SUPPLEMENT TO DECLARATION OF RESTRICTIVE COVENANTS FOR MAUI RANCH ESTATES OWNERS' ASSOCIATION

THIS SUPPLEMENT TO DECLARATION OF RESTRICTIVE COVENANTS FOR MAUI RANCH ESTATES OWNERS' ASSOCIATION (this "Declaration") is dated as of November 1, 2001, and is made by and among the undersigned owners (each owner a "Member" and collectively "Members") of lots (the "Lots") in the Maui Ranch Estates Subdivision (the "Subdivision"), and certain owners of Lots in the Takitani Farm Lots Subdivision.

I. RECITALS

1.01 The Association. MAUI RANCH ESTATES OWNERS' ASSOCIATION (the "Association") was organized as a Hawaii nonprofit corporation under a Charter of Incorporation filed on December 11, 1970, and By-laws adopted on or about that date (the "By-Laws"). The By-Laws confirm that the owner of each Lot in the Subdivision is a Member in the Association.

1.02 The Original Declaration. A Declaration of Restrictive Covenants dated May 17, 1971, and recorded in the Bureau of Conveyances of the State of Hawaii in Liber 7742, Page 329 and amended as of January 1, 1995, and the Membership Agreement executed by the owner of each Lot as a Member (collectively the "Original Declaration") impose upon the Members certain obligations with respect to the Lots, including, without limitation, the obligation to pay regular assessments ("Regular Assessments") and special assessments (the "Special Assessments") imposed by the Board of Directors of the Association (the "Association Board").

1.03 Water System Improvements. The Association desires to dedicate the Subdivision's internal water system at Ulumalu and Peahi, Makawao, Maui, to the County of Maui, Department of Water Supply (the "Department"). The County of Maui, Board of Water Supply (the "Board of Water Supply") has required as a condition of such dedication, that certain improvements, including a new waterline and new reservoir, must be constructed through the Subdivision's internal water system (the "Improvements"), in order that the Subdivision's internal water system comply with standards for dedication previously established by the Board.

1.04 Members. The Members are the owners in fee simple of the 73 lots (the "Lots") presently comprising the Subdivision. The Lots are described in Exhibit A attached.

1.05 Annexation of Adjacent Lots. Eight (8) lots in the Takitani Farm Lots Subdivision and another subdivision adjacent to the Subdivision have been served by the Subdivision's internal water system, and will, if the Improvements are completed and the Subdivision's internal water system is dedicated, be able to obtain water service directly from the Department. For purposes of receiving the benefits of continued water service, the owners of these adjacent Lots desire to submit their Lots to this Declaration and become Members of the Association. These adjacent Lots are proposed to be annexed to the Subdivision for purposes of obtaining water service and are also described in Exhibit A. These adjacent Lots will be subject to assessment in the same manner as the Lots and their owners in fee simple as Members will be liable to pay assessments in the same manner as the other Members.

1.06 Payment for the Improvements. In order to pay the estimated cost of the Improvements, grant funds in the amount of $100,000.00 have been obtained from the Community Development Block Grant Program of the United States Department of Housing and Urban Development, in the amount of $1,485,000.00 from the United States Department of Agriculture Rural Utilities Service ("Rural Development"), and in the amount of $70,000.00 from Tri-Isle Resource Conservation and Development Council, Inc. The Association has made a contribution in the amount of $22,000.00. The Association has requested that the Board establish a loan program in order to loan $295,000.00 towards the cost of the Improvements.

1.07 The RUS Loan. The Board has applied to Rural Development for a loan in an amount not to exceed $295,000.000 (the "RUS Loan") in order to finance the loan program.

1.07 The Project Loan. The Board is willing to utilize the proceeds of the RUS Loan to establish the loan program and to loan the proceeds of the RUS Loan to the Association in order to finance the Association's contribution to the cost of the Improvements (the "Project Loan"). The Association has executed and delivered a promissory note to the Board (the "Project Note") to evidence the Association's obligation to repay the Project Loan.

1.08 Special Assessment. By motion duly made, seconded and approved by its Board of Directors on August 27, 1997, the Association approved a Special Assessment (defined below) to pay debt service on the Project Loan. In order to confirm each Member's obligation to pay his or her proportionate share of the Special Assessment, and to confirm that the Special Assessment shall be a lien on each Lot of the Subdivision, each Member is executing this Declaration.

1.09 Collection of Special Assessments. The Association pledges the Special Assessments to the Board to secure repayment of the Project Loan. The Association desires to assign to the Department the right to collect the Special Assessments.

II. ANNEXATION AND DECLARATION

2.01 Annexation of Adjacent Lots. Effective upon the execution of this Declaration by the Members, the adjacent Lots described in Exhibit A are hereby annexed into the Subdivision and the owners of the adjacent Lots shall be Members of the Association.

2.02 Declaration. The Members hereby declare that the Lots, including the adjacent Lots, which comprise or have become annexed to the Subdivision for purposes of this Declaration and any additional Lots which may become annexed to the Subdivision in the future, shall be held, sold, conveyed, encumbered, leased, occupied, subject to the covenants, conditions and restrictions set forth in the Original Declaration as amended and supplemented by this Declaration, all of which are established and declared and agreed to be for the purpose of enhancing the value and desirability of the Subdivision and protecting the health, safety and welfare of the Members. These covenants, conditions and restrictions shall create mutual equitable servitudes upon each Lot, in favor of every other Lot, and shall create reciprocal rights and obligations in, between and among all persons or entities having any right, title or interest in and to any Lot within the Subdivision. In addition, these covenants, conditions and restrictions shall run with the Lots and shall be binding upon all parties having any right, title or interest in and to any Lot, and shall inure to the benefit of the Association, the Members and each successor-in-interest of any such Member.

III. SPECIAL ASSESSMENTS

3.01 Creation of Assessments. There are hereby created assessments (the "Assessments") for Association expenses as may from time to time specifically be authorized by the Board of Directors, to be commenced at the time and in the manner set forth in Article V, Section 1 and Section 2 of the By-laws. Each Member covenants and agrees to pay these assessments. There shall be two types of Assessments:

(a) Regular Annual Assessments Article V, Section 1 of the By-laws requires each Member to pay an annual assessment (the "Annual Assessment") in an amount determined by the Board of Directors of the Association according to be sufficient to pay the projected expenses of the Association.

(b) Special Assessments. Article V, Section 2 of the By-laws authorizes the Board of Directors of the Association to levy other and further assessments (the "Special Assessments") against the Members that the Board finds necessary or desirable.

3.02 Special Assessments for the Improvements. The Association has issued the Project Note in the amount of

$295,000.00 to evidence the Association's obligation to repay the Project Loan in such amount over thirty (30) years, at an interest rate of four and one-half percent (4.5%) per annum. The Association is obligated to make two interest only payments and semiannual installments of principal and interest of approximately $9,157.00 on September 30 and March 31 of each year commencing in 2002. In compliance with the procedures set forth in the By-laws, the Association has approved the following Special Assessments in order that each Member shall pay his or her 1/81th proportionate share of the Association's obligation under the Project Note:

(a) Initial Payment. An initial payment of TWO HUNDRED TWENTY SIX AND NO/100 DOLLARS ($226.00), representing each Member's 1/81th proportionate share of one year's annual debt service under the Project Loan, to be deposited into the Reserve Account in the Loan Program Fund maintained by the Department as a reserve for payment of debt service during the term of the Project Note. Monies deposited in the Loan Program Fund will be held by the Department as collateral for future debt service payment obligations, and any remainder will be applied to payment of installments of principal and interest in the event of any shortfall in semiannual payments. Any monies remaining in the Loan Program Fund will be applied to the final installment of principal and interest under the Project Note.

(b) Semiannual Payments. Semiannual payments of principal and interest of ONE HUNDRED THIRTEEN AND NO/100 DOLLARS ($113.00) representing each Member's 1/81th proportionate share of the Association's semiannual obligation to pay principal and interest under the Project Note.

(c) Administrative Charge. An administrative charge of FOUR AND NO/100 DOLLARS ($4.00) per semiannual payment to be paid by each Member with the initial payment and each subsequent semiannual payment.

3.03 Increase in Special Assessments. The amount of each Special Assessment represents a 1/81th proportionate amount of the Association's obligation to repay the Project Note. This amount was calculated on the assumption that each Member will pay the full amount of such Member's Special Assessment when due. In the event one or more Members fail to pay any installment of the Special Assessment, the Board of Directors of the Association may, by notice to the Members, increase the amount of the Special Assessment charged to the remaining Members in order to fund the shortfall and replenish the reserve account in the Loan Program Fund.

3.04 Payment of Assessments. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors, or following assignment, by the Department. If any Member is delinquent in payment of any assessments or other charges levied on his Lot, the Board of Directors or the Department may require any unpaid installments of all outstanding assessments to be paid in full immediately.

3.05 No Exemptions. No Member may waive or otherwise exempt himself from liability for the assessments, including, by way of illustration and not limitation, by non-use of the Improvements or abandonment of the Lot. The obligation to pay assessments is a separate and independent covenant on the part of each Member. No diminution or abatement of assessment or set-off shall be claimed or allowed by reason of any alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration or the By-laws, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority.

3.06 Certificate. The Association shall, upon request at any time, furnish to any Member liable for any type of assessment a certificate in writing signed by an officer of the Association setting forth whether such assessment has been paid as to any particular Lot. Such certificate shall be conclusive evidence of payment to the Association of such assessment stated to have been paid. The Association may require the advance payment of a reasonable.processing fee for the issuance of such certificate.

ARTICLE IV. LIENS

4.01 Liens for Regular Annual Assessments and Special Assessments.

(a) Lien. The Association shall have a lien against each Lot to secure payment of delinquent regular Annual Assessments and Special Assessments, as well as interest at the rate of twelve percent (12%) per annum from the due date of the Assessment until payment, late charges (subject to the limitations of Hawaii law) and costs of collection (including attorneys' fees). Such lien shall be prior and superior to all other liens, except (a) the liens of all taxes, bonds, assessments and other levies which by law would be superior, and (b) the lien or charge of any mortgage of record having been recorded prior to the recordation of this Declaration made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment and judicial or nonjudicial foreclosure in accordance with Hawaii law.

(b) Foreclosure of Liens. The Association, acting on behalf of the Members, shall have the power to bid for the Lot at the foreclosure sale and to acquire, hold, lease, mortgage and convey the Lot. During the period in which a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association as a result of foreclosure. Suit to recover a money judgment for unpaid Common Expenses and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same.

4.02 Transfer of Lot. The sale or transfer of any Lot shall not affect the lien for Each such Assessment, together with interest, late charges, costs and reasonable attorneys' fees, also shall be the personal obligation of the person or entity who was the Member owning such Lot at the time the assessment arose. In the event of a transfer of title to a Lot, the grantee shall be jointly and severally liable for such portion of Assessments as may be due and payable at the time of conveyance. However, no first mortgagee who obtains title to a Lot pursuant to the remedies provided in the mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title. Assessments relieve such Lot from the lien for any assessments thereafter becoming due. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a prior recorded mortgage shall extinguish the lien as to any installments of such Assessments which became due prior to such sale or transfer. Where the mortgagee holding a first mortgage of record or other purchaser of a Lot obtains title pursuant to judicial or nonjudicial foreclosure of the Mortgage, it shall not be personally liable for the regular annual assessments or special assessments by the Association chargeable to such Lot which became due prior to such acquisition of title. Such unpaid share of Annual Assessments or Special Assessments shall be deemed to be collectible from Members of all Lots subject to Assessment.

4.03 Additional Remedy for Nonpayment of Special Assessment. In the event the Association assigns to the Board the right to collect the Special Assessments, each Member acknowledges to the Board, by executing this Declaration, that the Board's remedies for nonpayment of bills for water service shall be expanded to include nonpayment of such Member's Special Assessment. These remedies may include shutting water service or removal of such Member's water meter in accordance with the Board's rules and regulations. In the event the Board or the Department shall shut water service to the delinquent Member, such Member shall be responsible for all charges to restore water service, including payment of any water system development fee.

V. MISCELLANEOUS

5.01 Notices. All notices, demands or documents which are required or permitted to be given or served under this Declaration shall be in writing and sent by first class, registered or certified mail, prepaid postage, or by hand delivery by facsimile telecopier, or electronic mail with a copy sent by first class mail, addressed to each Member at the address opposite such Member's signature. Any such address may be changed from time to time by serving notice to all other parties as above provided. Service of such notice or demand shall be deemed complete on the day of actual delivery or at the expiration of the second day after the date of mailing, whichever is earlier, if sent by first class, registered or certified mail or by hand delivery, or on the date transmitted, if sent by facsimile telecopier or electronic mail.

5.02 Paragraph Headings. The headings of paragraphs and subparagraphs in this Declaration are inserted only for convenience and reference and shall in no way define, expand or limit the scope or intent of any provisions of this Lease. The singular shall include the plural and the use of a pronoun of one gender shall refer to all genders.

5.03 Association's Attorney's Fees. In the event of a dispute, the Association may recover from Member all reasonable costs and reasonable attorney's fees expended or incurred by the Association in enforcing this Declaration, in actions for declaratory relief in any way related to this Declaration, and on any and every account, or in the enforcement of the provisions of this Declaration.

5.04 Governing Law; Venue.

(a) Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Hawai`i.

(b) Venue. Venue for any mediation, arbitration or litigation with respect to this Lease shall be Wailuku, Maui, Hawai`i.

5.05 Inurement. The provisions of this Declaration shall be binding upon and inure to the benefit of all Members of the Association, and their respective successors, successors in trust, heirs and permitted assigns as the context of this Declaration may require.

5.06 Time of Essence. Time is of the essence in the performance of any obligations under this Declaration.

5.07 Severability. If any provision of this Declaration is held to be invalid or unenforceable, the validity and enforceability of the other provisions of this Declaration will remain unaffected.

5.08 Effect of this Declaration. In all other respects, this Original Declaration and the By-laws of the Association, as amended and supplemented by this Declaration, remain in full force and effect.

5.09 Maximum Rate of Interest. Any interest payable under the terms of this Lease shall not exceed the maximum rate permitted by law.

5.10 Counterparts. This Declaration may be executed in counterparts. When executed and delivered by any party, each counterpart shall be deemed an original regardless of the order of its execution and delivery and the several counterparts together shall constitute one document as though all signatures affixed to any counterpart were affixed to a single document.