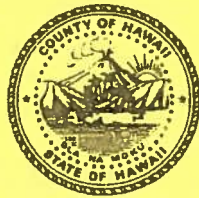


Harry Kim
Mayor



Christopher J. Yuen
Director

Brad Kurokawa, ASLA
LEED® AP
Deputy Director

County of Hawaii
PLANNING DEPARTMENT

101 Pauahi Street, Suite 3 • Hilo, Hawaii 96720-3043
(808) 961-8288 • FAX (808) 961-8742

February 22, 2007

Mr. Robert A. Stuit
Vice President of Development
1250 Oceanside Partners
78-6831 Alii Drive, Suite K15
Kailua-Kona, HI 96740-2440

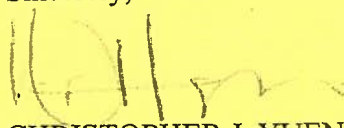
Dear Mr. Stuit:

2007 Annual Report
Development Agreement No. 1
Change of Zone Ordinance No. 96-7
Change of Zone Ordinance No. 9608
Special Management Area Use Permit No. 356

Thank you for provided us with the comprehensive annual report for the Hokulia Project. The submission of the report satisfies the requirements of the above-captioned ordinances, Special Management Area Use Permit, and the Development Agreement.

We look forward to the next report.

Sincerely,


CHRISTOPHER J. YUEN
Planning Director

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PLANNING DEPARTMENT
COUNTY OF HAWAII

January 14, 2007

Mr. Christopher J. Yuen, Planning Director
County of Hawaii Planning Department
Mr. William Graham, Chairperson
County of Hawaii Planning Commission
Aupuni Center
101 Pauahi Street, Suite 3
Hilo, Hawaii 96720

ATTENTION: NORMAN HAYASHI

**Subject: 2007 Annual Report
Development Agreement No. 1
Change of Zone Ordinance No. 96-7
Change of Zone Ordinance No. 96-8
Special Management Area Use Permit No. 356**

Dear Mr. Yuen & Chairperson Graham:

I am pleased to submit the following annual report for Development Agreement No. 1 ("Agreement") by and between the County of Hawaii ("County") and Oceanside 1250 ("Oceanside"), in accordance with Item 24 of said Agreement, Condition No. R of Change of Zone Ordinance No. 96-7, Condition No. V of Change of Zone Ordinance No. 96-8 and Condition No. 13 of Special Management Area Use Permit No. 356. This letter is intended to supplement the prior annual reports. However, if there are any issues which you believe are not covered within the attachments, please do not hesitate to contact me so that we can fill in any perceived gaps with this report. It is intended to comply with the requirements under the Development Agreement, COZ's and the SMA.

In April of 1998, Oceanside 1250 and the Hawaii County entered a Development Agreement to identify the obligations of Oceanside, to provide assurance that these obligations are met in a timely manner, to provide assurances to Oceanside that it may complete full development of the Hokuli'a Project ("Project"), to provide assurance to the County that the

Mr. Christopher J. Yuen, Planning Director
Mr. William Graham, Chairperson
January 14, 2007
Page 2

Mamalahoa Highway Bypass ("Bypass") and other public benefits set forth in the Development Agreement are completed, to allow Oceanside and the County to enter a reimbursement agreement for costs associated with the Bypass and to reduce or eliminate uncertainty in the responsibilities of Oceanside and the County relating to the development of the Project and the Bypass. The scope and purpose of the Development Agreement is consistent with Ordinance 93-37, the Development Agreement Code and Rule 1, which implements procedures for the application, preparation and administration of development agreements as provided by Ordinance 93-37. The Development Agreement was executed and approved by the Mayor on April 20, 1998.

Golf Course

The Golf Course was completed in July of 2002. Details regarding compliance with the conditions of approval of Use Permit No. 115 and SMA Permit No. 345 for the golf course will be provided in the 2007 annual reports for these permits. We will continue to monitor Oceanside's compliance with the conditions of approval of Use Permit No. 115 and SMA Permit No. 345.

Mamalahoa Highway Bypass

The Mamalahoa Highway Bypass is in part, designed to address existing traffic conditions in the area and to provide an alternative route for interregional traffic between North and South Kona in support of the County's long-range traffic plan. The Draft Environmental Impact Statement and Final Environmental Impact Statement (DEI and FEIS) were both approved and accepted by Department of Public Works. Construction of the Bypass Highway commenced in January 2001. However, completion of the Bypass Highway has been prevented by the ongoing Richards lawsuit.

Oceanside has acquired or completed a purchase agreement with each of the landowners for the necessary right-of way along the Bypass route except for the owners at the south end of the alignment who are still reviewing their documents, and the owners of the Coupe/Richards property. That latter property is the subject of a condemnation action (County of Hawai'i v. Robert Nigel Richards, Trustee, et al, Civ. No. 00-1-0181K). As you know, that case has not yet gone to trial, although the Third Circuit Court has vacated its previously granted Order of Possession. We understand that the County has also adopted a new condemnation ordinance with respect to that property.

Shoreline Park

Oceanside obtained approval of the Public Access and Shoreline Management Plan on January 29, 1999. This plan addresses the public access areas, perpetual access covenants, archaeology, marine resources and related improvement measures. Details of the provisions for

Mr. Christopher J. Yuen, Planning Director
Mr. William Graham, Chairperson
January 14, 2007
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historical sites were developed and will be implemented as part of the comprehensive archaeological mitigation plan that was approved by SHPD on September 7, 1999 and September 15, 1999. We are in the process of completing an Archaeology Inventory Survey for the State Parcel at Hokukano Village which is situated next to the shoreline park. In addition, Oceanside obtained approval of both the CDUA HA-2977 and SMA Permit No. 401 that outline the proposed facilities to be developed in the Coastline Park. We are in the process of preparing the necessary documents as required and anticipate the preparation of construction plans as required by the conditions of approval of both permits to ensure that they are complied with. The annual report required by SMA Permit No. 401 will provide greater detail of our progress on this component of the Project.

The first phase of the shoreline park with the required public parking stalls was opened on August 1, 2002.

Archaeology

Oceanside obtained approval from SHPD on September 7, 1999 and September 15, 1999 of the Archaeological Mitigation Plan that includes a data recovery plan, an interim protection/preservation plan, interpretive plan and a monitoring plan. We are currently in the process of preparing the final Preservation Plan in consultation with DLNR and Hawaiian community organizations. As required by the terms of the land use entitlements for the Project, approved mitigation measures are being implemented prior to or in conjunction with land alteration on the property.

Subdivision

On September 18, 1999, the County issued Final Subdivision approval for Phase I and on December 1, 2000, the County issued Final Subdivision approval for Phase II of the project and related subdivision improvements.

Other Items

There are no other items to report that affect the status of the Project or the Bypass as it relates to the terms of the ordinances.

Subject to the foregoing, Oceanside 1250 intends to meet all of the terms and comply with all of the conditions that are specified within each ordinance. To date, however, we believe that this letter and the actions described herein constitute full compliance with all of the terms and conditions contained in the ordinances and Agreement and that Oceanside 1250 is in good standing under its obligations.

For your reference, we have attached a Matrix chart for the Development Agreement No.

Mr. Christopher J. Yuen, Planning Director
Mr. William Graham, Chairperson
January 14, 2007
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1, Change of Zone Ordinance No. 96-7, Change of Zone Ordinance 96-8 and Special Management Area Use Permit No. 356 that indicates the status and compliance for each condition for the Development Agreement, the two change of zone ordinances and the SMA permit.

I trust the above provides a useful description of the status of development and compliance with the conditions of approval for the ordinances. Should you have any questions regarding this report, or if you require further information regarding the Project, please contact me at (808) 324-4212.

Sincerely,

OCEANSIDE 1250



Robert A. Stuit
Vice President of Development

Attachments

cc: John De Fries w/attachment
Bob Rice w/attachment
Phil Schneider w/attachment

**Hokuli`a
Special Management Area Use Permit No. 356 (September 14, 1995)
To Allow Development of the Agricultural Subdivision and Related Improvements
2007 Annual Report
January 14, 2007**

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SMA 356 1.	The applicant, successors or assigns shall be responsible for complying with all of the stated conditions of approval.	On Going	Hokuli`a agrees that it will comply with all stated conditions of approval.
SMA 356 2.	The applicant shall indemnify and hold the County harmless and against any loss, liability, claim or demand for the property damage, personal injury or death arising out of any act or omission of the applicant, its successors or assigns, officers, employees arising under this permit.	Complied	Indemnification has been incorporated into project CC&R's.
SMA 356 3.	The effective date of this Special Management Area Use Permit shall be the effective date of the Change of zone.	Complied	Effective date of Ord. 96-7 is January 15, 1996.
SMA 356 4	An Archaeological Mitigation and Interpretation Plan shall be prepared and submitted for approval by the Planning Director, in consultation with the Department of Land and Natural Resources-Historic Preservation Division and Hawaiian community organizations, prior to submitting plans for plan approval review. The plan shall consist of three subplans: (A) An archaeological data recovery plan for the sites to undergo data recovery, (B) A detailed interim protection/preservation plan for the sites to under preservation, and (C) An interpretation plan which shall include buffer zones, signage, and long-range preservation concerns which may be submitted at a later date. Approved mitigation measures shall be implemented prior to or in conjunction with any land alteration activity within the project area. The Plan shall also include a detailed map of known lava tube/cave systems located within the project site and mitigative measures to ensure that the proposed development does not impact these cave systems.	Complied Complied In Process In Process	Letters dated 9/7/99 and 9/15/99 from SHPD approved the Data Recovery Plan and the Preservation and Interpretive and Monitoring Plans, respectively. Hokuli`a will comply with the requirements of the approved mitigation plan prior to or in conjunction with any land alternation.
SMA 356 5.	Should any unidentified sites or remains, such as lave tubes, artifacts, shell, bone or charcoal deposits, human burials, rock or coral	On Going	Hokuli`a will comply with requirement.

**Hokuli`a
Special Management Area Use Permit No. 356 (September 14, 1995)
To Allow Development of the Agricultural Subdivision and Related Improvements
2007 Annual Report
January 14, 2007**

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	alignments, pavings or wall be encountered, work in the affected area shall cease, and the Planning Director immediately notified. Subsequent work shall proceed upon an archaeological clearance from the Planning Director when it finds that sufficient mitigative measures have been taken.		
MA 356 6.	A Natural Resource Management Plan shall be submitted for review and approval by the Planning Director, in consultation with the Department of Land and Natural Resources, prior to securing Final Subdivision Approval.	Complied	NRM was approved by the County on July 9, 1999.
SMA 356 7.	A detailed drainage study shall be prepared by the Applicant for review and approval by the Department of Public Works prior to submittal of plans for Subdivision Approval review of the agricultural subdivision. A drainage system shall be installed meeting with the approval of the Department of Public Works, prior to securing Final Subdivision Approval.	Complied In Process	Flood and Drainage Study for Phase 1 and 2 areas were submitted August 4, 1999. Hokuli`a will comply with this requirement.
SMA 356 8.	Use of pesticides and herbicides in conjunction with all phases of operation shall conform with the applicable regulations of the appropriate government agencies.	On Going	Hokuli`a agrees to comply with this condition.
SMA 356 9.	During construction, measures shall be taken to minimize the potential of both fugitive dust and runoff sedimentation. Such measures shall be in compliance with construction industry standards and practices utilized during construction projects of the State of Hawaii.	On Going	Hokuli`a will continue to comply with this condition.
SMA 356 10.	Prior to Final Subdivision Approval of any lands within the project site, an overall monitoring plan on the potential pollution of groundwater and coastal waters shall be submitted to the Planning Director for approval in consultation with the State Department of Health.	Complied	Water Quality Monitoring Plan was approved by the County on July 14, 1999.
SMA 356 11.	All electrical and communication utilities and systems within the Project site shall be placed underground , with the exception of the main 69 KV transmission line from the Mammalahoa Highway to the proposed electrical substation site.	In Process	Hokuli`a will comply with this requirement. Utility improvements for Phase 1 and 2 were bonded and Phase I is currently under construction.

**Hokuli`a
Special Management Area Use Permit No. 356 (September 14, 1995)
To Allow Development of the Agricultural Subdivision and Related Improvements
2007 Annual Report
January 14, 2007**

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SMA 356 12.	A wastewater disposal system shall be constructed in a manner meeting with the approval of the State Department of Health and/or the Department of Public Works, whichever is applicable.	In Process	Hokuli`a will comply with this requirement. Wastewater disposal system was bonded as part of subdivision improvements for Phase 1 and 2 of Hokuli`a and is currently under construction.
MA 356 13.	An annual progress report shall be submitted to the Planning Director prior to each anniversary date of the approval of this permit. The report shall include, but not be limited to, the status of the development and to what extent the conditions of approval are being complied with. This condition shall remain in effect until all of the conditions of approval have been complied with and the Planning Director acknowledges that further reports are not required.	In Process	Hokuli`a will provide annual reports to the County in accordance with this requirement.
SMA 356 14.	An extension of time for the performance of conditions within this permit may be granted by the Planning Director upon the following circumstances: (A) the non performance is the result of conditions that could not have been foreseen or are beyond the control of the applicant, successors or assigns, and that are not the result of their fault or negligence; (B) granting of the time extension would not be contrary to the General Plan or Zoning Code; (C) granting of the time extension would not be contrary to the original reasons for the granting of this permit; (D) the time extension granted shall not be for period not to exceed the period originally granted for performance (i.e., a condition to be performed within one year may be extended for up to one additional year).	On Going	Hokuli`a acknowledges that a time extension for compliance with the conditions of approval may be granted by the Director
Should any of the conditions not be met or substantially complied with in a timely fashion, the Director shall initiate procedures to revoke this permit.			