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**If you have sold or transferred** all your shares in Guoco Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**國浩集團有限公司**  
**Guoco Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 53)**

## **MAJOR TRANSACTION**

### **Third Supplemental Circular**

**Mandatory Conditional Cash Offer**

**by**

**CIMB-GK Securities Pte. Ltd.**

**for and on behalf of**

**High Glory Investments Limited**

**for**

**BIL International Limited**

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## DEFINITIONS

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*Capitalised terms used in this Third Supplemental Circular shall have the same meanings as those defined in the Circular unless the context requires otherwise. Moreover, in this Third Supplemental Circular, the following expressions have the following meanings unless the context requires otherwise:*

“Circular”	the circular dated 4 November 2005 issued by Guoco to the Shareholders in respect of the Transaction
“First Supplemental Circular”	the first supplemental circular dated 30 November 2005 issued by Guoco to the Shareholders in respect of certain information concerning the BIL Group and the Enlarged Group
“Latest Practicable Date”	28 March 2006, being the latest practicable date before the printing of this Third Supplemental Circular for ascertaining certain information for the purpose of inclusion in this Third Supplemental Circular
“Second Supplemental Circular”	the second supplemental circular dated 13 January 2006 issued by Guoco in respect of certain information concerning BIL’s properties located in the United Kingdom and Fiji
“Third Supplemental Circular”	this third supplemental circular issued by Guoco for the purpose of providing the Shareholders with further information concerning BIL’s properties located in Hawaii and certain information concerning the Enlarged Group



國浩集團有限公司  
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*Directors:*

Quek Leng Chan (*Executive Chairman*)

Kwek Leng Hai (*President, CEO*)

Sat Pal Khattar\*\*

Kwek Leng San\*

Tan Lim Heng

James Eng, Jr.

Harry Richard Wilkinson\*\*

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50th Floor, The Center  
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Hong Kong

\* *Non-executive Director*

\*\* *Independent Non-executive Directors*

31 March 2006

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION**

**Third Supplemental Circular**

**Mandatory Conditional Cash Offer**

**by**

**CIMB-GK Securities Pte. Ltd.**

**for and on behalf of**

**High Glory Investments Limited**

**for**

**BIL International Limited**

**INTRODUCTION**

Reference is made to the Circular, the First Supplemental Circular and the Second Supplemental Circular issued by Guoco on 4 November 2005, 30 November 2005 and 13 January 2006 in respect of the Transaction, respectively.

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## LETTER FROM THE BOARD

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The purpose of this Third Supplemental Circular is to provide the Shareholders with further information concerning BIL's properties located in Hawaii and certain information concerning the Enlarged Group.

### THIRD SUPPLEMENTAL CIRCULAR

As stated in the Circular, as the Offers were made by Guoco on an unsolicited basis and BIL is a company listed on the SGX-ST, BIL has been restricted from providing non-public information concerning the BIL Group to Guoco for preparing the Circular under the Singapore law and relevant rules and regulations (including the Takeovers Code).

Guoco had made efforts in collecting and collating information concerning BIL in order to fulfil the disclosure requirements for inclusion in the Circular under the Listing Rules. However, not all such information was available at the time of despatch of the Circular. As such, Guoco was unable to comply with certain Listing Rules requirements in respect of the disclosure of information (i.e. the "**Further Information**" as set out in the Circular and the First Supplemental Circular) as at the date of the Circular which includes, inter alia, property valuation reports on the BIL Group's properties (the "**Property Valuation Reports**") in accordance with Chapter 5 of the Listing Rules (Rule 14.66(3) of the Listing Rules).

Save for the Property Valuation Report, the Further Information has been set out in the First Supplemental Circular.

As stated in the First Supplemental Circular, BIL had informed Guoco that the management of BIL would provide assistance to Guoco in its preparation of the Property Valuation Reports by providing public and certain non-public information to Guoco (to the extent that such information is not commercially and/or price sensitive) (the "**Available Information**").

Guoco had applied for an extension of time for despatch of the Property Valuation Reports. The property valuation on BIL's properties located in the United Kingdom and Fiji has been set out in the Second Supplemental Circular, which was despatched on 13 January 2006. As stated in the First Supplemental Circular, it was expected that Guoco would be in a position to issue this Third Supplemental Circular setting out the property valuation on BIL's properties located in Hawaii by 31 March 2006.

The pro forma financial information contained in Appendix II to the First Supplemental Circular has not been updated in the Second Supplemental Circular as the property valuation of BIL's property in Hawaii has not yet been available at the time of preparation of the Second Supplemental Circular. The pro forma financial information is updated and reproduced in this Third Supplemental Circular in Appendix I to take into account the property valuations of BIL's properties in the United Kingdom, Fiji and Hawaii.

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## LETTER FROM THE BOARD

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### EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this Third Supplemental Circular or have given opinions or advices which are contained in this Third Supplemental Circular.

<b>Name</b>	<b>Qualification</b>
KPMG	certified public accountants
The Hallstrom Group Inc. (“ <b>Hallstrom</b> ”)	qualified property valuer

Each of KPMG and Hallstrom has given and has not withdrawn its written consent to the issue of this Third Supplemental Circular with the inclusion herein of its letters or reports or references to its name in the form and context in which they respectively appear.

Each of KPMG and Hallstrom did not have any shareholding interest in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group as at the Latest Practicable Date.

Each of KPMG and Hallstrom did not have any direct or indirect interests in any assets which have been, since 30 June 2005 (being the date to which the latest published audited accounts of Guoco were made up) up to the Latest Practicable Date: (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

Copies of the consent letters from KPMG and Hallstrom dated 31 March 2006 are available for inspection at the principal office of Guoco in Hong Kong at 50th Floor, the Center, 99 Queen’s Road Central, Hong Kong during normal business hours on any business day from the date of this Third Supplemental Circular up to and including 13 April 2006.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the following appendices to this Third Supplemental Circular:

- (i) revised pro forma financial information of the Enlarged Group;
- (ii) property valuation information on BIL’s properties located in Hawaii; and
- (iii) reconciliation statement pursuant to Rule 5.07 of the Listing Rules.

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## LETTER FROM THE BOARD

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The English text of this Third Supplemental Circular shall prevail over the Chinese text, in the case of inconsistency.

Yours faithfully,  
By Order of the Board  
**Quek Leng Chan**  
*Executive Chairman*

**REVISED UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP**

The revised unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “Pro Forma”) is prepared based on the audited consolidated balance sheet of the Guoco Group which has been extracted from the annual report for the year ended 30 June 2005 and has been adjusted for the significant impacts on adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively known as the “new HKFRSs”) and the audited consolidated balance sheet of the BIL Group which has been extracted from the annual report for the year ended 30 June 2005, after making appropriate pro forma adjustments that are considered necessary.

The Pro Forma is based on a number of assumptions, estimates and uncertainties. It does not purport to describe the actual financial position of the Enlarged Group as at 30 June 2005 and at any future date.

	The Guoco Group as at 30 June 2005			The Guoco Group as at 30 June 2005			The BIL Group as at 30 June 2005		Pro forma adjustments		The Enlarged Group as at 30 June 2005
	US\$M	US\$M	Notes	US\$M	US\$M	US\$M	US\$M	US\$M	Notes	US\$M	
				(Restated) (Note 1)							
<b>Non-current assets</b>											
Fixed assets	230.1			230.1	1,329.1	5.8	2				1,565.0
Development properties	—			—	197.1	23.0	2				220.1
Interest in associates	553.4	25.3	1(a)	578.7	—	(239.3)	3				339.4
Interest in jointly controlled entities	12.7			12.7	—						12.7
Bass Strait oil and gas royalty	—			—	127.1						127.1
Other non-current financial assets	70.2	22.8	1(b)	93.0	34.7	(17.8)	4				109.9
Deferred tax assets	1.2			1.2	—						1.2
Goodwill	(7.9)	7.9	1(a)	—	—						—
	859.7			915.7	1,688.0						2,375.4
<b>Current assets</b>											
Development properties	411.9			411.9	—						411.9
Properties held for sale	149.0			149.0	—						149.0
Other assets	131.2			131.2	104.5						235.7
Other investment in securities	606.6			606.6	—						606.6
Cash and short term funds	3,032.6			3,032.6	52.8	(215.8)	5				2,869.6
Inventories	—			—	0.9						0.9
	4,331.3			4,331.3	158.2						4,273.7



## APPENDIX I

## REVISED PRO FORMA FINANCIAL INFORMATION

	The Guoco Group as at 30 June 2005			The Guoco Group as at 30 June 2005			The BIL Group as at 30 June 2005		Pro forma adjustments		The Enlarged Group as at 30 June 2005
	US\$M	US\$M	Notes	US\$M (Restated) (Note 1)	US\$M	US\$M	US\$M	Notes	US\$M	US\$M	
<b>Current liabilities</b>											
Other payables and provisions	125.2			125.2	45.9	(0.5)	6		170.6		
Current portion of bank loans and other borrowings	148.1			148.1	69.2				217.3		
Taxation	31.6			31.6	27.3				58.9		
	<u>304.9</u>			<u>304.9</u>	<u>142.4</u>				<u>446.8</u>		
<b>Net current assets</b>	<u>4,026.4</u>			<u>4,026.4</u>	<u>15.8</u>				<u>3,826.9</u>		
<b>Total assets less current liabilities</b>	4,886.1			4,942.1	1,703.8				6,202.3		
<b>Non-current liabilities</b>											
Non-current portion of bank loans and other borrowings	344.7			344.7	506.3	(5.9)	6		845.1		
Provisions	—			—	29.3				29.3		
Deferred tax liabilities	5.7			5.7	166.5				172.2		
Irredeemable convertible unsecured loan stocks	8.1			8.1	—				8.1		
	<u>358.5</u>			<u>358.5</u>	<u>702.1</u>				<u>1,054.7</u>		
<b>MINORITY INTERESTS</b>	<u>331.6</u>	(331.6)	1(c)	<u>—</u>	<u>—</u>				<u>—</u>		
<b>NET ASSETS</b>	<u><u>4,196.0</u></u>			<u><u>4,583.6</u></u>	<u><u>1,001.7</u></u>				<u><u>5,147.6</u></u>		
<b>CAPITAL AND RESERVES</b>											
Share capital	164.5			164.5	273.6	(273.6)	7		164.5		
Reserves	4,031.5	47.4	1(a), 1(b)	4,078.9	728.1	(674.4)	8		4,132.6		
<b>Equity attributable to shareholders of the Company</b>	<u>4,196.0</u>			<u>4,243.4</u>	<u>1,001.7</u>				<u>4,297.1</u>		
<b>Minority interests</b>	<u>—</u>	340.2	1(b), 1(c)	<u>340.2</u>	<u>—</u>	510.3	9		<u>850.5</u>		
<b>TOTAL EQUITY</b>	<u><u>4,196.0</u></u>			<u><u>4,583.6</u></u>	<u><u>1,001.7</u></u>				<u><u>5,147.6</u></u>		

**Notes to the revised unaudited pro forma statement of assets and liabilities of the Enlarged Group**

1. Under a convergence program with International Financial Reporting Standards (“IFRSs”), the Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2005 with the goal of achieving full convergence with IFRSs. The Guoco Group has not early adopted these new HKFRSs in the annual report for the year ended 30 June 2005. The BIL Group’s annual reports have been prepared in accordance with IFRSs.

The Pro Forma is prepared based on the audited consolidated balance sheet of the Guoco Group which has been extracted from the annual report for the year ended 30 June 2005 and has been restated to reflect the significant impacts of the adoption of the new HKFRSs.

The Guoco Group has conducted an assessment on the significant differences between the accounting policies adopted by the Guoco Group and the BIL Group and has concluded that the adoption of HKFRS 3 “Business Combinations”, which is comparable with IFRS 3 “Business Combinations”, for business combinations with agreement dates before 1 January 2005 and HKAS 39 “Financial Instruments: Recognition and Measurement”, which is comparable with IAS 39 “Financial Instruments: Recognition and Measurement”, will have a significant impact on its financial statements as set out below:

- (a) At present, for business combinations with agreement dates before 1 January 2005, the Guoco Group has recognized negative goodwill as a deferred item and this is released to the income statement over its expected useful life. Following the adoption of HKFRS 3, negative goodwill should be recognized in the income statement immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill will be derecognized to the retained profit by way of an adjustment to the opening balances and comparatives are not restated. As a result, the Guoco Group’s interest in associates has increased by US\$25.3 million and US\$7.9 million negative goodwill recognized before has been released to retained profits, which resulted in an aggregate US\$33.2 million increase in retained profits.
  - (b) At present, the Guoco Group’s equity and debt securities which are intended to be held on a continuing basis for an identified long term purpose at the time of acquisition are stated in the balance sheet at cost less any provisions for diminution in value which is other than temporary. The provision being made is recognized as an expense in the income statement. Following the adoption of the HKAS 39, the securities with the above nature are stated on the balance sheet at fair value with changes recognized in investment revaluation reserve. Under the transitional arrangements of HKAS 39, any recognition or measurement adjustments should be made to the opening balances and comparatives are not restated. As a result, the Guoco Group’s other non-current financial assets and minority interests have been increased by US\$22.8 million and US\$8.6 million respectively, which resulted in an aggregate US\$14.2 million increase in retained profits.
  - (c) At present, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Following the adoption of the HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders of the Company. As a result, US\$331.6 million in minority interests has been reclassified accordingly.
2. This represents the fair value adjustments to the fixed assets and the development properties upon completion of the valuation. The adjustments comprise:
    - US\$5.8 million valuation surplus (as stated in Appendix II of Second Supplemental Circular) in UK Properties, which are classified as fixed assets.

- US\$5.5 million (as stated in Appendix III of Second Supplemental Circular) and US\$17.5 million (as stated in Appendix III) valuation surplus in Fiji and Hawaii Properties respectively, which are classified as development properties.
3. This represents the elimination of the Guoco Group's equity interest in the BIL Group, which was classified as interest in associates.
  4. This represents the reversal of US\$10.2 million revaluation gain to restate the investment in BIL to cost and the elimination of US\$7.6 million cost of investment in BIL, which was classified as other non-current financial assets.
  5. This represents the total consideration of the Transaction and the estimated costs directly attributable to the Transaction, which will be satisfied by cash.
  6. This represents the elimination of US\$5.9 million nominal value of Capital Notes and US\$0.5 million interest payable in the BIL Group after the purchase of the Capital Notes by the Guoco Group.
  7. This represents the elimination of BIL's share capital under the consolidation.
  8. This adjustment comprises of the following items:
    - (a) US\$16.4 million negative goodwill represents the difference between the investment cost in BIL and the BIL Group's identifiable net assets at their fair values.
    - (b) US\$35.2 million represents the share of the increase in the BIL Group's reserves by the Guoco Group in relation to the equity interest held before the Acquisitions.
    - (c) US\$6.4 million represents the reversal of the revaluation gain on the investment in BIL (net of the minority interest portion), which was classified as other non-current financial assets.
    - (d) US\$8.5 million represents the increase in the fair value of the BIL Group's net assets that is attributable to the equity interest in BIL held by the Guoco Group before the Acquisitions.
    - (e) US\$728.1 million represents the elimination of the BIL Group's reserves under the consolidation.
  9. This represents the minority interests under the consolidation.

*The following is the text of a report, prepared for the sole purpose of inclusion in this Third Supplemental Circular, received from the reporting accountants, KPMG, Certified Public Accountants, in respect of the revised unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “Pro Forma”) as set out in this Appendix.*



The Board of Directors  
Guoco Group Limited  
50/F The Center  
99 Queen’s Road Central  
HONG KONG

31 March 2006

Dear Sirs

In accordance with the terms of our engagement letter dated 16 November 2005, we report on the unaudited pro forma assets and liabilities statement (the “Statement”) of an enlarged group (the “Enlarged Group”) as if Guoco Group Limited (the “Company”) had completed the Transaction on 30 June 2005, which is set out on pages 6 to 9 in Appendix I to the Third Supplemental Circular dated 31 March 2006 (the “Third Supplemental Circular”). The Statement has been prepared by the Company, solely for illustrative purposes, to provide information about how the Transaction might have affected the assets and liabilities of the Enlarged Group on a pro forma basis as at 30 June 2005.

The Statement is prepared based on the audited consolidated balance sheet of the Guoco Group which has been extracted from the annual report for the year ended 30 June 2005 and has been adjusted for the significant impacts of adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively known as the “new HKFRSs”) and the audited consolidated balance sheet of the BIL Group which has been extracted from the annual report for the year ended 30 June 2005, after making appropriate pro forma adjustments that are considered necessary. The basis of preparation of the Statement is set out in the introduction and notes to the Statement of the Enlarged Group in Appendix I to the Third Supplemental Circular.

### **Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the Statement.

The Statement is for illustrative purposes only, based on the directors’ judgments and assumptions, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

- the Guoco Group, had the Transaction been completed on 30 June 2005; or
- the Guoco Group at any future date or for any future periods.

**Opinion**

In our opinion:

- (a) the Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company as adjusted for the significant impacts of adoption of the new HKFRSs; and
- (c) the adjustments as disclosed in the Statement are appropriate for the purpose of the unaudited pro forma assets and liabilities statement pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully

**KPMG**

*Certified Public Accountants*  
Hong Kong

*The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of inclusion in this Third Supplemental Circular, received from Hallstrom, an independent valuer, in connection with their valuations as at 31 December 2005 of the property interests acquired by the Group.*



March 31, 2006

Guoco Group Limited  
50th Floor, The Center  
99 Queen's Road Central  
Central, Hong Kong

### **Appraisal of Molokai Ranch Real Property Molokai, Hawaii**

Gentlemen:

We are transmitting a complete market value appraisal of the various real property interests of Molokai Properties Limited (MPL) located on the island of Molokai, State of Hawaii, as of the effective date of valuation December 31, 2005. The subject properties are summarized by use groups in a subsequent table, with the identification of each group's component properties expanded in the subsequent individual asset group summary sections. The aggregate total is a sum of the estimated market values of the individual parcels and groupings, and does not represent the overall market values of the portfolio to a single purchaser.

The properties which are the subjects of this report have been visited and/or physically viewed by the appraisers, and all requisite investigation and analyses were completed pursuant to forming our opinion of market value.

#### **Intended Users and Use of Report**

For the purpose of the assignment, our client relationship and responsibility has been to Guoco Group Limited. It is our understanding that this report may be included in a circular(s) and/or announcement(s) to be issued to the Stock Exchange of Hong Kong Limited for information purposes only and to the shareholders of Guoco Group Limited and BIL International Limited in Singapore. The use of this appraisal is solely limited to this function. The appraisers are not responsible for unauthorized use of this report.

**Basis of Valuation**

Our valuation analysis and reporting have been prepared in accordance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP).

This report is a Summary Appraisal Report in accordance with Standards Rule 2-2(b) of the USPAP. It does not contain any departures from Standard 1 of USPAP, hypothetical conditions, or extraordinary assumptions.

*Market value*, as adopted by the Hong Kong Institute of Surveyors and employed as the basis of valuation in this report, is defined as “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our value conclusions assume that the properties are freely marketable, disposable, and transferable to any purchaser, both local and overseas, without duress or compulsion, and such sales are a result of an orderly marketing program.

The properties have been valued as individual holdings, or a collection of similar or contiguous properties. Aggregate totals represent the sum of the market values ascribed to the individual properties or groups, and should not be regarded as the value of the properties as a whole or a portfolio in the context of a single bulk sale which would be much less. Reported reasonable exposure times, likewise, are concluded for each property as an individual, stand alone offering and are not applicable to the simultaneous sell-out of all of the properties or sale of the portfolio to a single buyer. We have not reflected on-going holding and marketing costs, absorption timing and discounts to dispose of the entire portfolio in bulk. All values are reported in United States dollars (US\$); references to “\$” are US\$.

**Valuation Methodology**

Wherever credible market information exists, we have valued the properties by the sales comparison approach. Based on the principle of substitution, property values are best measured by prices obtained for similar properties which have recently sold or transferred within the competitive or comparable market area. This analysis entails collecting, analyzing, comparing, and adjusting data for comparable transactions to reflect the similarity or dissimilarity of those transactions to the subject. Consistent with local market practice, properties were analyzed and compared based on price per acre, price per square foot, price per lot, price per unit, or price per guest room. Summary tables of all comparable transactions employed in our valuation of the subject properties is included in the Addenda of the report.

An income approach (capitalized value of net income) was used to evaluate the contributory worth of any improvements relative to land value, and for reversionary interests in lease encumbered property. No residual analyses were employed.

**Valuation Assumptions**

General limiting conditions and assumptions governing our valuation have been included in the Addenda of the report. These assumptions include, but are not limited to, the following issues: property surveys and legal descriptions, property title, architectural plans, valuation of a portion of real estate, fractional interests, engineering studies such as subsoil conditions and structural soundness, reliability of third-party information, report use and dissemination, contamination, and ADA compliance.

All real property interests appraised represent the market value of the properties in their existing state as of the date of valuation, December 31, 2005. We have not recognized in our valuation any proposed future development plans that would require government land use approvals and/or community approvals are not already in place. Properties are valued in their existing state without speculation as to the existence of future development approvals.

We have estimated the value of real estate only, and not any associated business interest. Similarly, our value conclusions do not include specific values associated with natural resources within the properties, transmission line easements, or water rights separate and apart from the underlying properties.

Our valuation has been made on the assumption that each property is independently offered on the open market without the benefit of any deferred term contract, leaseback, or any similar arrangement which could serve to affect the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties, nor for any expenses or taxation which may be incurred in affecting sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have not been provided with copies of title documents, and have relied on the opinion of MPL regarding ownership.

**Development Status**

It has been reported to us by Molokai Ranch Limited that where vacant land may be held for possible future development, there are no architectural plans that have been approved or planning consents that have been obtained which bind the property. Consequently, there are no special or general conditions (building covenants or time limits) affecting the development or obligatory conditions for the construction of road or utility infrastructure.



**No Material Value Change Since October 21, 2005**

We are also providing an opinion that there have been no material changes in the overall value of the Molokai Ranch property since October 21, 2005, which is 71 days early than the effective date of valuation for this Summary Appraisal. The inventory and market conditions have not significantly changed during the intervening time period. While annual appreciation allowances have been used to adjust comparable market transactions from their date of occurrence to the effective date of value to reflect overall annualized changes in market conditions, these are general reflections of appreciation trends should not necessarily be interpreted to indicate specific monthly or meaningful value changes during the above cited short-term interval.

**Affiliation to BIL International Limited**

It is our understanding that MPL, formerly Molokai Ranch Limited, is a wholly owned subsidiary of IEP/Hawaii Acquisition Corporation (IEP). Molokai Acquisition, LLC is also a wholly owned subsidiary of IEP. IEP is a wholly owned subsidiary of BIL (Far East Holdings) Limited. BIL (Far East Holdings) Limited is a wholly owned subsidiary of Wayforward Services Limited. Wayforward Services Limited is a wholly owned subsidiary of BIL International Limited.

If title to a subject property is held under a name other than MPL or Molokai Acquisition, LLC, its relation to MPL is identified in the individual asset group summary sections.

**Source of Information**

We have relied to a considerable extent on information provided by MPL, including interests attributable to MPL and its affiliates, easements, tenancies, site and floor areas, property operating data, property transaction data, property locations and descriptions, and property inventory. Wherever possible, data was supplemented or confirmed through government agencies, interviewed with real estate brokers, online public records, and personal property visits.

According to MPL, there are no intra-group leases in relation to the properties; no options or rights of pre-emption concerning or affecting the properties; and no agreements or proposals as to any transaction regarding the properties between group members.

**Overview of Molokai Environs**

The island of Molokai is located roughly 20 miles (20 minutes by air) southeast of the island of Oahu, the capitol of the State of Hawaii. It is comprised of approximately 165,800 acres, being 38 miles long and only ten miles wide, and embraces widely varying topographic and climatic regions.

MPL, dba Molokai Ranch Limited, is the major landowner on the island, owning over 60,000 acres or approximately one-third of Molokai. In past years the Ranch has infused tens of millions of dollars in upgrading its infrastructure and improving its holdings on the western portion of the island,

including the construction of a luxury lodge and equestrian facilities. As of 1998, this inflow of capital has been indefinitely suspended. As a result, redevelopment of the former plantation village of Maunaloa Village, the site of Molokai Ranch's headquarters, has stagnated, causing the closure of most of the town's businesses, and leaving commercial and residential development lots vacant.

The western end of Molokai, being the dryer and more sunny side of the island, has been the preferred location for tourist facilities where the Kaluakoi Resort community has partially fulfilled. Various development programs contemplated creating a resort comprised of hotels, condominium apartments, single-family residential lots, commercial areas, and recreational facilities. The Kaluakoi Hotel and nearby condominiums initially set the destination aspect of the budding resort development by offering tourist services and amenities competitive with standards not previously available on the island. An 18-hole championship golf course, lighted tennis courts, and other recreational facilities situated adjacent to the long white-sand Kepuhi Beach created a niche for tourist and second home activity on Molokai and the Kaluakoi Resort area. The hotel's quality was subsequently relaxed and eventually closed in 2001, and no furtherance of Kaluakoi's resort master plan, beyond the renovation of the golf course, has been physically evident in recent years.

Kaunakakai, the center of population and commercial activity, is located near the middle of the island along its south coast. The town area consists of a main street (approximately two blocks in length) and ancillary roads lined with small shops providing basic essentials to the community such as food, gas, and hardware; governmental, fire, police; and financial, professional and medical services. It is surrounded by recreational facilities, residential development, and undeveloped land.

Located between Maunaloa and Kaunakakai is the community of Kualapuu, and rural Hawaiian homestead settlements of Hoolehua and Kalamaula.

From Kaunakakai eastward, the settlement pattern becomes more rural and scattered as it extends toward the lush tropical valley of Halawa where the road ends at the eastern tip of the island.

Molokai is the last underdeveloped and unexploited major island in Hawaii. The physical diversity of land forms, its proximity to Oahu, and the accepted need for economic stimulus in the community make the island a significant "blank slate" ready for additional development in the near to mid-term. Both the economy and population base of the island have stagnated since the demise of the pineapple industry in 1988. This has occurred, not due to lack of interest, but from a scarcity of developed competitive sites, community opposition, lack of economic stimulus, and inefficient transportation and service systems both to and from the island and on the island. Past attempts to diversify the economy have been frustrated not only by Molokai's small population, and isolation from world markets, but also by tendency of some residents to hinder development and diversification in favor of a rural lifestyle and cultural preservation.

Molokai's economic prospects rest to a large degree on the success of MRL's efforts to transform portions of its holdings into economically viable long-term community sensitive business concerns, and desirable recreational and residential areas that are attractive to new residents and visitors.

## VALUE SUMMARY

Asset Use Group	Land Area (Acres)	Concluded Value (US\$)
West Agricultural Lands	42,884.927	67,840,000
Central Agricultural Lands	6,115.149	21,280,000
Southeast Agricultural Lands	3,689.320	5,790,000
Independent Conservation Lands	4,116.740	2,400,000
Kaunakakai and Maunaloa Commercial Properties	31.211	10,524,000
Kualapuu and Maunaloa Industrial Properties	93.573	7,504,000
Maunaloa Residential Properties	24.695	10,601,000
Residential Potential Urban Expansion Lands	172.507	7,453,000
Kaluakoi Interior Resort Lands	99.677	15,230,000
Kaluakoi Resort Expansion Lands	1,268.172	10,145,000
Papohaku Ranch Lots and Kaupoa Beach Camp	1,079.986	24,710,000
Maunaloa and Kaluakoi Hotel Properties	28.924	8,660,000
Kaluakoi and Ironwood Golf Courses	222.327	5,800,000
Infill Lots	2.819	438,000
Contributory Value of Telecommunication Licenses	—	2,655,000
Contributory Value of Other Leases Agreements	—	345,000
Properties with No Market Value	197.033	0
<b>Aggregate</b>	<b>60,027.060</b>	<b>201,375,000</b>

## WEST AGRICULTURAL LANDS

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
<b>Kaluakoi AG</b>					
5-1-03-1	172.924	Fee Simple	AG	Vacant	Owner Occupancy
<b>Maunaloa AG</b>					
5-1-01-1	23.652	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-4	16,392.146	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-5	7.350	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-13	0.142	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-18	36.727	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-38	0.072	Fee Simple	AG	Vacant	Owner Occupancy
Sub-total	16,460.089				
5-1-02-1	4,815.336	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-23	3,266.096	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-24	1,518.267	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-29	1,484.255	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-30	6,348.623	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-31	1,439.238	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-32	897.399	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-33	624.683	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-34	155.371	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-35	5,356.442	Fee Simple	AG	Vacant	Owner Occupancy
<b>Maunaloa Near Oceanfront</b>					
5-1-02-49	295.169	Fee Simple	AG	Vacant	Owner Occupancy
5-1-02-50	51.035	Fee Simple	AG	Vacant	Owner Occupancy
<b>Aggregate</b>	<b>42,884.927</b>				

## Location/Address

Kaluakoi-Punakou-Iloili-Hoolehua (Apana 1), Molokai, Hawaii

## Site Specific Environs

This land grouping consists of holdings on the western portion of Molokai, generally situated west of Palaau ahupua'a. The area is comprised of relatively level to undulating hills in the western and northern portions, and moderately steep areas accented by north-south gulches that slope from about the 1,000-foot elevation along the southern coastline.

The northern and southern portions of the island are primarily served by State Highway 460 (aka Maunaloa Highway) that connects Molokai Airport at Ho'olehua to Maunaloa Village. Other than Kaluakoi Road, which extends from Maunaloa Highway to the coastal resort area, and other resort and Maunaloa Village interior roadways, all other roads are unimproved dirt or gravel.

Western Molokai is sparsely populated, with Maunaloa Village being the principal urban enclave west of the airport-the 2000 Census reporting it to have approximately three percent of the island's population of 7,404.

**PROPERTY DATA AND DESCRIPTION**

**State Land Use**

Agriculture

**Ownership**

Title to the fee simple interest to the Kaluakoi Resort subject parcel is held by Kaluakoi Real Estate LLC (Kaluakoi Resort), a subsidiary of Molokai Properties Limited. TMK (2) 5-1-02, Parcel 30 is owned by Molokai Acquisition, LLC. All other properties are owned by Molokai Properties Limited.

**Recent Subject Property Market Activity**

None.

**Physical Description**

**Kaluakoi AG** — The Kaluakoi AG parcel is a 172.294-acre parcel situated adjacent to and east of the Kaluakoi Resort area's golf course. Given its location, the parcel may have future long-term expansion potential for the resort.

**Maunaloa AG** — The northern and western portions of the island are good, relatively dry grazing/agricultural lands; approximately 8,000 acres in western Molokai were at one time in pineapple cultivation. These areas have been leveled and are serviced by non-paved interior roadways.

The northern coastline has clifflines with heights of up to 500 feet, and a portion of the north central area contains a large sand dune area. There is limited access to the shoreline at the eastern end of this area near Kawaaloa Bay and Moomomi Beach.

The western shoreline is rocky with stretches of white sand beach. The coastline is generally accessible and approached over a moderately sloping coastal plain periodically broken by a series of east-west gulches/gullies. Within this area is the Kaupoa Beach Village camp (appraised separately).

The southern coastal region generally extends from Maunaloa Highway in the north to the southern coastline, and from Lono Harbor in the west to Waiahewahewa Gulch in the east. Except for cliffline, this area is the most rugged of the Maunaloa AG area. Slopes are moderate to steep with the coastal flanks periodically sliced by a series of 13 major north-south gulches that extend from about the 1,000-foot elevation to the coastline.

**Maunaloa Near Oceanfront** — This area consists of recently created parcels immediately mauka of Lono Harbor at Haleolono Point, created during the 1970s to ship sand to Oahu. Both parcels are serviced by a good quality unimproved roadway that extends to Lono Harbor from Maunaloa Village. Expansive ocean and south Molokai coastal views are available from the area.

## VALUATION ANALYSIS

**Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Kaluakoi AG — Agriculture with future development.

Maunaloa AG — Agriculture.

Maunaloa Near Oceanfront — Potential future residential estate(s).

**Specific Value Considerations**

TMK 5-1-03, Parcel 1 is a freestanding parcel adjacent to and east of the Kaluakoi Resort Golf Course.

Within the Maunaloa AG area, former pineapple lands are of greater value given ground preparation and interior roadways improvements. We have additionally considered the potential for large oceanfront exclusive easement/lease-to-fee or future fee simple ownerships, which would open the process to public hearings.

The Molokai Ranch equestrian facility includes an extensive lighted rodeo arena with an announcer/timer stand, animal pens and chutes, spectator bleachers and parking for 1,500 spectators. Within the complex are a kitchen/restaurant and snack bar, three working barns, a show barn with attached office and retail space, feed barn, hot walker and horse wash down facilities, and corral system with numerous cells and lanes. This facility is an icon for the ranch intended to establish prominence for the ranch and Maunaloa Town. It was constructed between 1994 and 1998 at a then cost of over \$2 million for structural and site improvements, excluding furniture, fixtures and equipment; it remains in fairly good condition although some of the commercial facilities are closed. It does not have a quantifiable positive economic value, but is considered a special purpose facility that showcases the ranch and provides a significant island-wide equestrian center. We have allocated a contributory enhancement value of \$1,000,000 for the entirety of this complex that is situated on TMK 5-1-02-23 which is added to the reported land value for this Maunaloa AG holding.

**Valuation Approach Utilized**

The sales comparison approach was utilized to value various individual parcels as well as assemblage configurations within the 42,884.927-acre West Molokai area. These valuations accounted for market recognized differences in time/market conditions, conditions of sale, location, physical characteristics, access, utilities, zoning/use, and size.

**Comparables Examined**

Our research uncovered 46 agriculturally oriented bulk acreage sales on the island of Molokai (16 sales) and more remote locations on the Big Island of Hawaii. These transactions have generally occurred since January 2000 (we additionally included a single larger sale from the Big Island dated July 1999); they range in size from 28 to 21,689 acres. A copy of those sales arranged by size from largest to smallest are presented in the Addenda as Table 1. Transactions were selected for individual comparison to the subject properties based on their overall comparability. While not every transaction listed was utilized in direct comparison, the selected universe of sales influenced the adjustment process.

**Compensating Adjustments**

The adjustment for agricultural time/market conditions employed a 10 percent per annum increase since January 1, 2000. Some of the more remote areas of the Big Island of Hawaii exhibit relative comparable transaction viability to Molokai and also appeal to a relatively narrow market. Molokai is an unusual and complex mix of market factors, which reflect both product scarcity and a lack of outside market participants.

There is a relatively broad physical characteristic variance within the West Molokai properties requiring varying compensating adjustments. Besides general location and topography, the principal consideration is that identified former pineapple lands exhibit greater inherent utility given previous ground preparation (grubbing, rock removal and leveling) and interior roadway improvements.

Under the zoning/use adjustment category, the large bulk-acreage oceanfront parcels are enhanced by the possible potential of creating a limited number of large oceanfront exclusive easement/lease-to-fee or fee simple ownerships for use.

**Concluded Market Value in the  
Existing State**

As shown on the following table, the land values associated with the 14 identified valuation exercises were estimated to have an aggregate value of **\$67,840,000**, as of December 31, 2005.

## WEST AGRICULTURAL LANDS

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
<b>Kaluakoi Resort AG</b>					
5-1-03-002	172.924	Fee Simple	Vacant	1,100,000	12-18 Months
<b>Maunaloa AG</b>					
5-1-001-001	23.652	Fee Simple	Vacant		
5-1-002-004	16,392.146	Fee Simple	Vacant		
5-1-002-005	7.350	Fee Simple	Vacant		
5-1-002-013	0.142	Fee Simple	Vacant		
5-1-002-018	36.727	Fee Simple	Vacant		
5-1-002-038	0.072	Fee Simple	Vacant		
	<u>16,460.089</u>			23,630,000	2-3 Years
5-1-002-001	4,815.336	Fee Simple	Vacant	5,140,000	2-3 Years
5-1-002-023	3,266.096	Fee Simple	Vacant	4,970,000	2-3 Years
5-1-002-024	1,518.267	Fee Simple	Vacant	2,010,000	2-3 Years
5-1-002-029	1,484.255	Fee Simple	Vacant	2,920,000	2-3 Years
5-1-002-030	6,348.623	Fee Simple	Vacant	14,910,000	2-3 Years
5-1-002-031	1,439.238	Fee Simple	Vacant	1,380,000	2-3 Years
5-1-002-032	897.399	Fee Simple	Vacant	1,780,000	2-3 Years
5-1-002-033	624.683	Fee Simple	Vacant	1,550,000	2-3 Years
5-1-002-034	155.371	Fee Simple	Vacant	820,000	2-3 Years
5-1-002-035	5,356.442	Fee Simple	Vacant	4,630,000	2-3 Years
<b>Maunaloa Near Oceanfront</b>					
5-1-002-049	295.169	Fee Simple	Vacant	2,000,000	12-18 Months
5-1-002-050	51.035	Fee Simple	Vacant	<u>1,000,000</u>	12-18 Months
<b>Aggregate</b>	<b>42,884.927</b>			<b>67,840,000</b>	



CENTRAL AGRICULTURAL LANDS

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-2-11-12	89.075	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-26	1,885.105	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-38	<u>14.750</u>	Fee Simple	AG	Vacant	Owner Occupancy
Sub-total	1,988.930				
5-2-11-22	157.734	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-23	6.131	Fee Simple	AG	Vacant	Owner Occupancy
5-2-11-25	<u>79.900</u>	Fee Simple	AG	Vacant	Owner Occupancy
Sub-total	86.031				
5-2-11-27	592.114	Fee Simple	AG	Vacant	Owner Occupancy
5-2-12-2(por)	651.019	Fee Simple	AG	Vacant	Owner Occupancy
5-2-12-7(por)	714.977	Fee Simple	AG	Vacant	Owner Occupancy
5-2-12-29	91.541	Fee Simple	AG	Vacant	Owner Occupancy
5-2-13-3	1,011.360	Fee Simple	AG	Vacant	Owner Occupancy
5-2-13-10	728.040	Fee Simple	AG	Vacant	Owner Occupancy
5-2-13-16	<u>0.850</u>	Fee Simple	AG	Vacant	Owner Occupancy
Sub-total	728.890				
5-2-13-21(por)	92.553	Fee Simple	AG	Vacant	Owner Occupancy
<b>Aggregate</b>	<b>6,115.149</b>				

Location/Address

Hoolehua (Apana 2)-Naiwa-Kahananui-Manowainui, Molokai, Hawaii

Site Specific Environs

This land grouping consists of holdings within the central portion of Molokai, generally situated east of Palaau ahupua'a and west of Kalamaulua and the island's principal urban area of Kaunakakai. At the center of this area is the island's second largest population center, Kualapu'u with a 2000 Census population of 1,936 or approximately 26 percent of the island's 2000 population of 7,404.

The northern and southern portions of the island are bisected by State Highway 460, also known as Maunaloa Highway, a macadam hardened two-lane high-speed roadway that extends past Molokai Airport at Ho'olehua to Maunaloa Village in the west and Kaunakakai in the southeast. Kala'e Highway (aka State Highway 470) provides access to the Kalaupapa Overlook at the North Pali (cliffline).

## PROPERTY DATA AND DESCRIPTION

<b>State Land Use</b>	Agriculture
<b>Ownership</b>	Four of the 17 parcels included within this area show an ownership of Cooke Land Company, Inc., a subsidiary of Molokai Properties Limited. All other properties are owned by Molokai Properties Limited.
<b>Recent Subject Property Market Activity</b>	None; see the enclosed table entitled, Bulk Acreage Sales Since 2000, for past sales no longer in the inventory.
<b>Physical Description</b>	<p>Kualapuu AG — The area is comprised of relatively flat lowlands along the island's southern coastal mudflats gently rising to the 1,000+-foot northern coastal clifflines. Rainfall increases as elevations rise.</p> <p>Several steep, narrow gulches are located along the northern coastline and extend into the northern-most Central Molokai properties. These gulches tend to impact the accessibility of interior portions of the properties. Access to most usable portions of the property are via unimproved dirt roads and four-wheel drive trails.</p> <p>There are also several broader more shallow gulch systems which impact the Kualapu'u area.</p> <p>Much of the Central Molokai area formed the heart of the island's former pineapple production. Since the closing of the pineapple plantation in the mid-1980s, attempts to diversify agricultural product lines have been made by several agricultural companies to produce seed and crops year round in the area's mild climate. Efforts continue to convert fledgling coffee production farms into viable operations. Much of the land currently lies fallow and has not been in production for over a decade.</p> <p>There are archaeological sites on portions of the property.</p>
<b>VALUATION ANALYSIS</b>	
<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Kualapuu — Agriculture
<b>Specific Value Considerations</b>	Major portions of the Central Molokai area have historically been utilized in agricultural production; therefore, much of the land area price per acre is influenced by size, location, terrain (i.e., gulches or lack thereof), ground/site preparation (i.e., never utilized, pasture only use, former pineapple land, recent coffee use) and whether or not coffee trees are on the holding.
<b>Valuation Approach Utilized</b>	The sales comparison approach to value has been utilized to value various individual parcels as well as assemblage configurations within the 6,116.667-acre Central Molokai area. This valuation methodology accounted for market recognized differences in time/market conditions, conditions of sale, location, physical characteristics, access, utilities, zoning/use, and size.

**Comparables Examined**

Our research uncovered 46 agriculturally oriented bulk acreage sales on the islands of Molokai (16 sales) and in more remote locations on the Big Island of Hawaii. They have generally occurred since January 2000 (and additionally included a single larger sale from the Big Island dated July 1999); the size range is from 28 to 21,689 acres. A copy of those sales arranged by size from largest to smallest has been included on the cited table. Transactions were selected for comparison to individual or grouped subject properties based on their overall comparability. While not every transaction listed was utilized in direct comparison, the selected universe of sales has guided the overall adjustment process.

**Compensating Adjustments**

The adjustment for agricultural time/market conditions employed a 10 percent per annum increase since January 1, 2000. Given the offsetting similarities of rural Big Island agricultural lands, these have been used along with Molokai transactions in valuing these subject properties.

There is a relatively broad variance within the Central Molokai properties which have been accounted for by physical characteristics adjustments. Gulches and gullies impact the utility and/or access of individual properties. Further, former pineapple lands exhibit greater relative inherent value given previous ground preparation (grubbing, rock removal and leveling) and interior roadway improvements. Coffee plantings or remnants that exist on several of the Molokai comparable transactions have been reflected.

Significant adjustments have also been made in the zoning/use adjustment category, and adjustments have been made for the subject's lack of ocean frontage, which influences alternate use potentials.

**Concluded Market Value in the  
Existing State**

As shown on the following table, the land values associated with the ten identified valuation exercises were estimated to have an aggregate value of **\$21,280,000**, as of December 31, 2005.

## CENTRAL AGRICULTURAL LANDS

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
<b>Kualapuu AG</b>					
5-2-011-012	89.075	Fee Simple	Vacant		
5-2-011-026	1,885.105	Fee Simple	Vacant		
5-2-011-038	<u>14.750</u>	Fee Simple	Vacant		
	1,988.930			5,660,000	1-2 Years
5-2-011-022	157.734	Fee Simple	Vacant	530,000	12-18 Months
5-2-011-023	6.131	Fee Simple	Vacant		
5-2-011-025	<u>79.900</u>	Fee Simple	Vacant		
	86.031			220,000	8-12 Months
5-2-011-027	592.114	Fee Simple	Vacant	2,900,000	1-2 Years
5-2-012-004(por)	651.019	Fee Simple	Vacant	3,160,000	1-2 Years
5-2-012-007(por)	714.977	Fee Simple	Vacant	2,000,000	1-2 Years
5-2-012-029	91.541	Fee Simple	Vacant	500,000	8-12 Months
5-2-013-003	1,011.360	Fee Simple	Vacant	2,520,000	1-2 Years
5-2-013-010	728.040	Fee Simple	Vacant		
5-2-013-016	<u>0.850</u>	Fee Simple	Vacant		
	728.890			3,060,000	1-2 Years
5-2-013-021(por)	92.553	Fee Simple	Vacant	<u>730,000</u>	8-12 Months
<b>Aggregate</b>	<b>6,115.149</b>			<b>21,280,000</b>	

SOUTHEAST AGRICULTURAL LANDS

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
<b>Kaunakakai AG</b>					
5-3-03-1	1,768.310	Fee Simple	AG	Vacant	Owner Occupancy
5-3-03-13	3.213	Fee Simple	AG	Vacant	Owner Occupancy
5-3-03-15	<u>1,794.597</u>	Fee Simple	AG	Vacant	Owner Occupancy
Sub-total	1,797.810				
5-3-05-3	63.150	Fee Simple	AG	Vacant	Owner Occupancy
5-3-05-8	<u>13.721</u>	Fee Simple	AG	Vacant	Owner Occupancy
Sub-total	76.871				
<b>Kawela AG</b>					
5-4-01-23	34.895	Fee Simple	AG	Vacant	Owner Occupancy
5-4-01-54	2.625	Fee Simple	AG	Vacant	Owner Occupancy
5-4-01-84	8.809	Fee Simple	AG	Vacant	Owner Occupancy
<b>Aggregate</b>	<b>3,689.320</b>				

Location/Address

Kaunakakai and Kawela, Molokai, Hawaii

Site Specific Environs

This land grouping primarily consists of large land holdings mauka of Kaunakakai, the principal urban center on Molokai. Within this grouping are several smaller holdings in the Kawela area.

Kaunakakai is rural in appearance, with a relatively smaller urban/commercial core. The town services the island's population of 7,404 as of the April 1, 2000 U.S. Census. Approximately one-third of Molokai's residents are in this area. Kaunakakai hosts the island's commercial harbor, and it connects the east and west segments of the island.

PROPERTY DATA AND DESCRIPTION

State Land Use

Agriculture

Ownership

All of the subject properties within this area are owned by Molokai Properties Limited.

Recent Subject Property Market Activity

None; see the enclosed table entitled, Bulk Acreage Sales Since 2000, for past sales no longer in the inventory.

There have been no bulk agricultural sales of the subject properties in the Kaunakakai area.

**Physical Description**

Kaunakakai AG — The subject bulk agricultural parcels in this area extend on the east side of and behind Kaunakakai Village from sea level to about the 1,975-foot elevation at the Forest Reserve boundary; above the 1,300-foot elevation, the holding becomes much steeper. The property is bisected lengthwise by Kaunakakai Gulch, a relatively broad and steep ravine.

The property may be accessed from Kaunakakai Village, where there are several unimproved four-wheel drive trails extending inland, and alternative access points near Homelani Cemetery and beyond.

Much of the holding below the Forest Reserve is relatively devoid of large vegetation, with most trees having been removed to facilitate cattle grazing on the property.

Kawela AG — The Kawela holdings are relatively small, totaling only 46.329 acres, and located on either side of Kawela Stream near State Highway 450 (aka Kam V Road). Much of the holding is lost to the stream and flooding concerns; however, a portion south of Onioni Drive appears usable. The area mauka of the subject holdings is developed with the Kawela Plantation residential subdivision (lots and houses).

**VALUATION ANALYSIS****Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Kaunakakai — Agriculture

Kawela — Agriculture/Residential Lots

**Specific Value Considerations**

Kaunakakai AG — The Southeast Molokai subject holdings have historically been utilized for cattle grazing, reflective to poorer quality agricultural land. This, in combination with terrain characteristics, relates to lower per acre values than found on more agriculturally developed areas of the ranch. The holding's land values are mitigated by its proximate location relative to Kaunakakai. The southeastern portion of the holding would be a natural future expansion area for Kaunakakai.

The subject Kaunakakai lands were deemed comparable to some rural Big Island holdings, subject to evaluations of general location, relative environs and individual physical characteristic considerations.

Zonings are relatively similar between the islands; however, many of the Big Island comparable selections have potential for multiple lots without the need for subdivision, which results in greater desirability than the subject Molokai lands.

Kawela AG — A general scarcity of comparable data for this locale has required us to rely on ancillary ag-residential acreage market data from the broader southeastern Molokai area.

**Valuation Approach Utilized**

A sales comparison approach was utilized to value various individual parcels and assemblage configurations within the 3,689.320-acre Southeast Agricultural area. These valuations accounted for market recognized differences in time/market conditions, conditions of sale, location, physical characteristics, access, utilities, zoning/use, and size.

**Comparables Examined**

Our research uncovered 46 agriculturally oriented bulk acreage sales on the islands of Molokai (16 sales) and more remote locations on the Big Island of Hawaii. These transactions have generally occurred since January 2000 (we additionally included a single larger sale from the Big Island dated July 1999); they range in size from 28 to 21,689 acres. A copy of those sales arranged by size from largest to smallest are presented in the Addenda as Table 1. Transactions were selected for individual comparison to the subject properties based on their overall comparability. While not every transaction listed was utilized in direct comparison, the selected universe of sales influenced the adjustment process.

**Compensating Adjustments**

The adjustment for agricultural time/market conditions again employed a 10 percent per annum increase since January 1, 2000.

Based on the selected comparables that had greatest applicability to the Southeast Agricultural lands groupings, specific consideration was given to the gulch and access issues of the Kaunakakai Agricultural holding, and its proximity to the island's central urban core.

The Kawela Agricultural sites reflect the enhanced value potential for residential use.

**Concluded Market Value in the Existing State**

As shown on the following table, the land values associated with the six identified valuation exercises were estimated to have an aggregate value of **\$5,790,000**, as of December 31, 2005.

**SOUTHEAST AGRICULTURAL LANDS**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
<b>Kaunakakai AG</b>					
5-3-003-001	1,768.310	Fee Simple	Vacant	970,000	2-3 Years
5-3-003-013	3.213	Fee Simple	Vacant		
5-3-003-015	<u>1,794.597</u>	Fee Simple	Vacant		
	1,797.810			2,860,000	2-3 Years
5-3-005-003	63.150	Fee Simple	Vacant		
5-3-005-008	<u>13.721</u>	Fee Simple	Vacant		
	76.871			660,000	12-18 Months
<b>Kawela AG</b>					
5-4-001-023	34.895	Fee Simple	Vacant	500,000	12-18 Months
5-4-001-054	2.625	Fee Simple	Vacant	300,000	12-18 Months
5-4-001-084	<u>8.809</u>	Fee Simple	Vacant	<u>500,000</u>	12-18 Months
<b>Aggregate</b>	<b>3,689.320</b>			<b>\$5,790,000</b>	

## INDEPENDENT CONSERVATION LANDS

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
<b>Conservation Land</b>					
5-2-13-5	82.824	Fee Simple	Conservation	Vacant	Owner Occupancy
5-2-13-33	20.176	Fee Simple	Conservation	Vacant	Owner Occupancy
Sub-total	103.000				
5-3-03-5	1,240.000	Fee Simple	Conservation	Vacant	Owner Occupancy
5-4-03-26	2,773.740	Fee Simple	Conservation	Vacant	Owner Occupancy
<b>Aggregate</b>	<b>4,116.740</b>				

**Location/Address** Niihoa, Kaunakakai and Kawela, Molokai, Hawaii

**Site Specific Environs** This land grouping consists of conservation zoned land holdings in the upper mauka regions of Niihoa within Palaaau State Park, and remote areas of Kaunakakai and Kawela ahupua'a. These areas are essentially unimproved and serve as watershed areas for the island.

Vehicular access is very difficult or impossible; foot trails lead into these areas. Each area is heavily forested.

## PROPERTY DATA AND DESCRIPTION

**State Land Use** Conservation

**Ownership** All of the subject properties within this grouping are owned by Molokai Properties Limited.

**Recent Subject Property Market Activity** None.

**Physical Description** Niihoa — TMK (2) 5-2-13-5 and 33 is accessible only by foot and is situated west of Phallic Rock near Puu Lua. The property is relatively level at about the 1,300-foot elevation, and abuts and overlooks the Kaluapapa Pali (cliffline).

Kaunakakai — TMK (2) 5-3-03-5 is situated between the 1,975- and 3,100-foot elevations. The property is accessible via an unimproved dirt roadway that is off State Highway 460 and used to service well sites and water aquaduct systems that provide water to the island. The subject is heavily forested.

Kawela — TMK (2) 5-4-03-26 is situated between the 2,600- and 4,250-foot elevations. The holding is known as the Kamakou Preserve area, which abuts dramatic Palis (clifflines) overlooking Waikolu and Pelekunu Valleys. The property is only accessible via unimproved foot paths.



## VALUATION ANALYSIS

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Nihoa — Conservation (Nihoa; potentially a single house site)  Kaunakakai and Kawela — Conservation - Watershed
<b>Specific Value Considerations</b>	<p>The market for true bulk-acreage conservation parcels throughout the State of Hawaii is generally viewed as being a unified market. Typical purchasers are governmental agencies for watershed or preservation uses, or conservation groups/organizations.</p> <p>The per acre value of these holdings has generally ranged from \$300 to \$1,000 per acre depending on location, access, terrain and the potential for ancillary conservation uses.</p> <p>The Nihoa holding has the benefit of being relatively close to access points and supports tremendous views of the northern Molokai coastline and Kalaupapa peninsula. An individual may be willing to construct access and place a single conditional use permitted (CUP) dwelling on the property.</p>
<b>Valuation Approach Utilized</b>	The sales comparison approach was utilized to value various individual parcels and assemblage configurations within the 4,116.740-acre Independent Conservation Molokai grouping.
<b>Comparables Examined</b>	Our research uncovered 11 conservation oriented bulk acreage sales on the islands of Molokai and Maui (one sale each) and the Big Island of Hawaii (nine sales). These transactions generally have occurred since January 2000, and are arranged by size on Table 1 in the Addenda. Transactions were selected for individual comparison to subject properties based on their overall comparability; not every transaction listed was utilized in direct comparison.
<b>Compensating Adjustments</b>	Our analysis considered adjustments for the isolation of each subject relative to the comparable transactions, pairing those that presented similar degrees of access difficulty. Additionally, as noted, the Nihoa holding was adjusted to reflect the potential for a CUP dwelling.
<b>Concluded Market Value in the Existing State</b>	As summarized on the following table, the land values associated with the three identified holdings were estimated to have an aggregate value of <b>\$2,400,000</b> , as of December 31, 2005.

INDEPENDENT CONSERVATION LANDS

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Interest Valued	Existing Use	Concluded Value <i>(US\$)</i>	Reasonable Exposure Time
<b>Conservation Land</b>					
5-2-013-005	82.824	Fee Simple	Vacant		
5-2-013-033	<u>20.176</u>	Fee Simple	Vacant		
	103.000			750,000	2+ Years
5-3-003-005	1,240.000	Fee Simple	Vacant	950,000	2+ Years
5-4-003-026	2,773.740	Fee Simple	Vacant	<u>700,000</u>	2+ Years
<b>Aggregate</b>	<b>4,116.740</b>			<b>2,400,000</b>	

KAUNAKAKAI AND MAUNALOA  
 COMMERCIAL PROPERTIES

IDENTIFICATION

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-3-01 (various); 5-3-06-33	17.378	Fee Simple	B-CT/Interim	Vacant Lots	Investment
5-1-02-45;	4.404	Fee Simple	B-CT	Improved/Vacant	Owner Occupancy
5-1-09 (various);	6.083	Fee Simple	B-CT	Improved/Vacant	Investment/Sale
5-1-10 (various);	<u>3.346</u>	Fee Simple	B-CT	Improved/Vacant	Investment/Sale
<b>Total</b>	<b>31.211</b>				

**Location/Address** Kaunakakai, Molokai,  
 Hawaii Maunaloa, Molokai, Hawaii

**Site Specific Environs** TMKs 5-3-01 (various) and 5-3-06, Parcel 33 are located on the makai side of Kamehameha V Highway in Kaunakakai in the vicinity of the Kaunakakai Wharf and the former Pau Hana Inn. These parcels are situated in close proximity to the center of Kaunakakai town. TMK 5-3-06, Parcel 33 is a flag lot with access off of Oki Place.

TMKs 5-1-02, Parcel 45; 5-1-09 (various); and 5-1-10 (various) are situated in and around Maunaloa town and include an assortment of vacant lots and parcels improved with old buildings.

PROPERTY DATA AND DESCRIPTION

**State Land Use** TMK 5-3-01 (various) — Urban  
 TMK 5-3-06, Parcel 33 — Urban  
 TMK 5-1-02, Parcel 45 — Urban  
 TMK 5-1-09 (various) — Urban  
 TMK 5-1-10 (various) — Urban

**Ownership** The fee simple interests of all properties are held by Molokai Properties Limited.

**Recent Subject Property Market Activity**

Tax Map Key	Status	Price (US\$)	Closing Date
(2) 5-1-09-110	Listed	448,500	N/A
(2) 5-1-09-111	Listed	300,000	N/A
(2) 5-1-09-112	Listed	291,000	N/A
(2) 5-1-09-113	Listed	282,000	N/A
(2) 5-1-09-114	Listed	271,500	N/A
(2) 5-1-09-115	Listed	289,500	N/A
(2) 5-1-10-1	Listed	148,500	N/A
(2) 5-1-10-2	Listed	141,000	N/A
(2) 5-1-10-3	Listed	141,000	N/A
(2) 5-1-10-4	Listed	141,000	N/A
(2) 5-1-10-5	Listed	141,000	N/A
(2) 5-1-10-6	Listed	139,500	N/A
(2) 5-1-10-7	Listed	144,000	N/A

**Physical Description**

TMKs 5-3-01 (various) and 5-3-06, Parcel 33 represent a combination of B-CT and Interim zoned lots in the area generally bounded by Kamehameha V Highway, Kaunakakai Place, Beach Place, and Oki Place. Due to its proximity to Kaunakakai town, use of this land for urban expansion is reasonably probable. The subdivided lots generally range between 9,119 and 18,282 square feet, with two unsubdivided lots containing 201,640 and 294,475 square feet. TMK 5-3-06, Parcel 33 is a large flag lot containing 44,358 square feet. The sites are generally level and served by paved roadways. Electricity and telephone service is available in the area, and water is available along Kamehameha V Highway.

TMKs 5-1-02, Parcel 45; 5-1-09 (various); and 5-1-10 (various) represent virtually all of the B-CT zoned land in Maunaloa town. TMKs 5-1-09, Parcels 110 through 115; and 5-1-10, Parcels 1 through 7 are vacant unsold Maunaloa commercial lots. These parcels range in size between 8,709 and 31,585 square feet and are rectangular to slightly irregular and level to slightly sloping. TMK 5-1-02, Parcel 45 has a near rectangular predominant shape and a long tail portion. This slightly sloping site contains a total land area of 191,840 square feet. TMK 5-1-09, Parcel 117 is a 79,840-square-foot elongated corner site along the north side of Maunaloa Road that slopes gradually upward west to east. Also on the north side of Maunaloa Road, TMK 5-1-09, Parcel 118 is a 55,584-square-foot near rectangular corner property which similarly slopes gradually upward from west to east. Located on the south side of Maunaloa Road, TMK 5-1-10, Parcel 8 contains 83,748 square feet and is a near rectangular double corner site that slopes gradually upward from west to east. All of these parcels have paved roadway access and availability of utilities include water, electricity, and telephone service.

**Improvement Description**

The majority of the commercial sites are vacant. Those with improvements are described below:

TMK 5-1-02, Parcel 45 — This site is improved with the 1,290-square-foot wood frame Libby’s building (built in 1925), bandstand, and multiple old wood frame dwellings which were relocated to this property to be preserved as a museum for old plantation homes. Reports are that the homes are not occupied and are not being actively restored. Our analysis determined that the improvements do not contribute to property value over and above the fee simple interest in land.

TMK 5-1-09, Parcel 117 — There are four buildings (built in 1938-1941) situated on this property; the former Village Grill restaurant containing 5,085 square feet, and three cottages ranging in size between 763 and 1,116 square feet. The Village Grill building is an old but renovated wooden structure which is currently unoccupied, but adequately maintained. All cottages are older wood frame structures in poor condition, some of which are occupied by tenants at nominal to no rent.

TMK 5-1-09, Parcel 118 — This site is improved with the 1,984-square-foot wood frame post office/clubhouse building, the 2,724-square-foot wood frame kite shop building, and a cottage used by Verizon (built in 1924-1930). The post office/clubhouse building is in poor condition but is still occupied by the post office. The small kite shop building appears to be good condition and houses the kite shop and an associated business. The wood frame Verizon cottage is in good condition and is leased as a telecommunications facility. Our analysis determined these interim use structures do not contribute to value over and above the fee simple interest in land.

TMK 5-1-10, Parcel 8 — The Maunaloa General Store and Dispatch buildings are located on this property. Containing 5,130 square feet, the older wood frame general store building (built in 1938) has a retail store in the front and storage space in the rear. The only gasoline pumps in Maunaloa are located on the west side of the general store. The wood frame Dispatch building contains 3,953 square feet and formerly housed the Molokai Dispatch newspaper and doctor's offices, and a laundromat—all of which are now vacant. Other spaces in the building are occupied by the laundry facility for The Lodge at Molokai Ranch and a small space rented to Taro Patch Jewelry.

## **VALUATION ANALYSIS**

### **Rights Appraised**

Fee simple interest.

### **Highest and Best Use**

Commercial or commercial expansion.

### **Specific Value Considerations**

The Village Grill property involved specific value considerations detailed below.

### **Valuation Approach Utilized**

A sales comparison approach was utilized to value the land component of all the commercial holdings.

### **Kaunakakai Commercial Properties**

For the vacant Kaunakakai commercial lots (TMK 5-3-01 (various) and 5-3-6, Parcel 33), a benchmark site was valued accounting for differences in market conditions, location, corner/frontage, zoning, physical characteristics and size. The remaining commercial/expansion lots were then valued in relation to the benchmark employing a similar rationale.

Comparables Examined — Commercial B-1 through B-3 were utilized in valuing the benchmark lot. Transactions B-1 and B-2 are similarly situated on the makai side of Kamehameha V Highway, and Transaction B-3 is near the center of Kaunakakai town.

Compensating Adjustments — Recent price trends indicate a market conditions adjustment of 12 percent per annum over the period encompassed by the transactions. The location of Transaction B-3 near the center of Kaunakakai town was rated superior to the benchmark. All other comparables were judged locationally equal. The corner configuration of Transaction B-3 was rated superior to the benchmark. Except for size, no other significant adjustments were considered necessary. Adjusted values ranged from \$9.02 to \$18.61 per square foot, with a mean of \$14.55 and a weighted value of \$14.57. The value of the 15,922-square-foot benchmark lot was concluded to be \$14.55 per square foot, or a total of \$232,000.

#### Maunaloa Commercial Properties

For the Maunaloa commercial lots (TMK 5-1-02, Parcel 45; 5-1-09 (various) and 5-1-10 (various)), a representative benchmark lot was valued employing the identical adjustment rationale as in the previous section. The values of the remaining commercial lots were then estimated in relation to the benchmark employing a consistent rationale. We acknowledge that the U.S. Post Office is subject to a lease until September 30, 2009. However, rent payments are well below land rent indicating that land, and not the improved property, is the primary component of value.

Comparables Examined — Besides the comparables employed above, we added Transaction B-4, a 43,821-square-foot B-1 zoned sale in Kualapuu, to provide an indicator outside of Kaunakakai that shares locational characteristics more similar to Maunaloa. This site is a generally level rectangular shaped property at the corner of Farrington Avenue and Alaekea Street.

Compensating Adjustments — The adjustments for time were identical to the 12 percent per annum employed in the previous grouping. The Kualapuu location of Transaction B-4 was rated inferior to the benchmark. All other transactions were judged to have superior locations. The benchmark is a corner parcel deemed superior to Transactions B-1 and B-2, and equal to B-3 and B-4. The only other adjustment required was for size. After all adjustments, the values ranged between \$5.66 to \$12.07 per square foot, with a mean of \$8.72 and a weighted value of \$7.75. We conclude a value for the 55,584-square-foot benchmark parcel of \$7.75 per square foot, or a total fee simple value of \$431,000.

#### Village Grill Restaurant Property

Considering the good condition of the Village Grill Restaurant building, the large underlying land area, and its elongated configuration, this property is conducive to an evaluation of the restaurant portion and an excess land portion. We have estimated that 34,674 square feet of the site supports the restaurant, with the remaining 45,166 square feet being excess land since the three existing cottages do not contribute to property value over and above land. An income capitalization analysis was employed to value the improved property. Estimated net operating income of \$24,408 for the restaurant building was capitalized at eight percent resulting in a fee simple value of \$305,000 for the Village Grill Restaurant property.

Adding the excess land component estimated as the prorated fee simple land value for the entire site, or \$332,000 results in a total fee simple value for Tax Map Key 5-1-09, Parcel 117 of \$637,000.

#### Concluded Market Value in the Existing State

As shown on the following table, the aggregate value of the Kaunakakai and Maunaloa commercial properties total **\$10,524,000**.

## KAUNAKAKAI AND MAUNALOA COMMERCIAL PROPERTIES

Second Division Tax Map Key	Land Area (Sq. Ft.)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
5-1-002-045	191,840	Fee Simple	RE/Museum	1,059,000	1 to 2 Years
5-1-009-110	31,585	Fee Simple	Vacant Lot	227,000	1 to 2 Years
5-1-009-111	20,531	Fee Simple	Vacant Lot	148,000	1 to 2 Years
5-1-009-112	19,902	Fee Simple	Vacant Lot	144,000	1 to 2 Years
5-1-009-113	19,273	Fee Simple	Vacant Lot	140,000	1 to 2 Years
5-1-009-114	18,423	Fee Simple	Vacant Lot	135,000	1 to 2 Years
5-1-009-115	19,823	Fee Simple	Vacant Lot	153,000	1 to 2 Years
5-1-009-117	79,840	Fee Simple	Village Grill, etc.	637,000 <sup>(3)</sup>	1 to 2 Years
5-1-009-118 <sup>(2)</sup>	55,584	Fee Simple	USPS/Kite Shop	431,000	1 to 2 Years
5-1-010-001	9,294	Fee Simple	Vacant Lot	94,000	1 to 2 Years
5-1-010-002	8,750	Fee Simple	Vacant Lot	85,000	1 to 2 Years
5-1-010-003	8,750	Fee Simple	Vacant Lot	85,000	1 to 2 Years
5-1-010-004	8,750	Fee Simple	Vacant Lot	85,000	1 to 2 Years
5-1-010-005	8,750	Fee Simple	Vacant Lot	85,000	1 to 2 Years
5-1-010-006	8,709	Fee Simple	Vacant Lot	85,000	1 to 2 Years
5-1-010-007	8,984	Fee Simple	Vacant Lot	92,000	1 to 2 Years
5-1-010-008	83,748	Fee Simple	Store/Dispatch	641,000	1 to 2 Years
5-3-001-001	294,475 <sup>(1)</sup>	Fee Simple	Vacant Lot	1,820,000	1 to 2 Years
5-3-001-025	17,458	Fee Simple	Vacant Lot	201,000	1 to 2 Years
5-3-001-026	15,016	Fee Simple	Vacant Lot	165,000	1 to 2 Years
5-3-001-027	16,850	Fee Simple	Vacant Lot	182,000	1 to 2 Years
5-3-001-028	16,541	Fee Simple	Vacant Lot	179,000	1 to 2 Years
5-3-001-029	13,756	Fee Simple	Vacant Lot	163,000	1 to 2 Years
5-3-001-030	201,640	Fee Simple	Vacant Lot	1,210,000	1 to 2 Years
5-3-001-047	15,188	Fee Simple	Vacant Lot	190,000	1 to 2 Years
5-3-001-048	14,930	Fee Simple	Vacant Lot	186,000	1 to 2 Years
5-3-001-049	15,582	Fee Simple	Vacant Lot	193,000	1 to 2 Years
5-3-001-050	18,282	Fee Simple	Vacant Lot	235,000	1 to 2 Years
5-3-001-051	11,150	Fee Simple	Vacant Lot	146,000	1 to 2 Years
5-3-001-055 <sup>(2)</sup>	15,922	Fee Simple	Vacant Lot	232,000	1 to 2 Years
5-3-001-056	16,036	Fee Simple	Vacant Lot	233,000	1 to 2 Years
5-3-001-057	11,250	Fee Simple	Vacant Lot	146,000	1 to 2 Years
5-3-001-058	9,458	Fee Simple	Vacant Lot	149,000	1 to 2 Years
5-3-001-059	9,119	Fee Simple	Vacant Lot	152,000	1 to 2 Years
5-3-006-033	44,358	Fee Simple	Vacant Lot	416,000	1 to 2 Years
<b>Aggregate</b>	<b>1,359,547</b>	<b>Sq. Ft.</b>		<b>10,524,000</b>	
	<b>31.211</b>	<b>Acres</b>			

(1) Less 16,179 square feet deeded to Molokai Veterans.

(2) Benchmarks.

(3) Capitalized value of buildings plus excess land.

KUALAPUU AND MAUNALOA  
INDUSTRIAL PROPERTIES

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-10-134	6.363	Fee Simple	M-1	Office/Theatre	Owner Occupancy
5-2-11-29	68.546	Fee Simple	M-2/Interim <sup>(*)</sup>	Vacant Lot	Investment
5-2-13-26	5.715	Leased Fee	M-1	Warehouse/Cafe	Investment
5-2-31 (various)	<u>12.949</u>	Fee Simple	M-2 <sup>(*)</sup>	Vacant Lots	Sale
Total	93.573				

(\*) Zoning reported by Maui County.

**Location/Address** Maunaloa, Molokai, Hawaii  
Kualapuu, Molokai, Hawaii

**Site Specific Environs** TMK 5-1-10, Parcel 134 is the site of the Molokai Ranch office and baseyard, and the theatre building located at Maunaloa. Located in Kualapuu off of Kamehameha V Highway, TMK 5-2-31 (various) consists of vacant lots in the Molokai Industrial Park. TMK 5-2-11, Parcel 29 consists of industrial expansion acreage situated adjacent to the west and southwest of the existing industrial park. Situated a few miles away in Kualapuu Village at the corner of Farrington Avenue and Kalae Highway, TMK 5-2-13, Parcel 26 is improved with multiple warehouses and a café building.

PROPERTY DATA AND DESCRIPTION

**State Land Use** TMK 5-1-10, Parcel 134 — Urban  
TMK 5-2-11, Parcel 29 — Urban, Agriculture  
TMK 5-2-13, Parcel 26 — Urban  
TMK 5-2-31 (various) — Urban

**Ownership** The fee simple interest of TMK 5-1-10, Parcel 134 and leased fee interest in TMK 5-2-13, Parcel 26 are held by Molokai Properties Limited.

The fee simple interest in TMK 5-2-11, Parcel 29 and TMK 5-2-31 (various) is held by Cooke Land Company, Inc.



Recent Subject Property Market Activity	Tax Map Key	Status	Price (US\$)	Closing Date
	(2) 5-2-31-1	Listed	410,040	N/A
	(2) 5-2-31-2	Listed	390,480	N/A
	(2) 5-2-31-3	Listed	400,440	N/A
	(2) 5-2-31-4	Listed	406,920	N/A
	(2) 5-2-31-5	Listed	389,040	N/A
	(2) 5-2-31-11	Listed	591,480	N/A
	(2) 5-2-31-12	Listed	339,840	N/A
	(2) 5-2-31-13	Listed	316,440	N/A
	(2) 5-2-31-15	Listed	274,560	N/A
	(2) 5-2-31-16	Listed	277,680	N/A
	(2) 5-2-31-17	Listed	298,440	N/A
	(2) 5-2-31-21	Listed	396,840	N/A
	(2) 5-2-31-22	Listed	390,840	N/A

**Physical Description**

TMK 5-1-10, Parcel 134 is a slightly irregular shaped property having frontages on four paved roadways. The site is generally level and served by all available utilities. Distant ocean views are available from this property.

The irregularly shaped TMK 5-2-11, Parcel 29 features undulating topographical characteristics and is accessed by the paved roadway through the Molokai Industrial Park. The property is bifurcated adjacent to its west property line by land which is leased to Goodfellow Brothers. Utilities available in the area include water, telephone, and electric. Ocean and coastline views are available from this property.

TMK 5-2-31 (various) identifies the unsold Molokai Industrial Park lots which are accessed via a paved roadway from Kamehameha V Highway. The lots range in size between 22,101 and 54,952 square feet, and feature level to slightly sloping topography. Available utilities include water, electricity, and telephone service.

TMK 5-2-13, Parcel 26 is a rectangular shaped corner site with frontages on Farrington Avenue and Kalae Highway. The property slopes gradually upward from Farrington Avenue. Aside from paved roadway access, the property is served by water, electricity, and telephone service.

**Improvement Description**

The improvements on Tax Map Key 5-1-10, Parcel 134 consist of the Molokai Ranch offices (built in 1969) and baseyard and the theatre building (built in 1997). Containing approximately 3,120 square feet, the wood frame office building is of newer construction. The adjacent warehouse structure contains approximately 15,919 square feet and houses various maintenance and repair shops. The theatre building is also of newer construction and contains approximately 9,370 square feet.

TMK 5-2-13, Parcel 26 is improved with several old steel frame warehouse structures and a wooden building which serves as a café. This property, inclusive of the existing buildings, is subject to a long-term lease at no rent to a tenant who purchased much of the surrounding coffee farm land.

All other industrial parcels are vacant of structural improvements.

## VALUATION ANALYSIS

<b>Rights Appraised</b>	Fee simple interest and leased fee.
<b>Highest and Best Use</b>	Industrial and commercial.
<b>Specific Value Considerations</b>	The Molokai Ranch office, baseyard and theatre property (TMK 5-1-10, Parcel 134) and TMK 5-2-13, Parcel 26 involved specific value considerations identified later.
<b>Valuation Approach Utilized</b>	A sales comparison approach was utilized to value the land component of all the industrial holdings. The sell-out value of properties available for immediate purchase was estimated by discounted absorption analysis.

**Molokai Industrial Park**

For the Molokai Industrial Park lots (TMK 5-2-31 (various)), a benchmark lot was valued accounting for differences in market conditions, location, corner/frontage, zoning, physical characteristics and size. The remaining industrial park lots were then valued in relation to the benchmark employing a consistent rationale.

Comparables Examined — Industrial comparables I-1 through I-3 were utilized in valuing the benchmark lot. Two transactions are located within the Molokai Industrial Park, and the third is situated in Kaunakakai.

Compensating Adjustments — Comparables taken from the Molokai Industrial Park required no significant adjustments. Transaction I-3 was adjusted for market conditions at 12 percent per annum. Interviews for Transactions I-1 and I-2 indicate probable overpayment due to unique financial funding circumstances of the buyer. A market condition adjustment was not applied to these transactions as an allowance to offset any overpayment. This was addressed via a zero appreciation allowance. The Kaunakakai transaction required adjustments for its superior location and superior corner configuration. Final adjusted values ranged from \$5.85 to \$8.96 per square foot, with a mean of \$7.44 and a weighted value of \$7.90. The value of the benchmark lot was concluded to be \$7.90 per square foot, or a total of \$177,000.

Sell-Out — The sell-out value of the immediately saleable lots was estimated through an absorption analysis which recognizes marketing and holding costs (property taxes, insurance, administration, and contingency) as the lots are sold off over time. It is estimated that the 16 lots will be fully absorbed within three years. Employing a 12 percent discount rate, the present value of the lots is concluded at \$2,837,000.

**Molokai Industrial Park Expansion Acreage**

Lacking an abundance of industrial zoned transactions, the 68.546-acre Molokai Industrial Park expansion acreage (TMK 5-2-11, Parcel 29) was valued employing the same transactions and general adjustment rationale as the previous industrial park benchmark lot. However, considering the 16 unsold lots in the existing subdivision, a market over supply allowance was considered in the valuation of the expansion acreage. In addition to the market over supply allowance, the subject's easement access, interim zoning on a portion of the property, and irregular shape were rated inferior to the transactions. After all adjustments, the values ranged between \$0.51 to \$1.00 per square foot, with a mean of \$0.78 and a weighted value of \$0.85. We concluded a value for the 68.546-acre expansion parcel of \$0.85 per square foot, or a total fee value of \$2,538,000.

**Molokai Ranch Office, Baseyard, Theatre Property**

Valuation of TMK 5-1-10, Parcel 134 used the same transactions and general adjustment rationale as in the preceding industrial valuations. This 6.363-acre parcel has frontages on four roadways and is located in the center of Maunaloa town. The subject's Maunaloa location was rated inferior to all transactions. But, having extensive roadway frontage and M-1 zoning, the subject was rated superior to all transactions for these categories. The adjustment process resulted in a value range of \$3.92 to \$5.27 per square foot, with a mean of \$4.51 and weighted value of \$4.41. We concluded a unit value of \$4.45 per square foot, or a total fee simple value of \$1,233,000 for the 6.363-acre subject site.

Considering the good condition of the office and theatre buildings and functionality of the adjacent baseyard improvements on TMK 5-1-10, Parcel 134, the existing improvements contribute to property value over and above land value. An income capitalization analysis was employed to evaluate the improved property. We estimate that approximately 50 percent of the land area is required to support the structures. A combined net operating income of \$89,162 is estimated for the complex which was capitalized at eight percent resulting in a fee simple value of \$1,115,000 for the improved component. The value of the excess land component is the prorated fee simple land value for the entire site, or \$616,000. Therefore, the fee simple value of the Molokai Ranch office, baseyard, and theatre property totals \$1,731,000.

**Kualapuu Coffee Complex**

TMK 5-2-13, Parcel 26 is a 5.715-acre corner site with gradually sloping topography. The Kualapuu Village location of this property was rated inferior to all transactions. Having a corner configuration, the subject was rated superior to the Molokai Industrial Park transactions and equal to the Kaunakakai sale. The M-1 zoning of the subject was deemed superior to all transactions. After adjustments, a range of \$4.02 to \$5.36 per square foot was indicated with a mean of \$4.62 and a weighted unit value of \$4.52. We concluded a unit value of \$4.55 per square foot, or a total fee simple value of \$1,133,000 for the 5.715-acre site.

This property is leased until October 1, 2030 with basic rent of \$1.00 paid in full at the commencement of the lease. Therefore, the interest appraised is only the present value of the reversionary interest of the property at the termination of the lease. Escalating the current land value at three percent per annum for 24.8 years, and discounting this reversionary interest at ten percent results in a present value of \$222,000.

**Molokai Industrial Park (TMK 5-2-31, Parcel 14)**

This parcel contains 28,438 square feet and is leased by The Nature Conservancy until May 1, 2012 at an annual rent of \$37,500. It is our understanding that The Nature Conservancy purchased the reversionary interest in the land. Therefore, the interest of Molokai Properties Limited is the right to receive monthly rent of \$3,125 for approximately 75.6 months. Discounting this monthly rent at ten percent results in a present value of \$176,000.

**Concluded Market Value in the Existing State**

As summarized on the following table, the aggregate value of the Kualapuu and Maunaloa industrial properties was estimated to be **\$7,504,000**.

## KUALAPUU AND MAUNALOA INDUSTRIAL PROPERTIES

Second Division Tax Map Key	Land Area (Sq. Ft.)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
5-1-010-134	277,169	Fee Simple	Office/Theatre	1,731,000 <sup>(1)</sup>	1 to 2 Years
5-2-011-029	2,985,864 <sup>(2)</sup>	Fee Simple	Vacant Lot	2,538,000	1 to 2 Years
5-2-013-026	248,945	Leased Fee	Coffee Whse.	222,000 <sup>(3)</sup>	1 to 2 Years
5-2-031-001	35,378	Fee Simple	Vacant Lot	2,837,000	1 to 2 Years
5-2-031-002	36,284	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-003	37,203	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-004	37,793	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-005	38,187	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-006	38,541	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-007	38,895	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-008	39,260	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-011	54,952	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-012	26,472	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-013	25,481	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-015	22,101	Leased Fee	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-016 <sup>(5)</sup>	22,357	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-017	23,256	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-021	29,949	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-022	29,501	Fee Simple	Vacant Lot	Inc. Above	1 to 2 Years
5-2-031-014	<u>28,438</u>	Fee Simple	Vacant Lot	<u>176,000<sup>(4)</sup></u>	1 to 2 Years
<b>Aggregate</b>	<b>4,076,026</b>	<b>Sq. Ft.</b>		<b>7,504,000</b>	
	<b>93.573</b>	<b>Acres</b>			

(1) Capitalized value of buildings plus excess land value.

(2) Excludes 3.400 acres leased to Goodfellow Brothers.

(3) Reversionary interest in property at termination of long-term lease.

(4) Periodic rent payments until 5/1/2012 with no reversionary interest in land.

(5) Benchmark Molokai Industrial Park lot.

MAUNALOA RESIDENTIAL PROPERTIES

IDENTIFICATION

Second Division Tax Map Key	Land Area (Sq. Ft.)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-09 (various)	140,653	Fee Simple	Interim	North Subdivision Lots	Sale
5-1-10 (various)	370,894	Fee Simple	Interim	South Subdivision Lots	Sale
5-1-10 (various)	64,725	Leased Fee	Interim	Maunaloa Vistas	Investment
5-1-02-25 (por.)	203,600	Fee Simple	Interim	Manager's Row	Owner Occupancy
5-1-10-9	<u>295,862</u>	Leased Fee	Interim	Nani Maunaloa	Investment
Total	1,075,734	Sq. Ft.			
	24.695	Acres			

**Location/Address** Maunaloa, Molokai, Hawaii

**Site Specific Environs** TMKs 5-1-09 (various) and 5-1-10 (various) consists of vacant unsold single family residential lots in the Maunaloa North and South subdivisions, and homes in the South Subdivision constructed by Maunaloa Vistas Limited Partnership. TMK 5-1-02, Parcel 25 (por.) contains seven homes and one vacant lot commonly referred to as Manager's Row. TMK 5-1-10, Parcel 9 consists of a single large parcel improved with 61 rental cottages comprising the Nani Maunaloa project.

PROPERTY DATA AND DESCRIPTION

**State Land Use** All of the subject properties are State Land Use classified as Urban.

**Ownership** The remaining Maunaloa North and South vacant lots, Manager's Row properties, Maunaloa Vistas, and Nani Maunaloa project are owned by Molokai Properties Limited. Maunaloa Vistas is leased to Maunaloa Vistas Limited Partnership. Nani Maunaloa is leased to the Nani Maunaloa Limited Partnership.

Recent Subject Property Market Activity	Tax Map Key	Status	Price (US\$)	Closing Date
	(2) 5-1-09-55	In Escrow	135,000	2/15/06
	(2) 5-1-09-59	In Escrow	139,000	1/25/06
	(2) 5-1-09-60	Listed	145,000	N/A
	(2) 5-1-09-70	Listed	142,000	N/A
	(2) 5-1-09-71	Listed	153,000	N/A
	(2) 5-1-09-73	In Escrow	137,500	2/16/06
	(2) 5-1-09-77	Listed	162,000	N/A

**Physical Description**

The Maunaloa North subdivision lots range in size from 6,356 to 10,867 square feet, and vary from generally level to moderately sloping topography. This is a newer and preferred subdivision which features panoramic views in a westerly direction. The Maunaloa South subdivision is an older development with lots ranging in size between 5,110 and 8,063 square feet. The lots also vary from level to moderately sloping. Views are less panoramic from these lots although distant ocean views are available.

The Manager's Row residences and the sites are situated in a premier Maunaloa location on a knoll overlooking the North subdivision. The subdivision of eight lots along this corridor is currently being completed with lots preliminarily ranging between 0.414 and 0.935 acre. All lots are generally rectangular shaped with most sloping gradually upward from west to east.

Containing 295,862 square feet, the large Nani Maunaloa site is a near rectangular holding bordered to the east, south and west by village roadways. A row of unsold commercial lots abut the subject to the north. The property slopes moderately upward from west to east.

**Improvement Description**

The Maunaloa Vistas homes are all wood frame structures containing between 864 and 988 square feet constructed as affordable rentals. These 12 homes have three-bedroom, two-bath configurations and were built in 1997.

The Manager's Row homes include five small masonry houses in poor condition and two large wood frame executive dwellings that have been extensively remodeled through the years.

The Nani Maunaloa consists of 61 cottages which are roughly 70 percent tenant occupied. The homes are wood frame units containing between 755 and 1,248 square feet constructed as affordable rentals. These homes, built in 1996, vary from two-bedroom, one-bath to four-bedroom, two-bath configurations.

**VALUATION ANALYSIS****Rights Appraised**

Fee simple and leased fee interests.

**Highest and Best Use**

Residential.

**Specific Value Considerations**

The leased fee interests in the 12 Maunaloa Vistas homes and the Nani Maunaloa Village parcel have been estimated by income capitalization analysis since they are rented for another 20 to 25 years.

**Valuation Approach Utilized**

Sales comparison approaches were utilized to value the various Maunaloa vacant lots and homes. Where appropriate, income capitalization analysis was also employed as indicated above.

The sell-out value of the lots available for immediate purchase was estimated by discounted absorption analysis.

**Maunaloa North Subdivision Lots**

For the Maunaloa North subdivision lots (TMK 5-1-09 (various)) and Manager's Row Lot (TMK5-1-2-25 (por)), a benchmark lot was valued accounting for differences in market conditions, corner/frontage, view, physical characteristics and size. The remaining North subdivision lots were then valued in relation to the benchmark employing a similar rationale.

Comparables Examined — Residential lot comparables R-1 through R-5 were utilized in valuing the benchmark lot. Due to an abundance of recent transactions, all are situated within the North subdivision.

Compensating Adjustments — As all comparables are from the same subdivision, adjustments were minimal; those necessary were for market conditions, corner/frontage, and size. A market conditions adjustment of 12 percent per annum was applied for the period encompassed by the transactions. Transaction R-4 has a corner configuration and was adjusted for this feature. The size adjustment employed an exponential curve that extrapolates the relationship between parcel size and unit price. Adjusted values ranged from \$133,371 to \$137,500 per lot, with a mean of \$135,715 and a weighted value of \$135,715. The value of the North subdivision benchmark lot was concluded to be \$136,000.

Sell-out Value of Lots — The sell-out value of the immediately saleable lots was estimated through an absorption analysis. It is estimated that the 81 lots will be absorbed within four years. Employing a 12 percent discount rate, the present value of the saleable lots is concluded at \$6,268,000.

**Maunaloa South Subdivision Lots**

The South subdivision lots (TMK 5-1-10 (various)) were valued utilizing the same methodology and adjustment rationale as the North subdivision lots.

Comparables Examined — The most recent South subdivision vacant lot sale (Transaction R-6), and Transactions R-2 and R-3 from the previous section, were utilized in valuing the benchmark lot.

Compensating Adjustments — The market conditions allowance was an identical rationale to the North lots. An adjustment for location was added to account for the superior locational attributes of the two North subdivision transactions. The views available from the North subdivision were also rated superior to the South subdivision benchmark. Adjusted values ranged from \$110,187 to \$111,583 per lot, with a mean of \$110,881 and a weighted value of \$110,709. The value of the South subdivision benchmark lot was concluded to be \$111,000.

**Manager's Row Homes**

For the Manager's Row homes (TMK 5-1-02-25 (por)), benchmark values were estimated for 1,300-square-foot, three bedroom, two-bath; and 1,600-square-foot, four bedroom, three bath floor plans. Adjustments were made for sales or financing concessions, date of sale/time, location, differences in land area, view, design and appeal, quality of construction, age in years, condition, bedrooms/baths, interior living area, garage, entry area/lanai, lot location, and upgrades. The remaining Manager's Row homes were then valued in relation to the benchmark employing a similar rationale.

Comparables Examined — Single family residential comparables SF-1 through SF-3 were utilized in valuing the two benchmark lots. Transaction SF-1 is a 1,360-square-foot two bedroom, 1.5 bath home located in the Maunaloa South subdivision. Transaction SF-2 is a 2,450-square-foot three-bedroom, three bath home in the Maunaloa North subdivision. Transaction SF-3 is three-bedroom, two bath home containing 1,425 square feet located in Kamiloloa just east of Kaunakakai.

Compensating Adjustments — As is typical for house valuations, compensating adjustments were made for most of the criteria listed above. The subject benchmark homes are generally older plantation style homes on large lots which have been well maintained over the years. Generally, Transaction SF-1 is rated inferior and Transactions SF-2 and SF-3 superior to the 1,300-square-foot benchmark. The 1,600-square-foot benchmark is judged superior to Transactions SF-1 and SF-3 and inferior to Transaction SF-2. The most significant adjustments were for market conditions, site area, age in years, and condition.

Adjusted values for the 1,300-square-foot benchmark ranged from \$276,900 to \$390,608 per lot, with a mean of \$335,967 and a weighted value of \$327,550. The value of the 1,300-square-foot Manager's Row benchmark home was concluded to be \$330,000.

The 1,600-square-foot benchmark adjusted values range between \$465,200 and \$588,900 per lot, with a mean of \$519,333 and a weighted value of \$523,975. A value of \$520,000 was concluded for the 1,600-square-foot Manager's Row benchmark home.

**Maunaloa Vistas**

The 12 Maunaloa Vistas homes are leased until December 31, 2030 at an aggregate annual rent of \$20,000. At the termination of the lease, the tenants have the right to purchase the homes for \$2,500 each. An income capitalization analysis was employed to value this leased fee interest. The methodology involves calculating the present value of the right to receive aggregate monthly rent of \$1,666.67 per month for 25 years and an aggregate reversion of \$30,000 (12 units x \$2,500 per unit) at termination. Considering the low monthly rental rate and nominal reversionary interest, the reliability of this cash flow is rated as high resulting in selection of a ten percent discount rate. The leased fee value of the Maunaloa Vistas was calculated to be \$188,000.



**Nani Maunaloa**

The Nani Maunaloa is a complex of 61 rental cottages that is committed to operate as affordable rentals until its land lease expires December 31, 2026. After this date, there would be no restrictions on these cottages and they could continue operation as a rental project or be condominiumized and sold. Ground lease for the parcel is \$38,000 until the end of 2006, and then \$40,000.08 annually through December 31, 2011, payable monthly in advance. For the next three five-year periods, annual rent is equal to the product of: (1) the fair market value of the demised land exclusive of improvements thereon as of the commencement of the respective five-year rental period, and (2) the prevailing annual rate of return as of the commencement of the respective five-year rental period, on land of similar use and location on the island of Molokai.

An income capitalization analysis was employed to value this leased fee interest. The methodology involves calculating the present value of the right to receive annual ground rent and the bulk value of the 61 units at the termination of the lease. For valuation purposes, we have assumed the cottages are converted to condominium for sale at the termination of the commitment.

Ground rent for the three upcoming rent reopening periods was based on an 8.0 percent rate of return on land value, as of each periods respective commencement date. The current market value of the demised land was estimated by sales comparison to be \$401,000 utilizing the same comparables and adjustment rationale as TMK 5-1-2, Parcel 46 in the Residential Urban Expansion Lands section. This current land value was escalated annually at three percent to each future rent reopening date.

The reversionary value of the units was calculated by estimating the average sale price of the units by sales comparison (\$195,000), employing single-family comparables SF-1, SF-4, and SF-5. Then their bulk value to a single purchaser was derived through a discounted sell-out of the units, accounting for necessary renovation costs, condominium conversion costs, commissions, holding costs, and profit incentive. The sell-out assumed unit values, appreciated three percent each year, were to be absorbed over four years, and employed a five percent profit incentive allowance and a 12 percent discount rate. The bulk value (\$6,620,000) was then escalated at three percent per annum to the termination of the lease.

Discounting the periodic rental payments and reversionary interest at 12 percent results in a leased fee value of the Nani Maunaloa of \$1,455,000.

**Concluded Market Value in the  
Existing State**

As shown on the following table, the aggregate value of the Maunaloa residential properties totals **\$10,601,000**.

## MAUNALOHA RESIDENTIAL PROPERTIES

Second Division Tax Map Key	Land Area (Sq. Ft.)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
5-1-09-55	6,416	Fee Simple	Vacant Lot	6,268,000	6-9 Months
5-1-09-59	7,100	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-60	8,702	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-61	8,307	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-69	7,571	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-70 <sup>(1)</sup>	8,357	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-71	9,856	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-72	8,590	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-73	8,083	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-74	16,097	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-76	13,961	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-77	14,731	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-78	10,935	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-09-81	11,947	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-19	5,264	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-20	5,166	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-21	5,358	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-22	5,512	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-23	6,595	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-24	8,063	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-25	6,456	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-26	6,083	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-27	6,104	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-28	6,472	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-29	5,304	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-30	5,384	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-31	6,352	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-32	6,211	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-36	5,447	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-37	5,602	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-38	5,662	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-39	5,418	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-40	5,395	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-41	5,261	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-43	5,497	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-60	6,088	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-62	5,110	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-64	5,133	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-66	5,165	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-69	5,689	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-70	6,241	Fee Simple	Vacant Lot	Inc. Above	6-9 Months

**APPENDIX II**

**PROPERTY VALUATION INFORMATION ON  
BIL'S HAWAII PROPERTIES**

<b>Second Division Tax Map Key</b>	<b>Land Area (Sq. Ft.)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
5-1-10-71	5,462	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-74	5,157	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-75	5,211	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-76	5,183	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-77 <sup>(2)</sup>	5,264	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-91	5,293	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-92	5,325	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-93	5,267	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-95	5,871	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-96	5,273	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-97	5,256	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-98	5,113	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-99	5,184	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-100	5,625	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-101	5,451	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-102	5,787	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-103	5,968	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-104	5,400	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-105	5,190	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-106	5,190	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-107	5,190	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-108	5,255	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-116	5,366	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-117	5,266	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-118	5,272	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-119	5,477	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-120	5,914	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-121	5,803	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-122	5,964	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-123	6,220	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-124	6,353	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-125	6,353	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-126	6,209	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-127	5,561	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-128	5,552	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-129	5,518	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-130	5,377	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-131	5,371	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-132	5,371	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-10-34	5,471	Leased Fee	Maunaloa Vistas	188,000	1-2 Years
5-1-10-35	5,515	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-86	5,516	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-87	5,410	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years

**APPENDIX II**

**PROPERTY VALUATION INFORMATION ON  
BIL'S HAWAII PROPERTIES**

<b>Second Division Tax Map Key</b>	<b>Land Area (Sq. Ft.)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
5-1-10-88	5,182	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-89	5,355	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-90	5,389	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-109	5,282	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-110	5,308	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-111	5,453	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-112	5,431	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-10-114	5,413	Leased Fee	Maunaloa Vistas	Included in Parcel 34	1-2 Years
5-1-02-25 (por.)-1	26,441	Fee Simple	Manager's Row-SF	330,000	6-9 Months
5-1-02-25 (por.)-2	22,433	Fee Simple	Manager's Row-SF	330,000	6-9 Months
5-1-02-25 (por.)-3 <sup>(3)</sup>	19,646	Fee Simple	Manager's Row-SF	330,000	6-9 Months
5-1-02-25 (por.)-4	18,034	Fee Simple	Manager's Row-SF	330,000	6-9 Months
5-1-02-25 (por.)-5	19,297	Fee Simple	Manager's Row-SF	330,000	6-9 Months
5-1-02-25 (por.)-6	26,005	Fee Simple	Manager's Row-Lot	Inc. Above	6-9 Months
5-1-02-25 (por.)-7 <sup>(3)</sup>	31,015	Fee Simple	Manager's Row-SF	520,000	6-9 Months
5-1-02-25 (por.)-8	40,729	Fee Simple	Manager's Row-SF	520,000	6-9 Months
5-1-10-9	<u>295,862</u>	Leased Fee	Nani Maunaloa	<u>1,455,000</u>	1-2 Years
<b>Aggregate</b>	<b>1,075,734</b>	<b>Sq. Ft.</b>		<b>10,601,000</b>	
	<b>24.695</b>	<b>Acres</b>			

(1) North Benchmark

(2) South Benchmark

(3) Manager's Row Benchmarks

RESIDENTIAL POTENTIAL URBAN EXPANSION LAND

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-25 (por.)	49.710	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-1-2-28	96.800	Fee Simple	Project District Interim	Vacant	Owner Occupancy
5-1-2-46	2.929	Fee Simple	Residential	Vacant	Owner Occupancy
5-2-13-21 (por.)	12.608	Fee Simple	Rural	Vacant	Owner Occupancy
5-2-13-38	6.058	Fee Simple	Agriculture	Vacant	Owner Occupancy
5-2-28-106	2.057	Fee Simple	Residential	Vacant	Owner Occupancy
5-3-11-129	<u>2.345</u>	Fee Simple	Residential	Vacant	Owner Occupancy
Total	172.507				

**Location/Address** Maunaloa, Molokai, Hawaii  
Kualapuu, Molokai, Hawaii  
Kaunakakai, Molokai, Hawaii

**Site Specific Environs** These residential potential urban expansion lands are located in Maunaloa, Kualapuu, and Kaunakakai, Molokai, Hawaii. In Maunaloa, these expansion lands are situated adjacent to the existing Maunaloa Village north and south residential subdivisions. The Kualapuu expansion lands are located adjacent to the Ironwoods Golf Course and an existing residential subdivision in Kualapuu Village. Currently being farmed, the Kaunakakai expansion land is also adjacent to the existing Ranch Camp residential subdivision.

PROPERTY DATA AND DESCRIPTION

**State Land Use** Urban and Agriculture

**Ownership** The fee simple interest to the subject parcels is held by either Molokai Properties Limited, or Cooke Land Company, Inc.

**Recent Subject Property Market Activity** There has been no known market activity on the subject properties within the past five years.

<b>Physical Description</b>	TMK 5-1-02, Parcels 25 (por.) and 28 are irregularly shaped larger sites with undulating topographical features containing 49.710 and 96.800 acres, respectively. Both have good views of the ocean and coast line. TMK 5-1-02, Parcel 46 contains 2.929 acres located at the east end of Maunaloa Road. This site is undulating and slopes gradually upward from the roadway. We were unable to definitively locate the 6.058-acre TMK 5-2-13, Parcel 38 but the general area is heavily wooded and undulating topography is typical. TMK 5-2-13, Parcel 21 (por.) is a 12.608-acre portion of the Ironwoods Golf Course property adjacent to and sloping gradually upward from Kalae Highway. Situated in Kualapuu Village, TMK 5-2-28, Parcel 106 is an irregularly shaped 2.057-acre parcel that wraps around existing homesites. This property slopes gradually upward from Huila and Alahula Streets. Containing 2.345 acres, TMK 5-3-11, Parcel 129 is an irregularly shaped level site that extends around existing Ranch Camp homesites. The property is situated slightly below the Kolapa Place grade.
<b>Improvement Description</b>	All sites are currently vacant. With the exception of TMK 5-2-13, Parcel 38, all parcels are served by asphalt paved roadways to their property line.
<b>VALUATION ANALYSIS</b>	
<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Residential development.
<b>Specific Value Considerations</b>	None known.
<b>Valuation Approach Utilized</b>	Sales comparison approaches were utilized to value a benchmark lot on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, view potential, physical characteristics, and size. The remaining lots were then valued in relation to the benchmark employing a similar rationale.
<b>Comparables Examined</b>	Our research revealed two closed transactions and a pending sale of similar sites with residential potential on Molokai. Due to the scarcity of valid transactions, the pending sale was utilized as an indicator but attributed the least weight. Bulk residential Transactions BR-1 through BR-3 were employed in our valuation analysis. Transaction BR-1 is a 2.319-acre parcel accessed by an unimproved roadway off of Kamehameha V Highway in Kamiloloa. This rectangular shaped, elongated site slopes gradually upward from makai to mauka. Located in Kualapuu, Transaction BR-2 is a rectangular shaped 2.598-acre site at the corner of Kalae Highway and South Kiapa Street. This site is level at road grade. Transaction BR-3 represents the pending sale of a 17.292-acre site located one lot west of Transaction BR-1 in Kamiloloa. This elongated near rectangular shaped parcel has frontage on Kamehameha V Highway.

**Compensating Adjustments**

The adjustment for market conditions employed a 12 percent per annum increase over the period encompassed by the transactions. No allowance for general locational differences was required as Kualapuu and Kamiloloa were judged equal to the Kaunakakai location of the benchmark. For access and frontage, the extensive single frontage of the benchmark was rated superior to Transactions BR-1 and BR-3 and inferior to the corner configuration of Transaction BR-2. Transactions BR-1 and BR-3 have marginal ocean views and were rated superior to the benchmark. Having a rock pile on the property, Transaction BR-1 was rated inferior to the benchmark for physical characteristics. After all adjustments including recognition of size differences, the values ranged from \$59,012 to \$109,299 per acre, with a mean of \$80,037 and a weighted value of \$75,464. We conclude a value of \$75,500 per acre, or a total of \$177,000 for the 2.345-acre benchmark site.

**Concluded Market Value in the Existing State**

As shown on the following table, the aggregate value of the seven residential potential expansion parcels was estimated to be **\$7,453,000**.

**RESIDENTIAL POTENTIAL URBAN EXPANSION LANDS**

<b>Second Division Tax Map Key</b>	<b>Land Area</b> <i>(Acres)</i>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value</b> <i>(US\$)</i>	<b>Reasonable Exposure Time</b>
5-1-002-025 (por.)	49.710	Fee Simple	Vacant Lot	1,773,000	1 to 2 Years
5-1-002-028	96.800	Fee Simple	Vacant Lot	4,166,000	1 to 2 Years
5-1-002-046	2.929	Fee Simple	Vacant Lot	193,000	1 to 2 Years
5-2-013-021 (por.)	12.608	Fee Simple	Vacant Lot	696,000	1 to 2 Years
5-2-013-038	6.058	Fee Simple	Vacant Lot	298,000	1 to 2 Years
5-2-028-106	2.057	Fee Simple	Vacant Lot	150,000	1 to 2 Years
5-3-011-129(*)	<u>2.345</u>	Fee Simple	Vacant Lot	<u>177,000</u>	1 to 2 Years
<b>Aggregate</b>	<b>172.507</b>			<b>7,453,000</b>	

(\*) Benchmark

## KALUAKOI INTERIOR RESORT LAND

## IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-3-4	18.594	Fee Simple	H-M/Hotel	Vacant	Investment
5-1-3-8	21.965	Fee Simple	H-M/Hotel	Vacant	Owner Occupancy
5-1-3-10	8.018	Fee Simple	H-M/A-2	Vacant	Investment
5-1-3-12	4.189	Fee Simple	H-M/Hotel	Vacant	Investment
5-1-3-16	6.751	Fee Simple	H-M/Hotel	Vacant	Investment
5-1-3-26	24.975	Fee Simple	A-2/Apartment	Vacant	Investment
5-1-3-28	3.670	Fee Simple	Interim	Vacant	Investment
5-1-3-29	<u>11.515</u>	Fee Simple	R-2	Vacant	Investment
Total	99.677				

**Location/Address** Kaluakoi, Molokai, Hawaii

**Site Specific Environs** These interior resort development parcels are located in the Kaluakoi Resort. All are golf course frontage lots situated around the existing hotel (non-operational), multifamily condominium, and golf course developments.

## PROPERTY DATA AND DESCRIPTION

**State Land Use** Urban

**Ownership** The fee simple interest in each is held by Kaluakoi Real Estate LLC, a subsidiary of Molokai Properties Limited.

**Recent Subject Property Market Activity** None.

**Physical Description** The eight Kaluakoi interior resort development parcels range in size between 3.670 and 24.975 acres with topography varying from level to moderately sloping. TMK 5-1-03, Parcel 8 is commonly referred to as Kaiaka Rock which is a rock mound and landmark along the otherwise undulating coastline. Due to the prominence and cultural significance of the Kaiaka Rock site, we judge it not marketable in the current political environment. Ocean, coastline, and/or golf course views are afforded from most lots.

**Improvement Description** All sites are currently vacant and served by asphalt paved roadways and utilities to the property line.

## VALUATION ANALYSIS

**Rights Appraised** Fee simple interest.

**Highest and Best Use** Hotel and resort development.



**Specific Value Considerations** As stated earlier, TMK 5-1-03, Parcel 8 (Kaiaka Rock) was deemed unmarketable in the current political climate.

**Valuation Approach Utilized** The sales comparison approach was utilized to value an interior benchmark lot on a price per acre basis, accounting for differences in market conditions, location, access/frontage, zoning, golf course frontage, physical characteristics, and size. The remaining interior lots were then valued in relation to the benchmark employing a similar rationale.

**Comparables Examined** There have not been any transactions of similar resort sites on Molokai. Therefore, we selected three recent transactions from the island of Maui for specific comparison to the subject benchmark lot. Interior Resort Transactions RR-1 through RR-3 were employed in our valuation analysis. All comparables are located within the Wailea Resort.

**Compensating Adjustments** The adjustment for market conditions employed a 12 percent per annum increase over the period encompassed by the transactions. A general location adjustment was estimated by comparing median sales prices for Kaluakoi and Wailea condominium units which indicated the latter to be approximately 75 percent superior. For access/frontage, the corner configuration of Transaction RR-1 was rated superior to the benchmark which has single frontage. Transaction RR-3 is a flag lot and was rated inferior. The split H-M and A-2 zoning of the benchmark was deemed superior to all transactions. The only other significant adjustment was for relative size. Adjusted values ranged from \$157,181 to \$259,815 per acre, with a mean of \$220,456 and a weighted value of \$222,847. The value of the benchmark interior resort lot was concluded to be \$222,000 per acre, or a total of \$1,780,000 for the 8.018-acre representative site.

**Concluded Market Value in the Existing State** As summarized on the following table, after applying consistent allowances to the other parcels, the aggregate value of the eight interior Kaluakoi Resort parcels was estimated to be **\$15,230,000**.

**KALUAKOI INTERIOR RESORT LANDS**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
5-1-003-004	18.594	Fee Simple	Vacant Lot	3,814,000	1 to 2 Years
5-1-003-008	21.965	Fee Simple	Vacant Lot	0	1 to 2 Years
5-1-003-010 <sup>(*)</sup>	8.018	Fee Simple	Vacant Lot	1,780,000	1 to 2 Years
5-1-003-012	4.189	Fee Simple	Vacant Lot	972,000	1 to 2 Years
5-1-003-016	6.751	Fee Simple	Vacant Lot	1,466,000	1 to 2 Years
5-1-003-026	24.975	Fee Simple	Vacant Lot	4,657,000	1 to 2 Years
5-1-003-028	3.670	Fee Simple	Vacant Lot	598,000	1 to 2 Years
5-1-003-029	<u>11.515</u>	Fee Simple	Vacant Lot	<u>1,943,000</u>	1 to 2 Years
<b>Aggregate</b>	<b>99.677</b>			<b>15,230,000</b>	

(\*) Benchmark

KALUAKOI RESORT EXPANSION LANDS

IDENTIFICATION

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-3-1	1,052.452	Fee Simple	Various	Vacant	Investment
5-1-3-3	33.400	Fee Simple	OZ	Vacant	Investment
5-1-3-14	15.330	Fee Simple	H-M	Vacant	Investment
5-1-3-15	22.360	Fee Simple	H-M	Vacant	Investment
5-1-3-17	12.120	Fee Simple	H-M	Vacant	Investment
5-1-3-18	28.800	Fee Simple	H-M	Vacant	Investment
5-1-3-19	7.516	Fee Simple	BR	Vacant	Investment
5-1-3-20	41.710	Fee Simple	OZ/A-1	Vacant	Investment
5-1-3-23	5.407	Fee Simple	Open	Vacant	Investment
5-1-3-25	49.077	Fee Simple	Interim	Vacant	Investment
Total	1,268.172				

**Location/Address** Kaluakoi, Molokai, Hawaii

**Site Specific Environs** These interior and oceanfront resort expansion lots are located in the Kaluakoi Resort. This asset is comprised of parcels that are zoned for hotel, single family, multifamily, commercial, golf course, and open space uses but are currently inaccessible by existing paved roadways. The one exception is TMK 5-1-03, Parcel 25 which has limited frontage on Kaluakoi Road and is non-contiguous to the rest of the parcels. This parcel is zoned Interim and designated on master plans for golf course and open space use.

PROPERTY DATA AND DESCRIPTION

**State Land Use** Urban and Rural

**Ownership** The fee simple interest to each of the subject lots is held by Kaluakoi Real Estate LLC, a subsidiary of Molokai Properties Limited.

**Recent Subject Property Market Activity** None.

**Physical Description** The ten Kaluakoi Resort future expansion parcels range in size between 5.407 and 1,052.452 acres with topography varying from generally level to moderately sloping. The resort expansion lands contain an aggregate area of 1,268.172 acres, the contiguous portion of 1,219.095 acres bordered to the south by Kakaako Gulch, east by privately owned Kaluakoi Ranch lots, north by agricultural land owned by Molokai Properties, and to the west by the ocean. Pohakumaliuli Gulch bifurcates the contiguous portion of the holding in a west to east plane. The free-standing TMK 5-1-03, Parcel 25 contains 49.077 acres and is an undulating site fronting the existing golf course.

**Improvement Description** The entire resort expansion holding is vacant of any substantial improvements.

## VALUATION ANALYSIS

<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Resort expansion due to various zonings.
<b>Specific Value Considerations</b>	TMK 5-1-03, Parcel 25 is a freestanding parcel that was included in this asset group based on its proposed use for golf course or resort expansion.
<b>Valuation Approach Utilized</b>	The sales comparison approach was utilized to value the entire 1,268.172-acre assemblage accounting for differences in market conditions, location, access/frontage, zoning, ocean frontage, physical characteristics, and size.
<b>Comparables Examined</b>	Our research did not uncover any transactions of similar urban expansion acreage on Molokai. Therefore, we expanded our research to all neighbor islands and selected three acreage transactions for specific comparison to the subject. Urban expansion Transactions U-1 through U-3 were employed in our valuation analysis. Transaction U-1 is adjacent to the Wailea Resort on Maui, and Transactions U-2 and U-3 are urban expansion lands in Kaloko and adjacent to Waikoloa Village, respectively, on the island of Hawaii.
<b>Compensating Adjustments</b>	The adjustment for market conditions employed a 12 percent per annum increase since January 1, 2004. Comparisons of median product sales prices between Kaluakoi and West Hawaii resorts supported the latter being 75 percent superior similar to that found for Wailea. Having extensive dual frontage on a primary roadway, Transaction U-2 was rated superior to the subject. All transactions lack ocean frontage and were adjusted upward for this criteria. There are two gulches that run through the consolidated subject holding which resulted in all transactions being judged superior for physical characteristics. After compensating for size differences, the adjusted values ranged from \$6,926 to \$8,613 per acre, with a mean of \$7,948 and a weighted value of \$8,046. The value of the 1,268.172-acre Kaluakoi urban expansion acreage was concluded to be \$8,000 per acre.
<b>Concluded Market Value in the Existing State</b>	As shown on the following table, the overall value of the ten-parcel assemblage of Kaluakoi Resort urban expansion lands was estimated to be <b>\$10,145,000</b> .

KALUAKOI RESORT EXPANSION LANDS

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Interest Valued	Existing Use	Concluded Value <i>(US\$)</i>	Reasonable Exposure Time
5-1-003-001	1,052.452	Fee Simple	Vacant Lot	10,145,000	1 to 2 Years
5-1-003-003	33.400	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-014	15.330	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-015	22.360	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-017	12.120	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-018	28.800	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-019	7.516	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-020	41.710	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-023	5.407	Fee Simple	Vacant Lot	Incl. Above	1 to 2 Years
5-1-003-025	<u>49.077</u>	Fee Simple	Vacant Lot	<u>Incl. Above</u>	1 to 2 Years
<b>Aggregate</b>	<b>1,268.172</b>			<b>10,145,000</b>	

PAPOHAKU RANCH LOTS AND KAUPOA BEACH CAMP

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-48	30.246	Fee Simple	Agriculture	Beach Camp	Owner Occupancy
5-1-4-22	32.772	Fee Simple	Agriculture	Vacant Lot	Sale
5-1-6 (various)	169.956	Fee Simple	Agriculture	Vacant Lots	Sale
5-1-7 (various)	218.809	Fee Simple	Agriculture	Vacant Lots	Sale
5-1-8 (various)	<u>628.203</u>	Fee Simple	Agriculture	Vacant Lots	Sale
Total	1,079.986				

**Location/Address** Kaluakoi, Molokai, Hawaii

**Site Specific Environs** These ranch lots are located in agricultural subdivisions east and south of Kaluakoi Resort on the west side of Molokai and are primarily used as residential estates.

PROPERTY DATA AND DESCRIPTION

**State Land Use** Agriculture, Conservation

**Ownership** The fee ownership of nine of the vacant interior lots is held by Kaluakoi Residential LLC, a subsidiary of Kaluakoi Land LLC, a subsidiary of Molokai Properties Limited; the remainder are held in fee by Molokai Acquisition LLC. The fee title to the Beach Village (TMK 5-1-2-48) is held by Molokai Properties Limited.

Recent Subject Property Market Activity	Tax Map Key	Status	Price (US\$)	Proposed Closing Date
	(2) 5-1-6-47	In Escrow	515,000	1/13/2006
	(2) 5-1-6-51	Listed	550,000	N/A
	(2) 5-1-6-56	Listed	525,000	N/A
	(2) 5-1-6-57	Listed	525,000	N/A
	(2) 5-1-7-12	In Escrow	611,000	3/01/2006
	(2) 5-1-7-14	In Escrow	582,000	1/17/2006
	(2) 5-1-7-15	In Escrow	620,000	1/18/2006
	(2) 5-1-8-16	Listed	530,000	N/A
	(2) 5-1-8-23	Listed	630,000	N/A
	(2) 5-1-8-24	Listed	620,000	N/A

Kaluakoi Residential, LLC acquired the various ranch lots in TMK 5-1-4 and 5-1-6 on December 17, 2001 for a recorded price of \$4,656,030. Molokai Acquisition LLC acquired the various ranch lots in TMK 5-1-7 and 5-1-8 on January 10, 2002 for \$1,884.

**Physical Description**

The 44 interior ranch lots ranch in size from 5.104 to 43.357 acres with topography varying from level to gently sloping. Each lot is served by underground utilities including water, sewer, telephone, and electric. Ocean and coastline views are afforded from most lots.

The oceanfront Kaupoa Beach Camp is remotely located away from the other ranch lots, accessible via private unpaved roads. It has no electricity, telephone, or septic system, and private water. Many protected culturally significant features exist on the site.

**Improvement Description**

The beach camp is improved with one small permanent structure built in 1999, utilized as a kitchen and open air gathering area, and 42 tents on raised platforms, also constructed in 1999. The property is operated in connection with The Lodge at Molokai Ranch in Maunaloa.

**VALUATION ANALYSIS****Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Single-family home sites/estates.

**Specific Value Considerations**

The beach camp cannot be financially sustained on a stand alone basis, and the land and marginal improvements have greater value as a private exclusive single home site/estate.

**Valuation Approach Utilized**

The sales comparison approach was utilized to value an interior benchmark lot on a price per lot basis, accounting for differences in market conditions, frontage, view, physical characteristics, and size. Values for the remaining interior lots were then estimated in relation to the benchmark employing a similar adjustment rationale. The sell-out value of the lots was estimated by discounted absorption analysis.

The oceanfront beach village parcel was valued by direct sales comparison with neighboring vacant oceanfront parcels, based on price per acre. Additional adjustments were made for beach frontage, privacy, access, and utilities.

**Comparables Examined**

Interior Ranch Lot Comparables RA-1 through RA-6 were utilized in valuing the interior benchmark lot. Oceanfront Ranch Lot Comparables RA-7 to RA-9 were employed in the valuation of the beach camp parcel. All comparables are located within the Papohaku Ranch subdivision.

**Compensating Adjustments**

Interior Ranch Lots — Interior ranch lot comparables were taken from the same subdivision as the benchmark and required only modest adjustments, including an allowance for appreciation at 12 per annum. The adjusted values ranged from \$520,150 to \$626,200, with a mean of \$585,045 and a weighted value of \$586,952. The value of the benchmark interior lot was concluded to be \$586,000.

Kaupoa Beach Camp — Due to its unique attributes, there were significant adjustments made to the ocean front comparables to equate them to the beach camp parcel; these included allowances for quality of beach frontage, privacy, and property access. These adjusted values ranged from \$174,608 to \$181,514 per acre, with a mean of \$177,651 per acre and a weighted value per acre of \$178,037. The value of the desirable 30.246-acre oceanfront lot was concluded to be \$178,000 per acre, or \$5,380,000 total.

**Sell-Out Value of Interior Lots**

The sell-out value of the immediately saleable lots was estimated through an absorption analysis. It is estimated that the 44 ranch lots will be absorbed in two years. Employing a 12 percent discount rate, the percent value of the saleable lots is concluded at \$19,330,000.

**Concluded Market Value in the Existing State**

As summarized on the following table, the aggregate values of the 44 interior Papohaku Ranch Lots and Kaupoa Beach Camp lot totaled **\$24,710,000**.

**PAPOHAKU RANCH LOTS AND KAUPOA BEACH CAMP**

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
5-1-002-048	30.246	Fee Simple	Beach Camp	5,380,000	6-9 Months
5-1-004-022	32.772	Fee Simple	Vacant Lot	19,330,000	6-9 Months
5-1-006-047	20.892	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-050	28.364	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-051	21.479	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-052	20.003	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-056	24.949	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-057(*)	25.411	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-077	23.754	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-006-100	5.104	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-011	24.654	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-012	21.194	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-013	34.291	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-014	21.418	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-015	22.116	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-017	23.576	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-018	23.333	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-019	22.695	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-007-020	25.532	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-001	25.143	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-002	20.910	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-003	20.894	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-004	21.064	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-005	21.091	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-006	43.357	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-007	40.027	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-008	40.197	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-009	23.007	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-010	23.007	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-011	23.669	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-012	21.562	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-013	24.739	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-014	21.994	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-015	22.075	Fee Simple	Vacant Lot	Inc. Above	6-9 Months

<b>Second Division Tax Map Key</b>	<b>Land Area (Acres)</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
5-1-008-016	22.074	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-017	24.494	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-020	20.474	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-021	21.632	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-022	21.258	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-023	21.322	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-024	21.322	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-025	21.471	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-026	20.475	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-027	20.937	Fee Simple	Vacant Lot	Inc. Above	6-9 Months
5-1-008-029	<u>20.008</u>	Fee Simple	Vacant Lot	<u>Inc. Above</u>	6-9 Months
<b>Aggregate</b>	<b>1,079.986</b>			<b>24,710,000</b>	

(\*) Benchmark



MAUNALOA AND KALUAKOI HOTEL PROPERTIES

IDENTIFICATION

Second Division Tax Map Key	Land Area (Acres)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-27	10.804	Fee Simple	Hotel	Lodge/Warehouse	Investment
5-1-3-05	<u>18.120</u>	Fee Simple	Hotel	Closed Hotel	Owner Occupancy
Total	28.924				

**Location/Address** Maunaloa, Molokai, Hawaii  
Kaluakoi, Molokai, Hawaii

**Site Specific Environs** The Lodge at Molokai Ranch is situated in Maunaloa Town at the 1,200-foot elevation affording unobstructed countryside and distant ocean views.

The oceanfront Kaluakoi hotel is situated within the Kaluakoi Resort on the west side of Molokai and is neighbored by an 18-hole golf course and the West Molokai Resort project.

PROPERTY DATA AND DESCRIPTION

**State Land Use** Urban

**Ownership** Fee simple title to The Lodge at Molokai Ranch is held by Molokai Properties Limited.

The fee to the Kaluakoi Hotel is held by Kaluakoi Poolside, LLC, a subsidiary of Kaluakoi Land LLC, a subsidiary of Molokai Properties Limited.

**Recent Subject Property Market Activity** None.

**Physical Description** The irregular-shaped parcel containing The Lodge at Molokai Ranch is located at the western end of Maunaloa Town and gradually slopes downward to the west. Access is directly available from Maunaloa Highway. The site is served by underground utilities including water, sewer, telephone, cable, and electric. A separate commercial warehouse is also situated on the parcel.

The oceanfront hotel site is fairly level, but highly irregularly shaped, as boundary lines were drawn to exclude any former hotel units that were sold off as condo units when the hotel closed. The site is accessed via Kepuhi Place, and is served by underground utilities including water, sewer, telephone, cable, and electric.

**Improvement Description**

The Lodge at Molokai Ranch is comprised of a central building containing the front desk, great hall, restaurant, grill, fitness center, outdoor pool, and 6 guest rooms, and two ancillary buildings—each containing 8 guest rooms. The 22-room wood-frame luxury-hotel was built in 1999. Located across the landscaped parking lot from The Lodge at Molokai Ranch is the 7,517-square foot “Outfitters” warehouse, originally built in 1926, that has been renovated and divided to support commercial tenants.

The 152-room, wood-frame, bungalow-style Kaluakoi Hotel, abandoned in January 2001, was constructed in 1976 and originally comprised of 290+ rooms, the difference of which was previously subdivided and sold as condominium units. Plans exist to reopen the aging hotel in 2007 after a \$22,000,000+ renovation (preliminary estimate). Improvements to the hotel also include a front desk, restaurant, small commercial spaces, and pool.

**VALUATION ANALYSIS****Rights Appraised**

Fee simple interest.

**Highest and Best Use**

Hotel.

**Specific Value Considerations**

The Lodge at Molokai Ranch has been generating a negative cash flow for several years, and has been valued based on its continued use, but potentially as a condotel. The commercial warehouse on the property was valued separately from The Lodge at Molokai Ranch.

The required renovations to the Kaluakoi Hotel are greater than the estimated value of the improved hotel, and thus do not make an independent contribution above land value.

**Valuation Approach Utilized****The Lodge at Molokai Ranch and Commercial Warehouse**

A sales comparison approach was utilized to value The Lodge at Molokai Ranch assuming condotel ownership on a price per room basis. Adjustments were made for location, ocean frontage, and overall quality and condition.

Comparables Examined — Hotel Comparables H-1 through H-5 were employed in our valuation of The Lodge at Molokai Ranch. Each comparable hotel was purchased for condotel ownership. Three of the transactions are located in Waikiki on Oahu; the remaining two are on Kauai.

Compensating Adjustments — Each comparable was considered locationally superior to the subject by varying degrees. The two Kauai comparables were further adjusted downward for their ocean frontage. The quality and condition of The Lodge at Molokai Ranch was judged superior to that of the comparables. Adjusted values ranged from \$68,419 to \$179,425 per room, with a mean of \$115,676 per room and a weighted value per room of \$114,787. The total value of The Lodge at Molokai Ranch in Maunaloa Town was concluded to be \$2,530,000, or \$115,000 per room.

An income capitalization analysis was employed to value the improved commercial warehouse on the parcel. A net market rent operating income of \$40,705 has been estimated for the structure which was capitalized at eight percent, resulting in a fee simple value of \$510,000 for the “Outfitters” commercial warehouse.

Aggregating the values of these two operations on the same parcel, results in an indicated value for TMK (2) 5-1-2, Parcel 27 of \$3,040,000.

**Kaluakoi Hotel Property**

A sales comparison approach was utilized to value the Kaluakoi oceanfront hotel site on a price per acre basis, accounting for differences in market conditions, location, access, ocean frontage, physical characteristics, and size.

Comparables Examined — Oceanfront Hotel Site Comparables OF-1 through OF-3 were utilized in the valuation. All comparables are located on the east coast of Kauai.

Compensating Adjustments — Significant adjustments to the oceanfront comparables in relation to the Kaluakoi Hotel site included downward adjustments for their superior location on Kauai, and downward adjustments for the subject's highly irregular shape. Adjusted values ranged from \$250,098 to \$381,849 per acre, with a mean of \$315,076 per acre and a weighted value per acre of \$308,579. The value of the 18.120-acre oceanfront hotel property was concluded to be \$310,000 per acre, or \$5,620,000 total.

**Concluded Market Value in the Existing State**

As shown on the following table, the aggregate value of the hotel properties was estimated to be **\$8,660,000**.

**MAUNALOA AND KALUAKOI HOTEL PROPERTIES**

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Interest Valued	Existing Use	Concluded Value <i>(US\$)</i>	Reasonable Exposure Time
5-1-002-027	10.804	Fee Simple	Lodge/Whse.	3,040,000	1-2 Years
5-1-003-005	<u>18.120</u>	Fee Simple	Closed Hotel	<u>5,620,000</u>	1-2 Years
<b>Aggregate</b>	<b>28.924</b>			<b>8,660,000</b>	

KALUAKOI AND IRONWOOD GOLF COURSES

IDENTIFICATION

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-3-7	42.497	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-21	45.332	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-22	24.069	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-24	36.860	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-3-27	3.238	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-1-6-76	2.331	Fee Simple	OZ/Golf Course	Golf Course	Owner Occupancy
5-2-13-21 (por.)	<u>68.000</u>	Fee Simple	AG/Golf Course	Golf Course	Owner Occupancy
Total	222.327				

**Location/Address** Kaluakoi, Molokai, Hawaii  
Kualapuu, Molokai, Hawaii

**Site Specific Environs** The Kaluakoi Golf Course (TMK 5-1-3-7, 21, 22, 24, and 27; 5-1-8-76) is an 18-hole oceanfront facility located in the Kaluakoi Resort on the west side of Molokai. Located in Kualapuu, the Ironwoods Golf Course is currently a nine hole layout leased on a month-to-month basis to a private operator.

PROPERTY DATA AND DESCRIPTION

**State Land Use** Kaluakoi Golf Course — Urban  
Ironwoods Golf Course — Agriculture, Urban

**Ownership** The Kaluakoi Golf Course is owned by Kaluakoi Golf Course LLC, a subsidiary of Kaluakoi Land, LLC, which is a subsidiary of Molokai Properties Limited. Fee simple interest to the Ironwoods Golf Course is held by Molokai Properties Limited.

**Recent Subject Property Market Activity** None.

**Physical Description** The Kaluakoi Golf Course is an 18-hole seaside championship layout designed by Ted Robinson Sr. Situated between Kepuhi and Papohaku Beaches, the course plays to a par 72 and a distance of 6,187 yards from the regular tees. The course features well-placed bunkers and water hazards, and good views of the ocean from most of the holes.

The Ironwoods Golf Course was constructed in 1938 by pineapple plantation workers to serve as a recreational amenity. The nine-hole par 35 course plays to a distance of 2,850 yards and is positioned in a forested area in the hills above Kualapuu. Hilly terrain, narrow fairways, heavily wooded surrounding, and small greens contribute to the challenge of this course. Access to the golf course is over a dirt roadway.

<b>Improvement Description</b>	<p>The Kaluakoi Golf Course is improved with a small wood frame pro shop, two wooden comport stations, driving range, and a maintenance complex off of Kaiaka Road (built in 1976-1985).</p> <p>The Ironwoods Golf Course has no substantial permanent structures. There is no clubhouse at this facility and a trailer serves as the pro shop.</p>
<b>VALUATION ANALYSIS</b>	
<b>Rights Appraised</b>	Fee simple interest.
<b>Highest and Best Use</b>	Golf course.
<b>Specific Value Considerations</b>	<p>The Kaluakoi Golf Course is the center piece of the Kaluakoi Resort and must be maintained and upgraded if the resort is to be successful. Although financially unsustainable as a free-standing operation, the golf course increases the value of adjacent development lands and serves as an integral component of the resort.</p> <p>The Ironwood Golf Course is leased to a private operator on a month-to-month basis for \$18,750 per annum. There is no long-term lease to consider and the property has been appraised as if fee simple.</p>
<b>Valuation Approach Utilized</b>	A sales comparison approach was utilized to value the two golf courses on a price per hole basis, accounting for differences in market conditions, location, course quality, and special circumstances. The golf course market is complex and convoluted as it involves a variety of seller and buyer motivations, and varying degrees of additional developable land. The best available transactions were employed in our sales comparison analysis.
<b>Comparables Examined</b>	Golf Course Comparables G-1 through G-5 were employed in the valuation of the subject golf courses. The transactions are located on the islands of Oahu, Maui, and Kauai.
<b>Compensating Adjustments</b>	<p>Golf course transactions have not demonstrated any significant price trends over the period encompassed by the sales resulting in no adjustment for market conditions. The general locations of all transactions were rated superior in varying degrees to the Molokai location of the subject golf courses. At the time of purchase, the Kiahuna Golf Course quality was rated equal to the Kaluakoi Golf course. In all other instances, the course quality of the comparables were rated superior in varying degrees to the subject courses. The adjustment for special circumstances accounted for lack of a clubhouse at the time of sale and inclusion of additional developable land. For the Kaluakoi Golf Course, adjusted values ranged from \$173,611 to \$447,222 per hole, with a mean of \$250,000 and a weighted value of \$231,042. The value of the 18-hole Kaluakoi Golf Course was concluded to be \$232,000 per hole, resulting in a total value of \$4,180,000.</p> <p>For the Ironwood Golf Course, the adjusted values ranged from \$104,167 to \$383,333 per hole, with a mean of \$198,222 per hole and a weighted value per hole of \$179,292. The value of the nine-hole Ironwood Golf Course was concluded to be \$180,000 per hole, or \$1,620,000 total.</p>
<b>Concluded Market Value in the Existing State</b>	As summarized on the following table, the aggregate value of the Kaluakoi and Ironwoods Golf Courses was estimated to be <b>\$5,800,000</b> .

KALUAKOI AND IRONWOOD GOLF COURSES

Second Division Tax Map Key	Land Area <i>(Acres)</i>	Interest Valued	Existing Use	Concluded Value <i>(US\$)</i>	Reasonable Exposure Time
5-1-003-007	42.497	Fee Simple	Golf Course	4,180,000	1 to 2 Years
5-1-003-021	45.332	Fee Simple	Golf Course	Inc. Above	1 to 2 Years
5-1-003-022	24.069	Fee Simple	Golf Course	Inc. Above	1 to 2 Years
5-1-003-024	36.860	Fee Simple	Golf Course	Inc. Above	1 to 2 Years
5-1-003-027	3.238	Fee Simple	Golf Course	Inc. Above	1 to 2 Years
5-1-006-076	2.331	Fee Simple	Golf Course	Inc. Above	1 to 2 Years
5-2-013-021	<u>68.000</u>	Fee Simple	Golf Course	<u>1,620,000</u>	1 to 2 Years
<b>Aggregate</b>	<b>222.327</b>			<b>5,800,000</b>	

INFILL LOTS

IDENTIFICATION

Second Division Tax Map Key	Land Area (Sq. Ft.)	Tenure	Zoning/ Land Use	Existing Use	Classification Held For
5-1-2-17	42,013	Fee Simple	Interim/Park	Church	Owner Occupancy
5-1-2-47	31,145	Fee Simple	Interim/PD	Vacant	Owner Occupancy
5-2-13-12	13,634	Fee Simple	Single Family	Vacant	Owner Occupancy
5-3-11-38	35,987	Fee Simple	Interim	Vacant	Owner Occupancy
Total	122,779	Sq. Ft.			
	2.819	Acres			

**Location/Address**  
Maunaloa, Molokai, Hawaii  
Kualapuu, Molokai, Hawaii  
Kaunakakai, Molokai, Hawaii

**Site Specific Environs**  
These various infill lots are located along the east side of Maunaloa Village in Kualapuu adjacent to the Ironwoods Golf Course, and in the Ranch Camp subdivision in Kaunakakai, Molokai, Hawaii.

PROPERTY DATA AND DESCRIPTION

**State Land Use**  
Urban

**Ownership**  
TMK 5-3-11, Parcel 38 is owned in fee simple by Cooke Land Company, Inc. The fee simple interests of all other subject lots are held by Molokai Properties Limited.

**Recent Subject Property Market Activity**  
None.

**Physical Description**  
TMK 5-1-02, Parcel 17 is an elongated generally level site with extensive frontage along Maunaloa Road. Having an irregular shape, TMK 5-1-02, Parcel 47 is a slightly sloping site positioned behind a low income housing project and appears to have no roadway access. TMK 5-2-13, Parcel 12 in Kualapuu in an irregular shaped, slightly sloping site that is overgrown with trees and shrubs. Access is available via an unimproved roadway. Located in the Ranch Camp subdivision in Kaunakakai, TMK 5-3-11, Parcel 38 is a triangularly shaped vacant site situated at the east terminus of Kakalahale Street.

**Improvement Description**  
TMK 5-1-02, Parcel 17 is improved with an old church building. All other parcels are vacant of significant structural improvements.

VALUATION ANALYSIS

**Rights Appraised**  
Fee simple interest.

**Highest and Best Use**  
Residential use.

**Specific Value Considerations**

TMK 5-1-02, Parcel 17 is improved with a church which is leased at nominal rent. The structure is judged to not contribute to property value over and above land value.

**Valuation Approach Utilized**

Having adequate transactions by geographical location, separate sales comparison analyses were utilized to value the four infill lots. Adjustments have been made for market conditions, location, corner/frontage, view, development potential, physical characteristics, and size.

**Maunaloa Infill Lots**

Comparables Examined — Three transactions were selected for detailed comparison with the two subject lots. These have been identified as R-2, R-3 and R-6 and represent lots that were acquired for single family residential purposes. Transactions R-2 and R-3 are situated in the Maunaloa North subdivision and Transaction R-6 in the Maunaloa South subdivision.

Compensating Adjustments — The adjustment for market conditions employed a 12 percent per annum adjustment over the period encompassed by the transactions. Located in Maunaloa North, Transactions R-2 and R-3 were rated superior to both subject lots for location. For TMK 5-1-02, Parcel 17, its Park Community Plan designation was rated inferior to all transactions. TMK 5-1-02, Parcel 47 lacks access and roadway frontage and was deemed inferior to all transactions. Being situated behind the low income housing project, view potentials are rated inferior to all comparables. The larger parcel size of the subject offers subdivision potential which was recognized as a superior attribute. After all adjustments including recognition of size differences, the value range, mean, and weighted values were as follows:

<b>Property</b>	<b>Mean (US\$)</b>	<b>Weighted (US\$)</b>	<b>Concluded (US\$)</b>
5-1-02-17	119,718	118,563	119,000
5-1-02-47	102,836	102,260	102,000

**Kualapuu Infill Lot**

Comparables Examined — Transactions M-1 through M-3 were selected for comparison with the subject lot. Transaction M-1 is a rectangular shaped lot located in Kualapuu Village on Alahula Street. Transactions M-2 and M-3 are situated in the Kalae Houselots subdivision north of the subject.

Compensating Adjustments — The methodology and adjustment rationale is identical to that of the Maunaloa infill lots. Having unimproved roadway access, the subject was rated inferior to all transactions. The lower elevation of Transaction M-1 resulted in inferior view potential from this property. The irregular shape and slightly sloping topography of the subject was rated inferior to all transactions. After all adjustments including a size allowance, the values ranged from \$80,777 to \$89,835 per lot, with a mean of \$84,640 and a weighted value of \$84,906. We conclude a value of \$85,000 for the 13,634-square-foot TMK 5-2-13, Parcel 12.



**Kaunakakai Infill Lot**

Comparables Examined — Valuation of the triangular shaped infill lot in Kaunakakai employed Transactions M-4 through M-6. All of these transactions are in residential subdivisions in Kaunakakai. Transaction M-4 is a rectangular shaped site on Manila Place. Transaction M-5 and M-6 are rectangular shaped lots located in the same subdivision plat as the subject.

Compensating Adjustments — The corner configuration of Transaction M-5 was judged superior to the subject. Due to its large size, offering subdivision possibilities, the subject was rated superior to the comparables for use potentials. The triangular shape of the subject was deemed inferior to all transactions. The size adjusted values ranged from \$101,076 to \$140,817 per lot, with a mean of \$126,977 and a weighted value of \$132,157. We conclude a value of \$132,000 for the 35,987-square-foot TMK 5-3-11, Parcel 38.

**Concluded Market Value in the Existing State**

As summarized on the following table, the aggregate value of the four infill parcels was estimated at **\$438,000**.

**INFILL LOTS**

Second Division Tax Map Key	Land Area (Sq. Ft.)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
5-1-002-017	42,013	Fee Simple	Church	119,000	6 to 9 Months
5-1-002-047	31,145	Fee Simple	Vacant Lot	102,000	6 to 9 Months
5-2-013-012	13,634	Fee Simple	Vacant Lot	85,000	6 to 9 Months
5-3-011-038	<u>35,987</u>	Fee Simple	Vacant Lot	<u>132,000</u>	6 to 9 Months
<b>Aggregate</b>	<b>122,779</b>	<b>Sq. Ft.</b>		<b>438,000</b>	
	<b>2.819</b>	<b>Acres</b>			

## CONTRIBUTORY VALUE OF TELECOMMUNICATIONS LICENSES

## IDENTIFICATION

Tenant or License	Lease Term	Annual Rent (US\$)	Rent Changes
Aeronautical Radio	05/01/1983 - 04/30/2013	118,923	CPI
AT&T	Month-to-Month	6,249	Level
Crown Castle	09/01/1999 - 10/31/2008	17,946	CPI
GST	Month-to-Month	12,098	CPI
Maui Electric	09/19/1989 - 09/15/2039	12,499	9/16/09 Reneg., 10 yrs.
TCI	09/01/2005 - 08/31/2010	17,378	CPI
Verizon Maunaloa	04/01/1997 - 03/31/2006	13,933	CPI
Verizon Kualapuu	10/01/1997 - 09/30/2007	41,664	Level
Verizon Puunana	01/01/1963 - 12/31/2013	40	Level
State of Hawaii	07/01/2004 - 06/30/2014	40,000	6/30/14,\$50,000 or FMV

## Location/Address

Aeronautical Radio has sites on portions of TMK 5-1-02, Parcels 1, 4 and 35.

AT&T, Crown Castle, GST, Maui Electric, TCI, and State of Hawaii have sites situated on portions of TMK 5-1-02, Parcel 4.

Verizon Maunaloa is located on a portion of TMK 5-1-9, Parcel 118.

Verizon Kualapuu is located on a portion of TMK 5-2-13, Parcel 16.

Verizon Puunana is located on TMK 5-1-02, Parcel 13.

## PROPERTY DESCRIPTION

## Beneficial Interest

The beneficial interest of the telecommunications licenses are held by Molokai Properties Limited.

## Recent Subject Property Market Activity

None known.

## Physical Description

The telecommunications facilities consist of a variety of towers, antennas, satellite dishes, and small shelter buildings situated along the Puunana ridgeline and other strategically located sites on Molokai.

## VALUATION ANALYSIS

## Rights Appraised

Present value of income stream.

## Highest and Best Use

Telecommunications use.

## Specific Value Considerations

The underlying land parcels have been valued with other asset groups thus resulting in no reversionary interest being added to the present value of the periodic income streams.

**Valuation Approach Utilized**

Income capitalization analysis has been employed to value the revenue generated by these telecommunications facilities. The lease term, annual rent, and method of rent escalation are summarized in the table above. Pertinent assumptions of our cash flow analysis are summarized below:

- The Consumer Price Index (CPI) over the past 20 years averages 3.10 percent. Therefore, we have employed a CPI of 3.0 percent per annum for those licenses requiring annual CPI escalations.
- These telecommunications facilities are significant and integral components of the entire network of communication and transmission for these licensees. Therefore, there is a high likelihood of continued demand for these sites. As such, we have assumed all licenses and leases will continue at least to the Year 2020.
- The income stream from these telecommunications facilities are considered highly reliable thus reducing the associated risks and resulting in the selection of a ten percent discount rate.

**Concluded Market Value in the Existing State**

As summarized on the following table, the aggregate contributory present value of the telecommunications revenues was estimated to be **\$2,655,000**.

**CONTRIBUTORY VALUE OF TELECOMMUNICATIONS LICENSES**

<b>Second Division Tax Map Key</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
Aeronautical Radio	Present Value of Cash Flow	Telecommunications	1,089,000	N.A.
AT&T	Present Value of Cash Flow	Telecommunications	49,000	N.A.
Crown Castle	Present Value of Cash Flow	Telecommunications	162,000	N.A.
GST	Present Value of Cash Flow	Telecommunications	108,000	N.A.
Maui Electric	Present Value of Cash Flow	Telecommunications	168,000	N.A.
TCI	Present Value of Cash Flow	Telecommunications	157,000	N.A.
Verizon Maunaloa	Present Value of Cash Flow	Telecommunications	128,000	N.A.
Verizon Kualapuu	Present Value of Cash Flow	Telecommunications	416,000	N.A.
Verizon Puunana	Present Value of Cash Flow	Telecommunications	1,000	N.A.
DLNR Puunana	Present Value of Cash Flow	Telecommunications	<u>377,000</u>	N.A.
<b>Aggregate</b>			<b>2,655,000</b>	

## CONTRIBUTORY VALUE OF OTHER LEASE AGREEMENTS

## IDENTIFICATION

Tenant	Lease Term	Annual Rent (US\$)	Rent Changes
The Gas Company	04/01/1997 - 03/31/2007	8,250	FMV
Holden Foundation #1	04/01/1998 - 03/31/2008	114,994	Producer Price Index
Holden Foundation #2	07/01/2002 - 06/30/2006	42,889	Producer Price Index

## Location/Address

The Gas Company is located on TMK 5-2-11, Parcel 29 (por.) and 24 adjacent to the Molokai Industrial Park.

Holden Foundation #1 is situated on TMK 5-2-11, Parcel 26 (por.); 5-3-03, Parcel 13 and 15; and 5-3-05, Parcels 3 and 8.

Holden Foundation #2 is located on TMK 5-2-12, Parcel 4 (por.) and 5-2-11, Parcel 26 (por.).

## PROPERTY DESCRIPTION

## Beneficial Interest

The beneficial interest of these lease agreements are held by Molokai Properties Limited.

## Recent Subject Property Market Activity

None known.

## Physical Description

The Gas Company lease encumbers 15,000 square feet and is minimally improved with lessee constructed improvements. Holden's Foundation #1 and #2 are agricultural lands utilized for seed corn propagation and contain approximately 294.86 and 255.40 acres, respectively.

## VALUATION ANALYSIS

## Rights Appraised

Present value of income stream.

## Highest and Best Use

The Gas Company — Industrial  
Holden's Foundation #1 and #2 — Agriculture

## Specific Value Considerations

The underlying land parcels have been valued with other asset groups thus resulting in no reversionary interest being added to the present value of the periodic income streams.

## Valuation Approach Utilized

Income capitalization analysis has been employed to value the revenue generated by these lease agreements. The lease term, annual rent, and method of rent escalation are summarized in the table above. Pertinent assumptions of our cash flow analysis are summarized below:

- The fee simple interest in the 15,000-square-foot Gas Company site was valued for rent reopening purposes at \$126,000. Annual rent was estimated at eight percent of the fee simple value of the site.

- The increase in Producer Price Index over the past nine years has averaged 1.88 percent. Therefore, we have employed a PPI of 1.88 percent per annum for the Holden leases.
- These Gas Company is negotiating to extend their lease. Therefore, there is a high likelihood of continued occupancy of the site. As such, we have assumed two ten-year extensions for this lease.
- The income stream from these leases are considered highly reliable thus reducing the associated risks and resulting in the selection of a ten percent discount rate.

**Concluded Market Value in the Existing State**

As summarized on the following table, the aggregate contributory present value of these lease revenues was estimated to be **\$345,000**.

**CONTRIBUTORY VALUE OF OTHER LEASES AGREEMENTS**

<b>Second Division Tax Map Key</b>	<b>Interest Valued</b>	<b>Existing Use</b>	<b>Concluded Value (US\$)</b>	<b>Reasonable Exposure Time</b>
The Gas Company	Present Value of Cash Flow	Baseyard	98,000	N.A.
Holden's Foundation #1	Present Value of Cash Flow	Agriculture	227,000	N.A.
Holden's Foundation #2	Present Value of Cash Flow	Agriculture	<u>20,000</u>	N.A.
<b>Aggregate</b>			<b>345,000</b>	

**PROPERTIES WITH NO MARKET VALUE**

Properties that are estimated to not have a market include various roadways, remnant lots, utilities, greenbelts, and parks. These components are typically considered non marketable assets that enhance the value of other lands, but have no market value in and of themselves. The following table summaries the Molokai Ranch holdings with no market value.

## MOLOKAI RANCH HOLDINGS WITH NO MARKET VALUE

Second Division Tax Map Key	Land Area (Acres)	Interest Valued	Existing Use	Concluded Value (US\$)	Reasonable Exposure Time
5-1-002-021	44.363	Fee Simple	Roadway	0	N.A.
5-1-02-25 (por.)-9	0.917	Fee Simple	Roadway	0	N.A.
5-1-003-009	20.158	Fee Simple	Roadway	0	N.A.
5-1-004-018	2.001	Fee Simple	Utility	0	N.A.
5-1-004-036	2.562	Fee Simple	Utility	0	N.A.
5-1-006-157	79.861	Fee Simple	Roadway	0	N.A.
5-1-009-109	0.286	Fee Simple	Greenbelt	0	N.A.
5-1-009-116	1.168	Fee Simple	Park	0	N.A.
5-1-009-119	9.029	Fee Simple	Roadway	0	N.A.
5-1-010-010	1.181	Fee Simple	Park	0	N.A.
5-1-010-133	1.658	Fee Simple	Park	0	N.A.
5-1-010-135	0.081	Fee Simple	Roadway	0	N.A.
5-1-010-136	0.081	Fee Simple	Roadway	0	N.A.
5-1-010-137	10.551	Fee Simple	Roadway	0	N.A.
5-2-011-008	0.534	Fee Simple	Roadway	0	N.A.
5-2-012-025	0.004	Fee Simple	Roadway	0	N.A.
5-2-012-035	0.980	Fee Simple	Roadway	0	N.A.
5-2-028-098	6.773	Fee Simple	Park	0	N.A.
5-2-028-108	0.018	Fee Simple	Roadway	0	N.A.
5-2-029-060	0.280	Fee Simple	Roadway	0	N.A.
5-2-031-014	0.653	Fee Simple	0	0	N.A.
5-2-031-023	1.726	Fee Simple	Roadway	0	N.A.
5-3-002-094	0.242	Fee Simple	Park	0	N.A.
5-3-002-097	5.457	Fee Simple	Park	0	N.A.
5-3-002-105	0.264	Fee Simple	Park	0	N.A.
5-3-002-131	0.099	Fee Simple	Roadway	0	N.A.
5-3-002-161	0.002	Fee Simple	Remnant	0	N.A.
5-3-002-163	0.002	Fee Simple	Remnant	0	N.A.
5-3-002-164	0.002	Fee Simple	Remnant	0	N.A.
5-3-002-167	5.411	Fee Simple	Park	0	N.A.
5-3-002-169	0.041	Fee Simple	Remnant	0	N.A.
5-3-006-041	0.003	Fee Simple	Remnant	0	N.A.
5-3-008-023	0.042	Fee Simple	Utility	0	N.A.
5-3-010-016	0.231	Fee Simple	Roadway	0	N.A.
5-3-011-130	0.372	Fee Simple	Roadway	0	N.A.
<b>Aggregate</b>	<b>197.033</b>			<b>0</b>	

## CERTIFICATION

The undersigned do hereby certify that, to the best of our knowledge and belief, the statements of fact contained in this report are true and correct. It is further certified that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and

conclusions. We further certify that we have no present or prospective interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved. We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment. Our engagement in this assignment was not contingent upon developing or reporting predetermined results. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. The appraisal analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice. The use of this report is subject to the requirements of the Appraisal Institute relating to review by duly authorized representatives. The undersigned certify that they have made personal inspections of the property that is the subject of this report. No other persons provided significant real property appraisal assistance other than the undersigned.

The Appraisal Institute conducts programs of continuing education for their designated members. As of the date of this report, James E. Hallstrom, Jr. and Brian S. Goto have completed the requirements of the continuing education program of the Appraisal Institute.

James E. Hallstrom, Jr., MAI, CRE  
Hawaii State Certified  
General Appraiser, CGA-178  
Exp. Date December 31, 2007

Brian S. Goto, MAI, SRA  
Hawaii State Certified  
General Appraiser, CGA-62  
Exp. Date December 31, 2007

Lawrence A. Levenson

Jeffrey K. Hallstrom

3075CCR01

The Hallstrom Group Inc. is a Honolulu, Hawaii-based independent professional organization that provides a wide scope of real estate consulting, appraisal, arbitration, valuation and market studies throughout the State of Hawaii, including Guam. James E. Hallstrom, and Brian S. Goto are certified appraisers and members of the Appraisal Institute. They have over 25 years of valuation experience. Lawrence A. Levenson and Jeffrey K. Hallstrom are analysts of The Hallstrom Group, Inc.

**THE HALLSTROM GROUP, INC.**  
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**ADDENDA**



TABLE 1

**BULK ACREAGE SALES SINCE 2000**  
**By Size**  
**Molokai Ranch Properties**  
**Island of Molokai, Maui County, State of Hawaii**

No.	Taxkey	Area in Acres	Sale Date	Zoning	Sale Price	Price /Acre	Time Adj	Adj \$ /Acre	Grantor	Grantee	Doc Number	Rec Date
<b>AGRICULTURAL SALES</b>												
1	(3) 9-2-01-2+	21,689.000	7/3/2003	A-20a	\$9,800,000	\$452	1.27	\$574	SM Damon Estate Trust	The Nature Conservancy, et al.	03-137042	7/3/2003
2	(3) 8-2-12-1 (por),12	11,490.000	5/25/2004	A-various	\$11,520,000	\$1,003	1.17	\$1,173	Koa Road, LLC	Kealakekua Heritage Ranch	04-108298	5/28/2004
3	(3) 6-8-02-1+	9,781.430	9/20/2005	M A-20a+	\$23,926,000	\$2,446	1.03	\$2,519	Waikoloa LLC & Dev Co.	Waikoloa Mauka, LLC	05-188908/9	9/20/2005
4	(3) 4-2-08-3+	9,736.850	7/27/1999	A-40a	\$6,500,000	\$668	1.85	\$1,235	John Hancock Mutual Insurance	Pohakea Ranch, Inc.	99-123876	8/3/1999
5	(2) 5-1-02-30	7,078.972	10/10/2000	Ag	\$6,000,000	\$848	1.65	\$1,399	Seikhyo Seibaku Co.,Ltd	Molokai Partners, LLC	LCD 2656585	10/10/2000
6	(3) 6-8-02-1+	5,184.254	9/20/2005	M A-20a	\$14,277,000	\$2,754	1.03	\$2,837	Waikoloa LLC & Dev Co.	Waikoloa Mauka, LLC	05-188908/9	9/20/2005
7	(3) 2-7-07-1 (por)+	2,810.694	8/9/2001	A-20a	\$8,432,082	\$3,000	1.52	\$4,560	Mauna Kea Agribusiness Co.	Continental Pacific, LLC	01-140453	9/7/2001
8	(3) 6-8-02-16	2,443.734	9/20/2005	A-5a/RA-1a/Open	\$3,383,000	\$1,384	1.03	\$1,426	Waikoloa Development Co.	Waikoloa Mauka, LLC	05-188908	9/20/2005
9	(3) 8-8-01-1	2,248.783	10/3/2003	A-5a	\$1,700,000	\$756	1.24	\$937	Koa Aina Ventures, Ltd.	The Nature Conservancy	03-243273	11/5/2003
10	(3) 6-8-02-17	2,153.442	9/20/2005	A-5a	\$6,266,000	\$2,910	1.03	\$2,997	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
11	(3) 9-5-07-16	2,013.142	6/22/2005	M A-20a	\$4,291,000	\$2,131	1.05	\$2,238	C.Brewer and Company, Ltd.	Kau Holding Co., LLC	05-212906	10/19/2005
12	(3) 9-6-03-2+	2,001.652	In Escrow	A-20a	\$6,292,505	\$3,144	1.00	\$3,144	Mauna Kea Agribusiness Co., Inc.	Confidential	N/A	N/A
13	(3) 9-6-07-1	1,749.828	3/24/2004	A-20a	\$3,000,000	\$1,714	1.18	\$2,023	Mauna Kea Agribusiness Co., Inc.	Edmund C. Olson Trust	04-065196	3/31/2004
14	(3) 9-5-12-26+	1,492.940	12/17/2004	A-20a	\$3,850,000	\$2,579	1.10	\$2,837	Mauna Kea Agribusiness Co., Inc.	Edmund C. Olson Trust	04-262578	12/29/2004
15	(3) 6-8-02-1	1,169.682	9/20/2005	A-20a	\$2,941,000	\$2,514	1.03	\$2,590	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
16	(2) 5-5-01-13+	1,088.302	3/25/2005	Ag/Cons	\$3,135,000	\$2,881	1.08	\$3,111	John McAfee	Alpha Omega Holdings, LLC	05-064946	4/5/2005
17	(2) 5-5-01-13+	1,088.302	6/25/2003	Ag/Cons	\$1,250,000	\$1,149	1.27	\$1,459	Ashton F Pittus Trust	John McAfee	03-140265	7/10/2003
18	(3) 6-8-02-12	1,076.265	9/20/2005	A-20a	\$2,746,000	\$2,551	1.03	\$2,628	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
19	(3) 4-2-08-3	992.440	8/5/2004	A-20a	\$3,800,000	\$3,829	1.14	\$4,365	Donald R. Mueller, Trs.	Pohakea, LLC	LCD 3156254	8/25/2004
20	(3) 9-5-20-13+	836.118	11/19/2003	A-20a	\$1,100,000	\$1,316	1.22	\$1,605	Mauna Kea Agribusiness Co., Inc.	Monika Mallick	03-267573	12/4/2003
21	(3) 6-8-02-13	802.931	9/20/2005	A-20a	\$2,136,000	\$2,660	1.03	\$2,740	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
22	(3) 9-5-16-6+	757.800	9/25/2005	A-20a/Open	\$3,000,000	\$3,959	1.03	\$4,078	Thomas M. Okuna	Edmund C. Olson Trust	05-216739	10/25/2005
23	(3) 9-3-02-1+	756.980	7/29/2005	M A-20a	\$2,337,246	\$3,088	1.04	\$3,211	SM Damon Estate Trust	Hawaiian Island Development Co., Inc.	05-150940	7/29/2005
24	(3) 6-8-02-10	740.870	9/20/2005	A-20a	\$2,136,000	\$2,883	1.03	\$2,970	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
25	(3) 4-8-03-5	660.800	3/14/2005	A-40a	\$1,600,000	\$2,421	1.08	\$2,615	County of Hawaii	Waimea 660, LLC	05-051878	3/16/2003
26	(3) 6-8-02-2	651.831	9/20/2005	A-20a	\$1,792,000	\$2,749	1.03	\$2,832	Waikoloa Development Co.	Waikoloa Mauka, LLC	05-188908	9/20/2005
27	(3) 9-6-12-21, 25 (por)	634.663	9/18/2003	A-20a	\$1,465,341	\$2,309	1.24	\$2,863	Mauna Kea Agribusiness Co., Inc.	Edmund C. Olson Trust	03-205608	9/24/2003

No.	Taxkey	Area in Acres	Sale Date	Zoning	Sale Price	Price /Acre	Time Adj	Adj \$ /Acre	Grantor	Grantee	Doc Number	Rec Date
28	(3) 4-2-08-10,16	613.980	1/23/2004	A-40a	\$1,800,000	\$2,932	1.20	\$3,518	Mauna Kea Villages, LLC	Kukaiua Estates, LLC	04-029078	2/11/2004
29	(2) 5-6-06-13+	520.440	11/28/2005	Ag/Interim	\$1,380,200	\$2,652	1.01	\$2,679	Walter A Meyer, Jr., et al	Manaba Enterprises, Inc., et al	05-250043	12/7/2005
30	(3) 6-8-02-7	400.041	9/20/2005	A-20a	\$1,344,000	\$3,360	1.03	\$3,460	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
31	(2) 5-2-12-7 (por)	370.118	12/20/2004	Ag	\$991,910	\$2,680	1.10	\$2,948	Molokai Ranch Ltd.	Kualapuu Ranch, LLC	LCD 3227327	2/3/2005
32	(3) 4-7-07-50,51	348.855	11/4/2004	A-40a	\$1,500,000	\$4,300	1.12	\$4,816	Blue Chip Corporation	Nomura Financial, Ltd.	04-228097	11/12/2004
33	(3) 4-7-07-50,51	348.855	10/25/2005	A-40a	\$3,500,000	\$10,033	1.02	\$10,233	Nomura Financial, Ltd.	Waiulii, LLC	05-220853	10/28/2005
34	(3) 6-8-02-8	342.634	9/20/2005	A-20a	\$1,182,000	\$3,450	1.03	\$3,553	Waikoloa Land & Cattle Co.	Waikoloa Mauka, LLC	05-188909	9/20/2005
35	(2) 5-2-12-22	285.004	4/3/2002	Ag	\$855,000	\$3,000	1.43	\$4,290		Kualapuu Ranch, LLC		4/5/2002
36	(2) 5-2-12-4 (por)	221.450	3/22/2005	Ag	\$1,107,250	\$5,000	1.08	\$5,400	Molokai Ranch Ltd.	Michael W Atherton, et al.	LCD 3246743	3/30/2005
37	(2) 5-2-12-4 (por)	211.610	9/11/2004	Ag	\$1,371,506	\$6,481	1.14	\$7,389	Molokai Ranch Ltd.	Friendly Isle Coffee, Co., Ltd.	LCD 3163411	9/9/2004
38	(3) 9-5-16-6+	186.933	9/29/2005	Conservation	\$2,250,000	\$12,036	1.02	\$12,277	Thomas M. Okuna	Edmund C. Olson Trust	05-216739	10/25/2005
39	(2) 5-7-05-20,21	183.954	7/6/2004	Ag	\$900,000	\$4,893	1.15	\$5,626	Kevin J. Comcovich	Gregory M. Gordon & wf.	04-140044	7/9/2004
40	(2) 5-7-05-20,21	183.954	5/24/2000	Ag	\$550,000	\$2,990	1.71	\$5,113	Paul E Miller, Tr., et al.	Kevin J Comcovich	00-074873/4	5/31/2000
41	(2) 5-2-12-24 (por)	135.174	11/19/2004	Ag	\$700,000	\$5,179	1.11	\$5,748	Molokai Properties Ltd.	Cathy A Barber, Trs	LCD 3199597	11/30/2004
42	(2) 5-1-04-28	111.679	5/28/2004	Ag	\$400,000	\$3,582	1.16	\$4,155	Kaluakoi Residential, LLC	Kelly Nigohosian	LCD 3121438	6/10/2004
43	(2) 5-2-11-7	102.738	11/16/2000	Ag	\$2,030,687	\$19,766	1.63	\$32,218	Cargill Incorporated	Agriogenetics, Inc.	LCD 2664329	11/16/2000
44	(2) 5-2-12-7 (por)	63.437	7/2/2003	Ag	\$400,560	\$6,314	1.27	\$8,019	Molokai Ranch Ltd.	Michael W Atherton	LCD 2954182	7/8/2003
45	(2) 5-2-12-24 (por)	28.000	4/3/2000	Ag	\$109,000	\$3,893	1.73	\$6,735	Molokai Ranch Ltd.	Richard A. Cooke III	Not Recorded	N/A
46	(2) 5-3-05-6	23.790	3/31/2004	Conservation	\$137,500	\$5,780	1.18	\$6,820	Daveland Enterprises, LLC	Leonard K. Kapahulehua	LCD 3096604	4/15/2004

Light Blue Highlighting - Non-Ranch Molokai Sales

Yellow Highlighting - Molokai Ranch Sales

Tax Keys beginning with (2) are Maui County; (2) 5 are Molokai Sales, and (3) are Island of Hawaii.

Several of the Molokai Ranch sales on Molokai involve an exclusive easement or lease of a specified area to a third party with the right to convert these properties to fee simple, with the parcel creation process cost to be absorbed by the leasee. This unusual form of conveyance was adopted to allow for the transfer of property without having to first undertake the subdivision process. While not quite as desirable as a straight forward fee simple conveyance, it does address the desire to sell and purchase, while circumventing the defacto political and governmental regulatory difficulties of achieving the desired outcome. After analyzing the process, we have included such as land transactions for valuation purposes.

Source: The Hallstrom Group, Inc., December 2005

TABLE 1

**BULK ACREAGE SALES SINCE 2000**  
**By Size**  
**Molokai Ranch Properties**  
**Island of Molokai, Maui County, State of Hawaii**

No.	Taxkey	Area in Acres	Sale Date	Zoning	Sale Price	Price/ Acres	Time Adj	\$/Acre	Grantor	Grantee	Doc Number	Rec Date
<b>CONSERVATION SALES</b>												
A	(3) 9-2-01-2+	20,000.000	7/3/2003	C	FR	\$8,000,000	\$400	\$508	SM Damon Estate Trust	Nature Conservancy, et al.	03-137042	7/3/2003
B	(3) 9-2-01-72	16,456.547	2/18/2004	C	A-20a	\$6,000,000	\$365	\$438	Hawaii Kai u Aina	Everest IV, Corp.	04-035587	2/20/2004
C	(3) 5-2-02-1+	5,630.094	12/29/2005	C	FR/Ag/ Cons	\$3,141,900	\$558	\$558	Surety Corporation	Kohala Preserve Conservation Trust	05-267290	12/30/2005
D	(2) 1-8-1-2	4,319.000	In Escrow	C	Cons/Ag	\$1,500,000	\$347	\$347	Campbell Estate	Confidential	N/A	N/A
E	(3) 9-7-01-2,3,4,7	2,907.980	2/28/2002	C	FR	\$1,475,000	\$507	\$730	Mauna Kea Agribusiness, Co.	Nature Conservancy	02-037417	3/1/2002
F	(3) 2-5-01-1	2,812.000	7/29/2002	C	FR	\$1,500,000	\$533	\$741	Mauna Kea Agribusiness, Co.	Hawaii Forest Products	02-134586	8/2/2002
G	(3) 4-9-15-1,3,4,5	2,380.950	4/11/2000	C	FR	\$1,250,000	\$525	\$908	Agri-Empire, et al.	Laupahoehoe Nui, LLC	00-051988	4/18/2000
H	(3) 9-2-1-69	1,000.000	4/18/2000	C	A-3a	\$303,000	\$303	\$521	Commissioner	Linda Shum	00-061432	5/5/2000
I	(3) 8-9-13-20	657.426	1/28/2002	C	A-5a	\$175,000	\$266	\$386	Robert M. Takeuchi	William F. Bloxom	02-017078	1/31/2002
J	(2) 5-8-15-3+	502.020	12/24/2003	C	Ag/Cons	\$311,600	\$621	\$751		Puu O Hoku Ranch, LLC	03-288743	12/30/2003
K	(3) 9-2-01-74	222.820	2/16/2004	C	A-20a	\$133,200	\$598	\$717	Hawaii Kai u Aina	Hulu Lolo, LLC	04-033546	2/18/2004

Tax Keys beginning with (2) are Maui County; (2) 5 are Molokai Sales, and (3) are Island of Hawaii.

Source: The Hallstrom Group, Inc., December 2005

TABLE 2

LAND TRANSACTIONS SELECTED FOR DETAILED COMPARISON  
Molokai Ranch Properties  
Molokai, Hawaii

Reference No.	Tax Map Key(s)	Highest & Best Use	Zoning	Land Area In Acres/S.F.	Transaction Date	Sales Price	Per Acre/S.F.
<b>Commercial</b>							
B-1	(2) 5-3-06-38	Commercial	B-CT	12,908 SF	17-May-04	\$100,000	\$7.75
B-2	(2) 5-3-06-39	Commercial	B-CT	10,844 SF	10-Jun-05	\$165,000	\$15.22
B-3	(2) 5-3-02-124	Commercial	B-CT	19,182 SF	06-Jan-06	\$495,000	\$25.81
B-4	(2) 5-2-28-100	Commercial	B-1	43,821 SF	13-Apr-05	\$200,000	\$4.56
<b>Industrial</b>							
I-1	(2) 5-2-31-20	Industrial	M-2	21,888 SF	13-May-04	\$164,200	\$7.50
I-2	(2) 5-2-31-19	Industrial	M-2	22,875 SF	23-Nov-04	\$205,000	\$8.96
I-3	(2) 5-3-01-8	Industrial	M-2	114,226 SF	09-Jun-05	\$575,000	\$5.03
<b>Maunaloa Residential Lots</b>							
R-1	(2) 5-1-09-56	Residential Lot	Interim	6,452	15-Sep-05	\$130,000	\$20.15
R-2	(2) 5-1-09-58	Residential Lot	Interim	6,526	04-Nov-05	\$130,500	\$20.00
R-3	(2) 5-1-09-57	Residential Lot	Interim	6,356	03-Nov-05	\$130,000	\$20.45
R-4	(2) 5-1-09-59	Residential Lot	Interim	7,100	25-Jan-06	\$139,000	\$19.58
R-5	(2) 5-1-09-73	Residential Lot	Interim	8,085	06-Feb-06	\$137,500	\$17.01
R-6	(2) 5-1-10-51	Residential Lot	Interim	6,198	30-Jun-05	\$105,000	\$16.94
<b>Single Family Homes</b>							
SF-1	(2) 5-1-10-61	Single Family Home	Interim	1,360 (3)	30-Sep-04	\$210,000	\$154.41
SF-2	(2) 5-1-09-48	Single Family Home	Interim	2,450 (3)	22-Jul-05	\$675,000	\$275.51
SF-3	(2) 5-4-11-1	Single Family Home	Interim	1,425 (3)	31-Jan-06	\$410,000	\$287.72
SF-4	(2) 5-1-10113	Single Family Home	Interim	998 (3)	22-Jun-05	\$180,000	\$180.36
SF-5	(2) 5-1-10-80	Single Family Home	Interim	988 (3)	20-Feb-04	\$145,000	\$146.76

Reference No.	Tax Map Key(s)	Highest & Best Use	Zoning	Land Area In Acres/S.F.	Transaction Date	Sales Price	Per Acre/S.F.
<b>Residential Potential Urban Expansion</b>							
BR-1	(2) 5-4-02-23	Residential Expansion	Interim	2.319	22-Jun-04	\$100,000	\$43,122
BR-2	(2) 5-2-29-57	Residential Expansion	Interim	2.598	25-Feb-05	\$175,000	\$67,360
BR-3	(2) 5-4-02-4	Residential Expansion	Interim	17.292	Pending	\$1,400,000	\$80,962 (2)
<b>Resort Residential Interior</b>							
RR-1	(2) 2-1-08-120	Resort Residential	A-1	9.346	01-Apr-04	\$4,722,000	\$505,243
RR-2	(2) 2-1-08-119	Resort Residential	H-1	30.170	30-Apr-04	\$17,700,000	\$586,676
RR-3	(2) 2-1-08-117	Resort Residential	D-2	25.160	01-May-04	\$12,200,000	\$484,897
<b>Resort Urban Expansion Acreage</b>							
U-1	(2) 2-1-08-56, 71	Development	Interim	668.700	10-Jan-00	\$17,220,000	\$25,751
U-2	(3) 7-3-09-19, 20, 32	Development	Various	402.982	30-Nov-04	\$16,250,000	\$40,324
U-3	(3) 6-8-02-55	Development	RS-10	866.564	25-Mar-05	\$25,083,417	\$28,946
<b>Ranch Lots</b>							
RA-1	(2) 5-1-06-58	Ranch Lot	Agriculture	20.814	29-Jul-05	\$575,000	\$27,626
RA-2	(2) 5-1-06-59	Ranch Lot	Agriculture	21.186	06-Sep-05	\$575,000	\$27,141
RA-3	(2) 5-1-06-53	Ranch Lot	Agriculture	21.374	25-Nov-05	\$525,000	\$24,563
RA-4	(2) 5-1-06-47	Ranch Lot	Agriculture	20.892	13-Jan-06	\$515,000	\$24,651
RA-5	(2) 5-1-07-14	Ranch Lot	Agriculture	21.418	17-Jan-06	\$582,000	\$27,173
RA-6	(2) 5-1-07-15	Ranch Lot	Agriculture	22.116	18-Jan-06	\$620,000	\$28,034
RA-7	(2) 5-1-06-71	Ranch Lot	Agriculture	5.950	08-Jul-05	\$1,375,000	\$231,092
RA-8	(2) 5-1-08-48	Ranch Lot	Agriculture	6.450	02-Aug-05	\$1,250,000	\$193,798
RA-9	(2) 5-1-08-47	Ranch Lot	Agriculture	6.450	11-May-05	\$1,200,000	\$186,047
<b>Hotels</b>							
H-1	(1) 2-6-23-04	Hotel/Condotel	RES-HTL	80 (4)	Nov-03	\$13,500,000	\$168,750 (5)
H-2	(1) 2-6-06-2	Hotel/Condotel	RES-COM	242 (4)	Nov-03	\$29,000,000	\$119,835 (5)
H-3	(1) 2-6-23-67	Hotel/Condotel	RES-HTL	72 (4)	Dec-02	\$12,000,000	\$166,667 (5)
H-4	(4) 4-3-02-13	Hotel/Condotel	RR-20	197 (4)	Oct-04	\$26,800,000	\$136,041 (5)
H-5	(4) 3-7-03-15	Hotel/Condotel	Open	345 (4)	Dec-04	\$46,400,000	\$134,493 (5)

Reference No.	Tax Map Key(s)	Highest & Best Use	Zoning	Land Area In Acres/S.F.	Transaction Date	Sales Price	Per Acre/S.F.
<b>Oceanfront Hotel Sites</b>							
OF-1	(4) 4-3-02-13	Hotel	RR-20	6.003	12-Oct-04	\$6,700,000	\$1,116,109 (5)
OF-2	(4) 4-3-02-15, 16, 20	Hotel	RR-20	20.971	15-Dec-04	\$19,000,000	\$906,013 (5)
OF-3	(4) 4-3-07-27	Hotel	RR-20	11.783	22-Feb-05	\$11,400,000	\$967,496 (5)
<b>Golf Course</b>							
G-1	(1) 9-4-02-46	Golf Course	P-2	163.381	May-00	\$11,500,000	\$638,889 (1)
G-2	(1) 8-4-02-51, 52, 53, 54, 55	Golf Course	P-2/Resort	332.219	Sep-00	\$6,100,000	\$338,889 (1)
G-3	(1) 4-2-06-1; 4-2-07-1; 4-2-08-1; 4-2-09-1	Golf Course	AG-2	190.000	Dec-00	\$12,000,000	\$666,667 (1)
G-4	(4) 2-8-14-7, 31, 36	Golf Course	Open, R-10, AG	144.180	Apr-03	\$4,500,000	\$250,000 (1)
G-5	(2) 3-6-04-10, 11, 12, 14	Golf Course	Agriculture	335.300	Jul-04	\$12,500,000	\$694,444 (1)
<b>Infill Lots</b>							
M-1	(2) 5-2-28-96	Residential Lot	Interim	6,098 SF	15-Sep-05	\$80,000	\$13.12
M-2	(2) 5-2-20-21	Residential Lot	Interim	9,014 SF	13-Oct-05	\$85,000	\$9.43
M-3	(2) 5-2-20-1	Residential Lot	Interim	7,770 SF	25-Oct-05	\$99,500	\$12.81
M-4	(2) 5-3-04-9	Residential Lot	Interim	6,000 SF	11-Jul-05	\$70,000	\$11.67
M-5	(2) 5-3-11-43	Residential Lot	Interim	7,533 SF	06-Jan-06	\$109,500	\$14.54
M-6	(2) 5-3-11-15	Residential Lot	Interim	8,703 SF	20-Jan-06	\$105,000	\$12.06

(1) Price Per Hole

(2) Listing price

(3) Living area in square feet

(4) Number of Guest Room

(5) Price Per Guest Room

Source: The Hallstrom Group, Inc., December 2005.

**LIMITING CONDITIONS AND ASSUMPTIONS**

The research, analysis, conclusions, and certification for valuation or market studies performed by The Hallstrom Group, Inc. are subject to and influenced by the following:

- The report expresses the opinion of the signers as of the date stated in the letter of transmittal, and in no way has been contingent upon the reporting of specified values or findings. It is based upon the then present condition of the national and local economy and the then purchasing power of the dollar.
- Legal descriptions used within the report are taken from official documents recorded with the State of Hawaii, Bureau of Conveyances, or have been furnished by the client, and are assumed to be correct. No survey is made for purposes of the report.
- Any sketches, maps, plot plans, and photographs included in the report are intended only to show spatial relationships and/or assist the reader in visualizing the property. They are not measured surveys or maps and we are not responsible for their accuracy or interpretive quality.
- It is assumed that the subject property is free and clear of any and all encumbrances other than those referred to herein, and no responsibility is assumed for matters of a legal nature. The report is not to be construed as rendering any opinion of title, which is assumed to be good and marketable. No title information or data regarding easements which might adversely affect the use, access, or development of the property, other than that referenced in the report, was found or provided. The property is analyzed as though under responsible ownership and competent management.
- Any architectural plans and/or specifications examined assume completion of the improvements in general conformance with those documents in a timely and workmanlike manner.
- Preparation for, attendance, or testimony at any court or administrative hearing in connection with this report shall not be required unless prior arrangements have been made therefor.
- If the report contains an allocation of value between land and improvements, such allocation applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other purpose and are invalid if so used.
- If the report contains a valuation relating to a geographical portion or tract of real estate, the value reported for such geographical portion relates to such portion only and should not be construed as applying with equal validity to other portions of the larger parcel or tract; and the value reported for such geographical portion plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

- If the report contains a valuation relating to an estate in land that is less than the whole fee simple estate, the value reported for such estate relates to a fractional interest only in the real estate involved, and the value of this fractional interest plus the value of all other fractional interest may or may not equal to the value of the entire fee simple estate considered as a whole.
- It is assumed that there are no hidden or inapparent conditions of the property, subsoil, or structures which would render it more or less valuable; we assume no responsibility for such conditions or for engineering which might be required to discover such factors.
- Nothing in the report should be deemed a certification or guaranty as to the structural and/or mechanical (electrical, heating, air-conditioning, and plumbing) soundness of the building(s) and associated mechanical systems, unless otherwise noted.
- Information, estimates, and opinions provided by third parties and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility is assumed for possible misinformation.
- Possession of the report, or a copy thereof, does not carry with it the right of publication, and the report may not be used by any person or organization except the client without the previous written consent of the appraiser, and then only in its entirety. If the client releases or disseminates the reports to others without the consent of the appraiser, the client hereby agrees to hold the appraiser harmless, and to indemnify the analysts from any liability, damages, or losses which the analysts might suffer, for any reason whatsoever, by reason of dissemination of the report by the client. Further, if legal action is brought against the analyst by a party other than the client concerning the report or the opinions stated therein, the client agrees, in addition to indemnifying the analysts for any damages or losses, to defend said analysts in said action at client's expense. However, nothing herein shall prohibit the client or analysts from disclosing said report or opinions contained therein as may be required by applicable law.
- Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any public means of communication without the prior consent and approval of the appraisers.
- Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that



there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. We did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
- The function of this report is for the sole purpose(s) stated herein. It may not be used in connection with any proposed or future construction for a real estate syndicate(s), real estate investment trust(s) or limited partnership to solicit investors or limited partners, and may not be relied upon for such purposes.

*The following is a statement reconciling the valuation figures with the figures included in BIL's consolidated balance sheet as at its latest published accounts (i.e. 30 June 2005) pursuant to Rule 5.07 of the Listing Rules.*

### RECONCILIATION STATEMENT

The BIL properties located in the Hawaii as at 31 December 2005 have been valued by independent valuers. The text of the letter valuation summary and valuation certificates in connection with the aforesaid property interests are set out in Appendix II of this Third Supplemental Circular.

The statement below shows the reconciliation of the above property interests from the audited consolidated financial statements of BIL as at 30 June 2005 to 31 December 2005 (the effective date of the valuation):

	<i>USD'M</i>
Net book value as at 30 June 2005	183.4
Movements from 1 July 2005 to 31 December 2005	
Additions	0.8
Disposals	<u>(0.3)</u>
Net book value as at 31 December 2005	183.9
Valuation surplus per Appendix I ( <i>note 2</i> )	<u>17.5</u>
Valuation as at 31 December 2005 per Appendix II	<u><u>201.4</u></u>

BIL confirms that there had been no significant changes in the BIL Group's property interests located in Hawaii since 31 December 2005 (being the effective date of the valuation) up to the Latest Practicable Date.