easements affect certain lots.

(1) EASEMENTS AFFECTING ALL LOTS.

(a) All lots in the Project will be subject to the Declaration. Purchasers are advised to read the Declaration in its entirety for an understanding of the particular provisions relating to such easements, restrictions, rights and obligations. In particular, purchasers should also be aware that the Declaration provides for certain easements, restrictions and other rights and obligations which are intended to facilitate the complete development of the Project for the overall benefit of all owners, such as:

i) Section 8.3 (Right of Declarant to subject portions of the Project to additional covenants and easements by way of a supplemental Declaration);

ii) Section 10.1 (Easements in Common Area);

iii) Section 10.2 (Reciprocal easement of encroachment on lots and Common Area for unintentional placement or settling or shifting of improvements and for maintenance of such improvements);

iv) Section 10.3 (Easement for the installation and maintenance of utilities);

v) Section 10.4 (Easement to Declarant over the Common Area for the purpose of enjoyment, use, access and development of the property that may be annexed to the Project pursuant to Section 8.1 (Annexation by Declarant) or any adjoining property that is or may be owned by Declarant, whether or not such property is made subject to the Declaration;

vi) Section 10.5 (Easement for the purpose of maintenance and for emergency, security, safety and enforcement reasons);

vii) Section 10.6 (Right of Declarant to inspect, monitor, test and correct any structure or improvement on the property);

viii) Section 10.7 (Easement for access to Historical Sites);

ix) Section 10.8 (Easement for maintenance of lots);

x) Section 10.9 (Easement for drainage and flowage purposes affecting all lots);

xi) Section 10.10 (Association Easement describing permitted activities); and

xii) Section 11.4 (Right of Department of Water Supply, County of Hawaii for ingress and egress to maintain the water system).

(2) EASEMENTS AFFECTING CERTAIN LOTS (AS SHOWN ON THE MAP).

(a) Drainage easements (affecting Lots 406, 407, 408, 409, 410, 422, 423, 424, 425, 427, 431, 432, 438, 445, 446, 447 and 453).

- (b) Drainage and access easements (affecting Lots 433, 434, 437, 438, 439, 440, 441, 442, 443, and 444)
- (c) Utility easements (affecting Lots 427 and 437)
- (d) Utility anchor easements (affecting Lots 421, 435, 445 and 454)
- (e) Road easements (affecting Lots 448 and 449).
- (f) No vehicular access//planting screen easements(affecting Lots 410, 416 and 428).
- (g) Landscape/wall easement affecting Lot 406

Seller reserves for itself, so long as Seller owns any property described in Exhibit A of the Declaration, to designate, grant and record easements over the lots as set forth in Sections 10.3(a) and 10.3(b) of the Declaration, subject to the restrictions set forth in Section 10.3(c) of the Declaration. By executing a purchase contract purchasers will consent to the Seller's exercise of such right and agree to join in any and all documents and proceedings necessary to accomplish the delineation and granting of such easement(s).

9. OTHER:

a. The Mortgage secures that certain Promissory Note dated as of December 23, 2010, made by Seller in favor of Mortgagee in the principal face amount of \$8,800,000.00. Provided that the Seller has satisfied all of the conditions set forth in that certain Loan Agreement dated December 23, 2010, by and between Seller and Mortgagee, as may be amended ("Loan Agreement"), the Mortgagee will release each lot, as it is sold and closed, from the collateral described in the Mortgage. The release provisions in the Loan Agreement may be exercised only by Seller. Therefore, if Seller defaults on the Loan Agreement or the Mortgage before obtaining a release on a lot, a purchaser of such lot may lose the lot and all monies paid for it if released from or paid outside of escrow prior to closing. In the event that Seller defaults under the Loan Agreement or Mortgage or the Mortgage is foreclosed prior to conveyance of a lot to a purchaser, the Mortgagee will have the option of completing the Project, but is not required to do so. If the Mortgagee elects not to complete the Project, the purchaser's sales contract may be terminated at the Mortgagee's option and the purchaser will be entitled to a refund of deposits held in escrow, if any, and to exercise the purchaser's rights under the sales contract against the Seller. Seller has reserved the right to enter into extensions, renewals, modifications and refinancing of all or any portion of such loan.

b. Seller will obtain the subdivision bonds required by the County to assure completion of the roadways and utility improvements within the Project.

c. Each lot will be subject to liens which may be granted in favor of the Association as described in the Declaration.

10. EXISTING TAXES, SPECIAL TAXES OR ASSESSMENTS: All real property taxes are paid current, and Seller is not aware of any proposed special taxes or assessments which affect the Project. Lot purchasers will be required to pay real property taxes assessed by the County, which will be prorated at closing. The real property taxes vary, depending on the assessed value of the lot and any additional improvements

placed on the lot by the lot purchaser. Real property taxes are assessed by the County of Hawaii based on fair market value.

For the 2012/2013 tax year, the tax rates are as follows: for unimproved agricultural lands, the tax rate is \$8.35 per \$1,000 of assessed valuation, and for agricultural lands and all improvements thereon the tax rate is \$8.35 per \$1,000 of the assessed valuation of the agricultural lands. However, current rates include the following exception: if the land is owner-occupied and its owner has claimed a homeowner's exemption, the tax rate is \$5.55 per \$1,000 assessed value for land and improvements thereon. The real property tax rate is subject to change at any time by the County, and it is incumbent on lot purchasers to confirm with the County tax assessment office, from time to time, the applicable tax rate and the possible exemptions that may be available to them. Taxes are currently due semi-annually on August 20th and February 20th.

In addition, each lot owner will be required to pay assessments and fees levied by the Association as described in paragraph 28 below.

11. DESCRIPTION OF ROADS: Road Lots 462-466 within the Subdivision, as shown on the Exhibit C, provide access to all lots and connects the Subdivision with the Puainako Street Extension, a public roadway. The Seller intends to dedicate Road Lots 462-466 to the County of Hawaii as public roadways.

12. DESCRIPTION OF WATER SUPPLY: All lots in the Project will be served by the County of Hawaii, Department of Water Supply ("DWS") system. Water to the Subdivision is available as we have completed the upgrading of the Kaumana water system and the extension of water service lines to the boundary of each lot and dedicated such lines to the County of Hawaii.

The cost of connecting the water line to the house shall be the sole responsibility of the lot purchaser. This cost will vary, depending upon the needs of the lot owner and the location of the house on the lot. Each lot shall be separately metered and the cost of water service to the lot shall be the sole responsibility of the lot purchaser. Seller's investment in the water transmission lines and facilities will not be recovered from purchasers.

13. ELEVATION OF THE LAND: The land of the Project gently slopes from a low pad elevation of 500 feet above sea level to a high pad elevation of 700 feet above sea level. The dominant slope is less than two percent.

14. SOIL CONDITIONS - DRAINAGE: The U.S. Department of Agriculture Soil Conservation Service identifies the soil in the Project as consisting primarily of "Lava Flows" (pahoehoe) (rLW). The pahoehoe form of lava is present at the site (approximately 30% of site). Pahoehoe lava has a billowy, glassy surface that is relatively smooth. Within the Project, the pahoehoe lava has no soil covering and is typically bare of vegetation except for mosses and lichens.

Regional and site topography indicate that surface runoff likely flows generally east, toward the coast. The pahoehoe lava consist of excessively drained, nearly barren lava flows and somewhat excessively drained and well-drained, coarse-textured and medium-textured soils that formed in volcanic ash, pumice, and cinders. The drainage system for the Project is designed to accommodate the surface run-off water coming into and generated by the Project in accordance with County regulatory requirements.

The lots are being sold to purchasers in an "as is" condition, and Seller is making no express or implied warranty with respect to the condition of the soil and site conditions of any of the lots, including, without

limitation, any warranty regarding soil compaction, the filled soil, movement or expansion, drainage, existence of any undiscovered lava tubes, and suitability of the property for the construction of any type of improvements or fitness of the property for any particular use. Accordingly, Seller shall have no liability to any purchaser for any defects in the condition of the soil, the site conditions of any lots which may affect the integrity of any improvements constructed on such lot, or for any defect in the condition of such improvements. Purchasers are encouraged to undertake a soils investigation prior to executing a purchase contract.

15. SEWAGE DISPOSAL FACILITIES: The Project will not be served by County of Hawaii or private wastewater collection and treatment facilities. The State of Hawaii Department of Health will require a septic tank and absorption bed type system to service improvements constructed on each lot. The installation of such individual wastewater systems is regulated by the Wastewater Branch of the State Department of Health, 919 Ala Moana Boulevard, Honolulu, Hawaii 96814. Prior to occupancy of the lot, each lot purchaser shall be required to install, at such lot purchaser's expense, an individual wastewater system capable of handling all waste from the Dwelling, accessory structures and lot and to thereafter maintain the individual wastewater system. Such individual wastewater system shall be constructed in accordance with all applicable federal, State and County laws, rules, regulations and ordinances. The estimated cost of designing, permitting and installing an individual wastewater system averages between \$10,000.00 and \$15,000.00, but will likely increase with time.

16. EXPOSURE TO NATURAL HAZARDS: The natural hazards which could have the greatest potential impact upon the physical character of the Project, aside from occasional storms and strong winds, are volcanic eruptions and earthquakes, and the conditions resulting therefrom, such as noxious or toxic fumes and other debris.

a. HURRICANES. The Project may be subject to hurricanes, which have hit the Island of Hawaii no more than two or three times in ten years.

b. VOLCANIC ERUPTION. Volcanic hazards in the area have been studied in detail. The Project is located on the easterly slope of Mauna Loa volcano. Since 1900, Mauna Loa has erupted 15 times, with eruptions lasting from a few hours to 145 days. The most recent volcanic eruption of Mauna Loa occurred in 1984. The lava flow advanced to within four (4) miles of Hilo before the three-week long eruption ended. Similar short-duration eruptions of Mauna Loa's northeast rift zone in 1852 and 1942 produced flows that came within about the same distance of Hilo. In 1855 a much longer eruption flowed within half a mile east of the upper Kaumana area on the western outskirts of Hilo. The 1881 flow underlies much of Kaumana and extends a half mile down slope of Komohana Street.

Volcanic hazard zones have been established for all of the Island of Hawaii. The Project is located within Lava Flow Hazard Zone 3 on Mauna Loa, which indicates that approximately 15% to 20% of the land in this zone has been covered in lava in the past 750 years and that there has been approximately 1% to 5% coverage in the past 200 years. These areas are less affected by rift activity and considered less hazardous than Zone 1 or Zone 2 because of greater distance from recently active vents and/or because the topography makes it less likely that flows will cover these areas. Lot purchasers are advised to contact the U.S. Geological Survey for further information on this matter.

In addition, due to continuing volcanic activity at Kilauea Volcano on the Island of Hawaii, a volcanic haze referred to as "vog" persists during periods of eruption. Vog is caused by particles released from the volcano which drift in the atmosphere. Lot purchasers are advised that these volcanic emissions compromise

air quality and may be hazardous to one's health. Occasionally, if episodes of lava fountaining combine with strong Kona (southwest) wind, small amounts of tephra (volcanic fragments such as ash, cinder and Pele's hair) may be carried by the wind as far as Hilo and may be a source of irritation to people with respiratory problems. Seller recommends that persons with pre-existing respiratory health problems consult their physician about whether the anticipated vog creates a health risk for them.

c. **EARTHQUAKES.** The island of Hawaii is seismically active and is in Seismic Zone IV of the Uniform Building Code. Although the most recent large earthquakes have taken place under the southern part of the island, a large earthquake offshore from Puako, roughly 54 miles southeast of the Project, occurred in 2006. Its magnitude was approximately 6.7, and its Modified Mercalli intensity at the site was estimated to be VII to VIII. This corresponds to ground motion causing damage ranging between negligible to slight in well-built structures and slight to considerable damage in ordinary substantial buildings. Hazard zones for the effect of earthquakes have not been established for the Island of Hawaii. Earthquakes associated with volcanic events occur regularly on the Island of Hawaii, although many are so small they can only be detected by instruments. For the most part, they are concentrated beneath Kilauea Volcano and Mauna Loa Volcano, particularly beneath the south flanks, and in the Kaoiki region between the two volcanoes. Based on historical data, earthquakes having a Richter Scale magnitude 5.5 to 6.6 have occurred in the Kaoiki region about once every 10 years. Since the Island of Hawaii is subject to continuing volcanic activity, lot purchasers should undertake appropriate design, engineering and construction measures to minimize potential risks which may be caused by seismic and volcanic events. These measures should include adherence to engineering design standards in accordance with County, State and federal laws, regulations and ordinances.

d. **FLOODS.** The Hawaiian Islands' coasts are exposed to seismic sea waves, or tsunamis, from both distant earthquakes and local ones. Tsunami runups for various island locations have been documented. The Project is on an essentially uninhabited section of Hilo for which no historical tsunami data is available. Pursuant to that certain Letter of Map Revision, effective March 4, 2013, the lots within the Project are designated by FEMA as lying within Flood Zone X. This zone represents areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile; and areas protected by levees from 100-year flood. These areas, which are outside of the Special Flood Hazard Area, do not require flood insurance under NFIP regulations, although such insurance may still be required by a specific lender, depending on each lender's individual policies.

e. **CARIBBEAN OR COQUI TREE FROGS:** These frogs have established colonies in certain areas of the Island, and are considered a nuisance because of a high volume, high pitched sound, emitted typically at night. These frogs are difficult to eradicate. Prospective purchasers are advised to inspect the property, especially at dusk or at night to determine if there is any infestation.

17. **DATE OF COMPLETION AND RESPONSIBILITY FOR CONSTRUCTION AND MAINTENANCE OF EXISTING AND PROPOSED IMPROVEMENTS:** The proposed improvements in Subdivision, consisting of roadways, underground electrical, water, telephone and cable television lines, street signs and fire hydrants, have been constructed by Seller in compliance with the ordinances and laws of the County and the State and any other applicable laws, at an estimated cost of \$7,000,000.00. All water, electrical, telephone and cable television lines and conduits will be installed by Seller adjacent to each lot at Seller's expense.

The DWS will be generally responsible for maintaining the water system, Hawaii Electric Light Company, Inc. ("HELCO") will be generally responsible for maintaining the electrical lines, Hawaiian Telcom,

Inc. will be generally responsible for maintaining the telephone lines, and Oceanic Time Warner Cable (“Oceanic”) will be generally responsible for maintaining the cable television lines. The cost of installing, maintaining and repairing any electrical, telephone, cable television, sewer facilities and water lines within each lot and Dwelling, however, will be the responsibility of the purchaser. Aesthetic landscape lighting, if any, along the streets and other areas of the Project will be maintained by the Declarant under the Declaration, and then by the Association upon transfer of the common areas of the Project to the Association.

The improvements, consisting of roadways, underground electrical, telephone, cable telephone and water lines, street lights, street signs and fire hydrants, have been constructed in substantial compliance with the ordinances and laws of the County of Hawaii and the State of Hawaii, and any other applicable laws.

All internal infrastructure and community facilities shall be developed and maintained privately or dedicated as set forth herein, and the County of Hawaii is not obligated to construct any public facilities within the Subdivision or the Project.

18. **ELECTRICITY, TELEPHONE, CABLE TELEVISION:** Electricity to the Project will be supplied by Hawaii Electric Light Company, Inc., P.O. Box 1027, Hilo, Hawaii 96720, which is regulated by the Public Utilities Commission of the State of Hawaii. Telephone service to the Project will be provided by Hawaiian Telcom, Inc., P.O. Box 4249, Hilo, Hawaii 96720, which is regulated by the Public Utilities Commission of the State of Hawaii. Cable television service to the Project will be provided by Oceanic Time Warner Cable, 548 Kanoelehua Avenue, Hilo, Hawaii 96720, which is regulated by the Public Utilities Commission of the State of Hawaii, the Seller will extend the electrical and telephone lines in front of or adjacent to each of the lots in the Project. Each Lot purchaser will be responsible for making arrangements to connect the electrical and telephone lines to the purchaser’s Dwelling. The cost to the purchaser will vary, depending upon the needs of the purchaser and the location of the Dwelling. Assuming a 40 foot setback of the house from the roadway, the cost to connect the electricity, telephone and cable lines to the house is currently estimated at approximately \$600.00 per lot, but will likely increase with time.

No underground natural gas utility lines are available to the area. Lot purchasers may, at their own expense, construct and install a propane storage tank and pipe line connecting the tank to their home; provided however, that no propane storage tank may be visible from the roadways within the Project. Lot purchasers can contract directly with The Gas Company, 945 Kalaniana’ole Street, Hilo, Hawaii 96720, for delivery of propane to their home.

19. **TYPE OF MAIL SERVICE THAT U.S. POSTAL SERVICE HAS AGREED TO PROVIDE TO THIS PROJECT:** Upon dedication of the Project roads to Lot 461, and acceptance by the County of Hawaii, mail will be delivered to a central mailbox located within the Project.

20. **FIRE AND POLICE PROTECTION:** Fire protection is provided by facilities operated by the County based out of Hilo, approximately 3.8 miles from the Project. Fire hydrants will be installed in the Project pursuant to the requirements of the County of Hawaii. Police protection is provided by facilities operated by the County based out of the Hilo Main Police Station, located approximately 3.2 miles from the Project.

21. **PUBLIC TRANSPORTATION:** Air transportation is available approximately 7 miles away at Hilo International Airport. Public ground transportation is available via Hawaii County Transit’s Hele On Bus.

A scheduled bus stop is available approximately 3.6 miles away at Prince Kuhio Plaza and Hilo Shopping Center, and University of Hawaii and Hawaii Community College approximately 2.3 miles away.

22. SCHOOLS: Waiakea Elementary School (grades K-5), Waiakea Intermediate School (grades 6-8) and Waiakea High School (grades 9-12), all of which are public schools, are located approximately 3.7 miles from the Project. Six private schools are located in Hilo located approximately 3.6 miles from the Project: E'Makaala School (PK-4), Kamehameha Schools Hawaii (K-12), Haili Christian School (PK-8), Hale Aloha Nazarene School (PK-7) and St. Joseph Schools (P-12). There are three colleges in Hilo: University of Hawaii at Hilo and Hawaii Community College, which are located approximately 2.3 miles from the Project.

23. SHOPPING FACILITIES: The nearest regional shopping facilities are located approximately 3.6 miles from the Project: Puainako Shopping Center, Prince Kuhio Plaza and Hilo Shopping Center. The nearest neighborhood grocery stores are located approximately 3.7 miles from the Project: KTA, Sack n' Save and Safeway.

24. HOSPITAL/MEDICAL FACILITIES: The nearest full-service health care facilities is Hilo Medical Center Hospital, which is located 4.1 miles from the Project, and Hilo Urgent Care Center in Hilo, which is located approximately 3.1 miles from the Project. Numerous private health care facilities are available in Hilo approximately 3 miles from the Project. Additional emergency medical and paramedical services are provided by the Hawaii County Fire Department.

25. TERMS AND PROVISIONS OF SALE: Seller intends to sell the lots in fee simple without a Dwelling. Subject to the provisions of the purchase contract, the full purchase price will be required to be paid in cash at closing. The purchase contract will be binding on Seller and the purchaser in accordance with the terms of the purchase contract, subject to any rescission rights the purchaser may have by law or under the terms of the purchase contract. The purchase contract will also require the purchaser to make one or more cash down payments prior to closing, and to pay the balance of the purchase price at closing. The purchase contract sets forth the respective rights and obligations of each party, and, therefore, the purchaser should read each provision of the purchase contract. The purchaser should feel free to consult an attorney or any other person(s) of the purchaser's choosing to review the purchase contract and to advise the purchaser.

The following is a brief summary of some of the provisions of the purchase contract:

a. Seller will pay 60% of the premium for an ALTA Owner's policy of title insurance ("Title Policy"), the cost of drafting of conveyance documents, Seller's notary fees, conveyance tax, and 50% of escrow fees. Purchaser will pay 40% of the premium for the Title Policy, and any additional costs relating to the issuance of extended coverage policy (including a lender's policy), the cost of drafting of any revisions or addenda to the purchase contract, the cost of obtaining purchaser's consents, if any, purchaser's notary fees, all recording fees, 50% of escrow fees, and any mortgage fees, and Hawaii General Excise Tax. Real property taxes and Project assessments (other than assessments levied by the Association) will be prorated between the purchaser and Seller at closing. At closing, the purchaser will pay a start-up fee to the Association.

b. Seller will be offering the lots, and purchasers will be purchasing the lots, subject to the Declaration, the Map and other matters disclosed to purchasers prior to closing.

Each purchaser should read the purchase contract for other provisions regarding the rights and obligations of the purchaser and the Seller in connection with the purchase of a lot.

26. EXISTING OR PROPOSED ASSOCIATION OF LOT OWNERS: Pursuant to the Declaration, the Association has been or will be established and the owner of each lot in the Project, will be deemed to be a member of the Association upon such owner's acquisition of a lot in the Project. The Association will levy assessments in accordance with the Declaration as described in paragraph 28 below.

27. ESCROW OR TRUST AGREEMENT: Seller has entered into a Hilo Hillside Estates Subdivision Escrow Agreement with Title Guaranty Escrow Services, Inc., 235 Queen Street, Honolulu, Hawaii 96813 ("Escrow"), covering the deposit, receipt, collection and disbursement of all funds to be paid by purchasers, a copy of which Subdivision Escrow Agreement is on file in Seller's office and available for inspection by purchasers during reasonable business hours. All payments to be made under the purchase contracts must be paid by purchasers in the form of a check payable to the order of the Escrow Agent pursuant to the Subdivision Escrow Agreement. No cash shall be accepted by Seller or its agents. Purchasers' funds paid into escrow may be disbursed by the Escrow Agent only as provided in the Subdivision Escrow Agreement and only in accordance with the provisions of Chapter 484, Hawaii Revised Statutes, as amended, and the rules and regulations adopted thereunder.

Any interest earned on funds deposited in Escrow shall accrue to the credit of Seller.

28. DESCRIPTION OF ROAD MAINTENANCE FUND: The capitalized terms set forth in this paragraph 28 shall have the meanings ascribed to them in the Declaration.

As the roadways have been dedicated, there is no road maintenance fund. The cost of performing all of the Association's other obligations under the Declaration will be paid by the Association out of the assessments collected by the Association from its membership in accordance with the Declaration. Since Seller will be a member of the Association, it will also be responsible for the payment of assessments (or in lieu thereof, the payment of any budget deficit) to the Association as long as it continues to own lots in the Project.

The Declaration authorizes the Board of the Association to levy several types of assessments to fund different types of expenses which the Association may incur for the benefit of all or certain specific lots in the Project. As a general matter, all assessments shall be paid in such manner and on such dates as may be fixed by the Board and, if the Board so elects, assessments may be paid in two or more installments. If any owner is delinquent in paying any assessments or other charges levied against his lot, the Board may revoke the privilege of paying in installments and require any unpaid installments of an annual assessment and/or any other assessments to be paid in full immediately. The Declaration authorizes the Board to levy the following types of assessments:

a. Section 7.14 of the Declaration authorizes the Board to levy Base Assessments against all lots to fund Common Expenses for the general benefit of all lots. All costs associated with the maintenance, repair and replacement of the Area of Common Responsibility, which includes all roadways owned by the Association, shall be a Common Expense to be allocated among all lots as part of the Base Assessment. The Declaration requires Base Assessments to be set at a level which is reasonably expected to produce total income to the Association equal to the total budgeted Common Expenses, including reserves. Base Assessments are due and payable annually in advance on the first day of each fiscal year, unless otherwise determined by the Board, which has the authority to require that the Base Assessments be payable in installments. At least sixty days before the beginning of each fiscal year, the Board is required to prepare a budget covering the estimated Common Expenses of the Association during the coming fiscal year, including the amount to be generated through the levy of Base Assessments and Special Assessments. The Board must then send a copy of the final

budget, together with a notice of the amount of the Base Assessment to be levied against each lot for the following year, to each owner at least thirty days prior to the effective date of the budget. The budget and assessment shall become effective unless disapproved at a meeting by Members representing at least 75 % of the total Class "A" votes in the Association and by the Class "B" Member, if any. There is no obligation to call a meeting for the purpose of considering the budget except, upon the petition of the Members, at a special meeting called therefor pursuant to the By-laws, which petition must be presented to the Board within ten days after delivery of the budget and notice of assessment.

b. Section 7.16 of the Declaration authorizes the Board to levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Special Assessments may be levied against the entire membership; provided, however, that any such Special Assessment shall require the affirmative vote or written consent of Members representing more than 50% of the total votes allocated to lots which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be paid in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines.

c. Section 7.17 of the Declaration authorizes the Board to levy Specific Assessments against a particular lot as follows:

(1) To cover the costs, including overhead and administrative costs, of providing services to lots upon the request of an owner pursuant to any menu of special services which may be offered by the Association (which might include the items identified in Section 7.12 of the Declaration). Specific Assessments for special services may be levied in advance of the provisions of the requested service; and

(2) To cover costs incurred in bringing the lot into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the owner or occupants of the lot, their agents, contractors, employees, licensees, invitees or guests; provided the Board shall give the lot owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any such Specific Assessment.

d. Pursuant to Sections 7.22 and 7.23 of the Declaration, upon acquisition of record title to a lot by the first owner thereof other than Declarant, a contribution fee (initially set at an amount not to exceed \$500.00) must be made by or on behalf of the purchaser to the working capital of the Association. Upon each subsequent transfer of record title, a transfer fee (initially set at an amount not to exceed \$500.00) must be made by or on behalf of the purchaser to the working capital of the Association. These amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. These amounts shall be deposited with the Escrow Agent and disbursed therefrom to the Association for use in covering operating expenses and other expenses by the Association pursuant to the Declaration and the Bylaws.

e. Pursuant to the Bylaws, the Board is responsible for the levying and collection of all assessments and is required to deposit all monies received by the Association as assessments into a bank depository which it shall approve and shall use the proceeds to operate the Association; provided that any reserve fund may be deposited, in the Board's best judgment, in depositories other than banks. The Declaration does not require that the deposit accounts be federally insured or interest-bearing.

The Bylaws, however, require the Board to keep books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The Bylaws also require that financial reports be prepared for the Association at least quarterly containing: (a) an income statement reflecting all income and expense activity for the preceding period on an accrual basis; (b) a statement reflecting all cash receipts and disbursements for the preceding period; (c) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format; (d) a balance sheet as of the last day of the preceding period; (e) a delinquency report listing all owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent; and (f) an annual report consisting of at least the following which shall be distributed to all Members within 120 days after the close of the fiscal year; a balance sheet; an operating (income) statement; and a statement of changes in financial position for the fiscal year. The Association is also required, upon a written request therefor, to furnish to any owner liable for any type of assessment a certificate in writing setting forth whether such assessment has been paid as to any particular lot.

f. Pursuant to the Declaration, the Board possesses the decision-making authority on behalf of the Association to utilize monies collected as assessments. While each owner will not possess direct control over the use of the funds collected as assessments, each owner, as a member of the Association, will have voting privileges as provided in, but subject to any conditions contained in, the Declaration. Every owner shall be deemed to have membership in the Association and only members of the Association are entitled to vote. The Association shall have two classes of membership, Class "A" and Class "B."

(1) Class "A" Members shall be all owners, except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each lot in which they hold the interest required for membership under Section 7.3 of the Declaration, except that there shall be only one vote per lot. No vote shall be exercised for any property which is exempt from assessment under Section 7.22 of the Declaration. All Class "A" votes shall be cast as provided in Section 7.4(c) of the Declaration.

(2) The sole Class "B" Member shall be the Declarant. The Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in the Bylaws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the Bylaws.

The Class "B" membership shall terminate upon the earlier of:

- (a) Two years after expiration of the Class "B" Control Period pursuant to the Bylaws; or
- (b) When, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to Class "A" votes for each lot which it owns.

In recognition of the different character and intended use of the property subject to a Supplemental Declaration, Declarant may, by Supplemental Declaration, create additional classes of membership for the owners of lots within any property made subject to the Declaration pursuant to Article VIII of the Declaration. These classes shall have such rights, privileges and obligations as specified in such Supplemental Declaration.

(3) In any situation where there is more than one owner of a lot, the vote for such lot shall be exercised as the co-owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the lot's vote shall be suspended if more than one Person seeks to exercise it.

Since the foregoing consists of only a summary of various provisions of the Declaration, the purchaser should read the Declaration in its entirety for particulars.

29. REPRESENTATIVE OR REAL ESTATE AGENT IN HAWAII: Seller's current broker for the sale of lots in the Project is Hilo Hillside Realty, Inc. whose address is 116 Hualalai Street #202, Hilo, Hawaii 96720. The broker may engage other brokers to aid in the sale of lots in the Project.

30. NAME AND ADDRESS OF AGENCY TO RECEIVE SERVICE: Not Applicable. This section applies to out-of-state subdividers only.

[The remainder of this page is intentionally omitted.]

THIS SUBDIVISION HAS BEEN REGISTERED WITH THE DIRECTOR OF DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, STATE OF HAWAII, ON MARCH 22, 2010. REGISTRATION DOES NOT INDICATE APPROVAL OR DISAPPROVAL OF THE SUBDIVISION.

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

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

MOANIALA HOLDINGS LLC, a Hawaii limited liability company

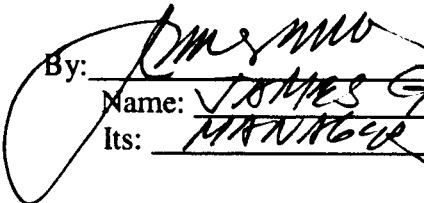
By: 
Name: JAMES G. LAU
Its: MANAGER

EXHIBIT A

HILO HILLSIDE ESTATES PROJECT SUMMARY AND GENERAL INFORMATION

Hilo Hillside Estates is a master-planned subdivision (“Project”) located in Hilo on the Big Island of Hawaii, approximately seven miles from the Hilo International Airport. Hilo Hillside Estates is being built on approximately 170.620 acres of land and is envisioned to become an agricultural-residential subdivision.

The Project will include a number of features, which may be summarized as follows:

THE SELLER

The Seller is MOANIALA HOLDINGS LLC, a Hawaii limited liability company.

FARM DWELLING SITES

Most of the area of the Project will be developed with agricultural-residential lots. The Project is contemplated to include one hundred forty three (143) such lots. Detailed Design Guidelines, to be administered by a Design Review Committee, will help provide that dwellings developed on the lots are attractive and consistent with the design philosophy of the Project. Each lot will have a designated Building Envelope, within which the home improvements may be constructed. The envelope will be subject to reasonable minor modifications as may be approved by the Design Review Committee.

GOVERNANCE DOCUMENTS

Prior to the closing of the sale of any lot in the Project, such lot will be annexed under the Hilo Hillside Estates Declaration of Covenants, Conditions and Restrictions (the “Declaration”), which provides in detail for the structure and other important matters relating to the Project. The Declaration provides for the Association, which is a not-for-profit Hawaii corporation operated pursuant to provisions of Bylaws and the Declaration. The Declaration also provides for the Design Guidelines to be administered by the Design Review Committee. Buyers will be provided with copies of each of these documents as well as the recorded Map and an adequate opportunity to carefully review them before the closing of a purchase of a lot. The purpose of this documentation is to assure that the Project is developed and maintained at a high level of quality.

PROJECT IMPROVEMENTS

The Developer has installed underground utilities and 20-foot wide paved roads in a 50-foot right of way which are intended for dedication, to serve each lot. The utility services include electricity, telephone, potable water, and cable TV lines, but not sewer and natural gas. The water services will be provided by the County of Hawaii, Department of Water Supply, which will charge usage fees. Prior to occupancy of the lot, each lot purchaser shall be required to install, at such lot purchaser’s expense, an individual wastewater system capable of handling all waste from the dwelling, accessory structures and lot and to thereafter maintain the individual wastewater system.

SALES PROCEDURES

Prospective purchasers will sign a Purchase Contract providing a seven day rescission period and a closing, which shall occur within thirty (30) days of the later to occur of (i) execution of this Purchase Contract by all parties; or (ii) the Seller obtaining an order of subdivision for the Subdivision from the Land Court of the State of Hawaii.

The foregoing is intended to provide a summary of the plans for the Project which are subject to change. The Seller is not obligated to proceed with the sale of the lots.

EXHIBIT B-1

[State Land Use Classification Map attached]

SLU MAP

U

Subject Property

A

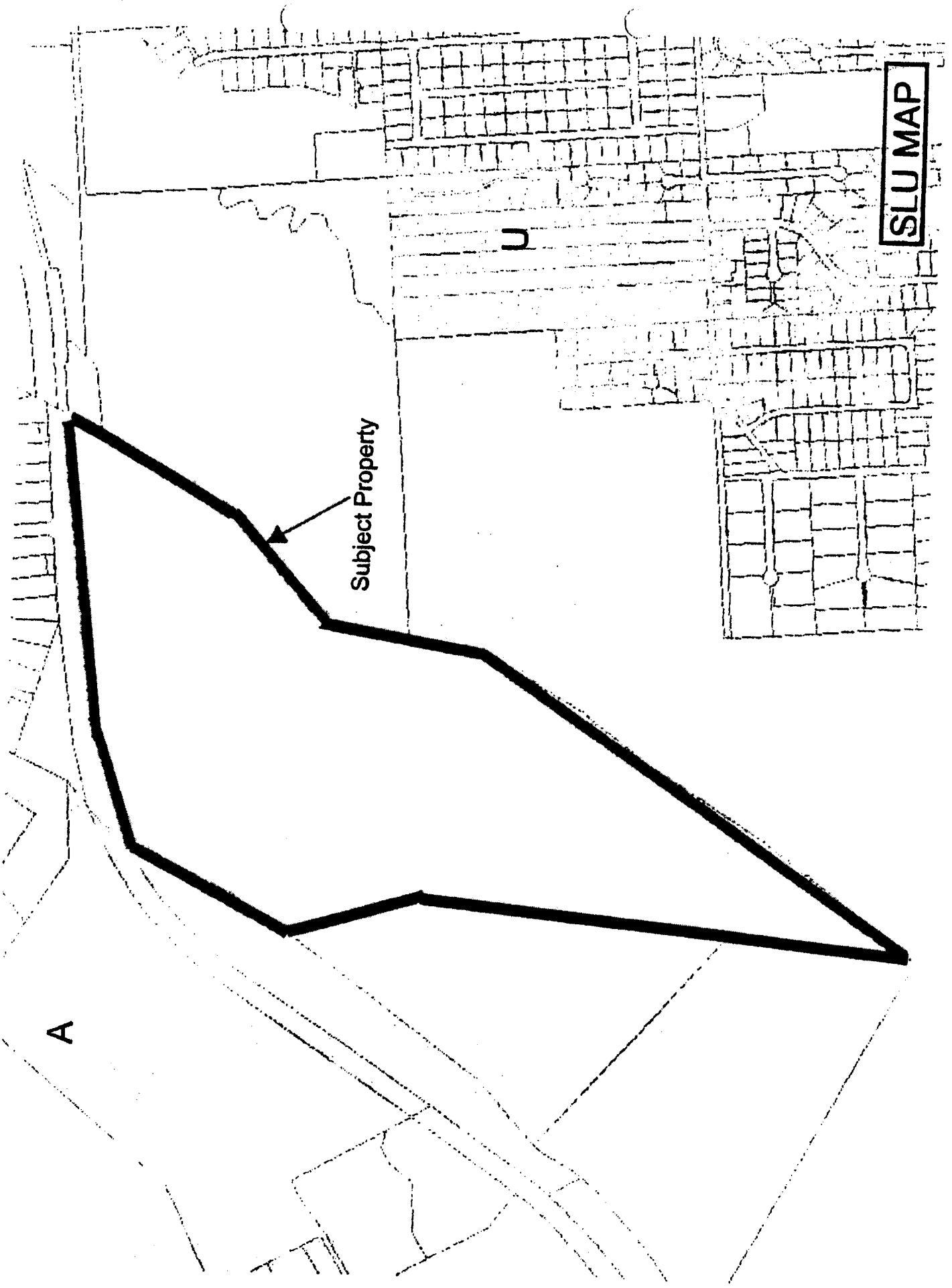
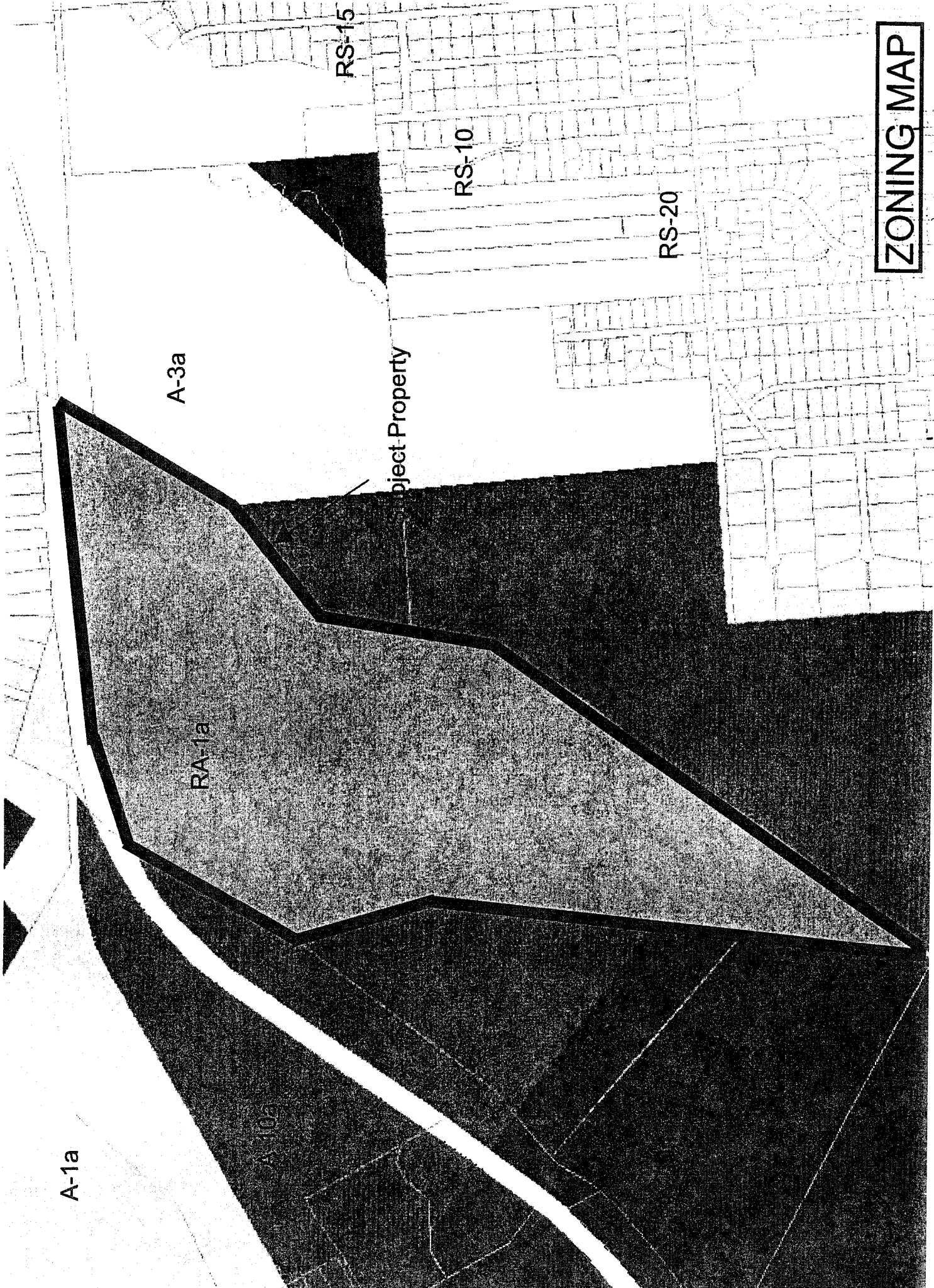


EXHIBIT B-2

[County Zoning Map attached]

ZONING MAP



A-1a

A-10a

RA-1a

A-3a

Subject Property

RS-10

RS-15

RS-20

EXHIBIT C

[Map attached]

