

APPRAISAL REPORT

REGARDING

HONOKOWAI RESERVOIR
HONOKOWAI, ISLAND OF MAUI, HAWAII
TAX MAP KEY 4-4-2-19, SECOND DIVISION

PREPARED FOR

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
COUNTY OF MAUI

JULY 2019

Medusky & Co., Inc.

REAL ESTATE CONSULTANTS

QUEEN'S COURT, SUITE 405 • 800 BETHEL STREET

HONOLULU, HAWAII 96813

PHONE (808) 531-2765 • FAX (808) 599-3736

EMAIL - medusky@meduskyandco.com

Jan R. Medusky, MAI, CRE

July 31, 2019

Juan A. Rivera, P.E.
Design and Construction Section
County of Maui, Dept. of Environmental Mgt.
Wastewater Reclamation Division
2200 Main Street, Suite 610
Wailuku, Maui, HI 96793

Dear Mr. Rivera:

Subject: **Appraisal Report Regarding Honokowai Reservoir, Honokowai, Lahaina, Maui, Hawaii, TMK 4-4-2-19, Second Division**

In response to your request, we have prepared this Appraisal Report regarding the above referenced property.

Maui Land & Pineapple Company, Inc. owns the fee simple interest in agricultural property located at Honokowai, Lahaina, Maui, Hawaii. The property is improved with a water storage reservoir and a solar electric generation farm. The property is identified by Hawaii State Tax Maps as Parcel 19 of Zone 4, Section 4, Plat 2, Second Taxation Division and contains a total of 5.1 acres of land area. The reservoir improvements are currently used by the County of Maui on an interim basis. The County of Maui is considering acquisition of the property and requires an appraisal in that regard.

ASSIGNMENT

Our assignment has been to prepare an Appraisal Report estimating the Market Value of the fee simple interest in the subject land. Based on instructions from the client, this appraisal does not include the value of the solar electric generation improvements or the lease associated with said improvements.

The intended use of the appraisal is to provide an opinion of market value upon which decisions regarding acquisition of the property may be based.

The intended user of this report is the client, County of Maui, Department of Environmental Management.

The effective date of value for this report is July 23, 2019, the date of subject property inspection by the appraiser.

This report is subject to the Limiting Conditions and Assumptions contained in Exhibit 1 in the Addenda of this report. The reader's attention is particularly directed to the Special Limiting Condition and Assumption regarding Solar Electric Generation Improvements and Associated Lease.

Solar Electric Generation Improvements and Associated Lease – For purposes of this appraisal, based on instructions from the client, market value of the subject property is based on the hypothetical condition that the subject property is not improved with the Solar Electric Generation Farm and the property is not subject to the Solar Lease Agreement.

DEFINITION OF MARKET VALUE¹

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

SCOPE OF WORK

Scope of Work included the following.

- Researched and analyzed economic background data regarding the County of Maui and the State of Hawaii.
- Researched and analyzed geographic and demographic trends affecting the market in which the subject property competes.
- Researched and analyzed subject property data including history, ownership, zoning, etc.
- Inspected the subject property.
- Researched and analyzed transactions involving properties having characteristics similar to the subject property.
- Completed valuation analyses as described herein.
- Prepared this Appraisal Report.

¹ 12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994.

ECONOMIC BACKGROUND DATA

Hawaii's economy is supported primarily by tourism, Federal Government spending and agriculture, in that order.

Tourism provides the greatest opportunity for growth. After decline in the tourist industry in the mid and late 1990s, tourism showed signs of improvement in 2000/early 2001 prior to the terrorist attacks in September 2001 in New York and Washington D.C. Subsequent to the terrorist attacks, tourism was down, but rebounded from initial setbacks.

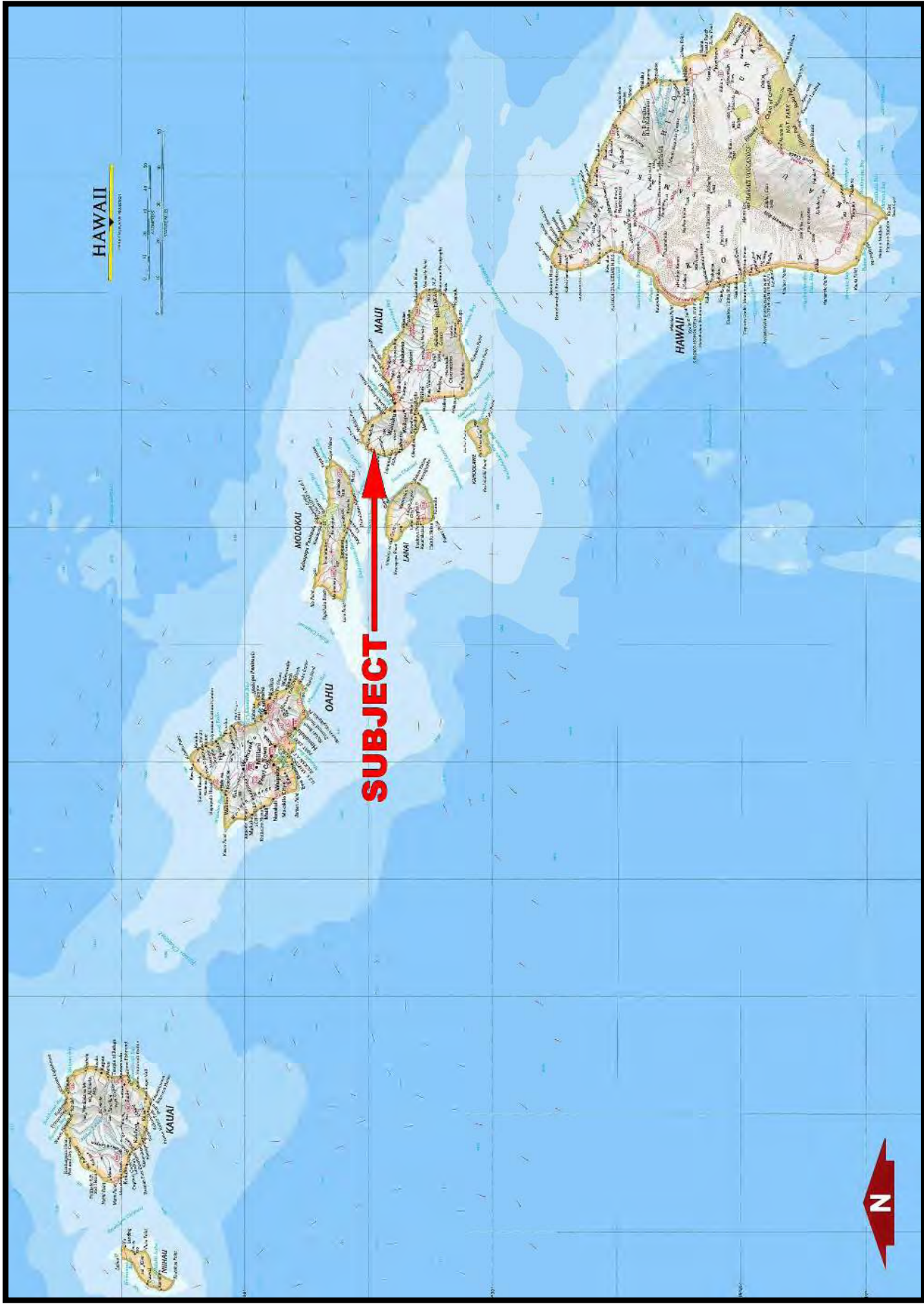
The tourist market was again adversely affected by the worldwide economic crisis commencing in 2008, but has since recovered. Tourist arrivals were 9.4 million in 2017 and increased 6 percent in 2018 to 9.9 million.

Historical and projected economic indicators are summarized as follows.

	Hawaii Economic Indicators (Annual Growth Rates by Percent)											
	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21
Total Visitor Arrivals	7.7%	3.7%	9.7%	1.7%	2.4%	4.5%	3.0%	5.2%	6.0%	2.5%	1.4%	1.0%
U.S. Visitor Arrivals	5.9%	2.3%	5.2%	0.7%	1.1%	6.9%	4.6%	5.1%	8.6%	3.8%	1.3%	0.7%
Japan Visitor Arrivals	6.1%	0.2 %	18.0%	3.6%	-0.4%	-1.9%	0.4%	6.7%	-1.0%	1.7%	0.6%	0.1%
Payroll Jobs	-0.8%	1.2%	2.2%	2.0%	1.4%	1.8%	1.3%	1.3%	0.6%	0.7%	0.6%	0.6%
Unemployment Rate	6.9%	6.5%	5.7%	4.9%	4.4%	3.6%	3.0%	2.4%	2.1%	2.5%	2.8%	3.1%
Inflation Rate, Honolulu MSA	2.1%	3.7%	2.4%	1.8%	1.4%	1.0%	2.0%	2.5%	2.0%	2.1%	2.3%	2.6%
Real Personal Income	1.5%	2.0%	2.2	-1.0%	3.6%	4.3%	1.3%	1.2%	1.2%	1.2%	1.1%	0.9%
Source: UHERO. Non-farm Payrolls for 2017 and 2018 are UHERO estimates of the benchmark revision. Figures for 2018 are UHERO estimates. Figures for 2019-2021 are forecasts.												

From 2008 to 2012, financial markets plummeted. The declines were accompanied by unprecedented realignment of major financial institutions. This economic chaos led to government intervention by the United States and other major economic powers. The intent of the interventions was to bolster the credit markets which seized up as a result of the crisis. The positive effects of government intervention on the credit crisis and the passage of time have resulted in worldwide economic improvement and significant improvement in Hawaii's economy.

Economists report that Hawaii's economy hit bottom in 2009. During the financial crisis and subsequently, Hawaii's two major lenders (Bank of Hawaii and First Hawaiian Bank) remained relatively stable compared to many US banks that did not fare as well during the initial stages of the economic chaos. Low mortgage loan interest rates and significant improvement in Hawaii's economy due to tourism have led to significant improvement in real estate conditions as well as substantial construction



STATE MAP

activity. The construction cycle peaked in mid-2016, however, the volume of activity has remained strong since. Unemployment has been on a declining trend and is forecasted at 2.5 percent for 2019, increasing modestly in future years.

Strong growth in the economy since 2010 has resulted in appreciation in Hawaii's real estate market. The Oahu residential market held up well during the 2008/2009 financial crisis with substantial appreciation since. Most outer island residential markets demonstrated significant decline during the initial economic chaos with improvement over the last several years. The economic crisis caused many residential developers to adjust their plans as several projects were put "on hold." Some developers sold their development sites or were forced to sell by lenders. The overall market is quite different now. Construction is in process or is planned for many projects, indicating a robust real estate recovery. However, different market sectors have demonstrated various levels of improvement.

Major factors likely to affect Hawaii's economy going forward include continued growth (but at a slower pace) in the tourist industry, the expectation of increasing interest rates that will likely adversely affect new construction and real estate activity and national policy including the overhaul of the US tax system (a positive factor in the near term) and national trade/immigration policies, the effects of which are uncertain at this time.

In summary, Hawaii's economy improved from 2000 to 2006, with stabilization in 2007 and modest decline in early and mid-2008. Late 2008 and 2009 were characterized by uncertainty as the financial crisis worsened. Figures for 2010 through 2018 demonstrate improvement, indicating that the economy hit bottom in 2009 with significant improvement since. Economists forecast moderation in growth in Hawaii for 2019 and following years that, to some extent, will be dependent upon conditions in Asia-Pacific (particularly China) and domestic policies associated with the Trump administration.

ENVIRONS

The subject property is located in the vicinity of Honokowai near the northwest coast of Maui.

Honokowai is bordered to the north by Mahinahina, to the east by the West Maui Mountains, to the south by Kaanapali and to the west by the Pacific Ocean. Lahaina Town is 10± minutes driving time to the south. Kahului, the County Seat, is 50± minutes driving time to the east.

Access to the area is via Honoapiilani Highway. The highway extends from Maalaea to the south to Kapalua to the north and is part of the island belt roadway system. A portion of the Lahaina bypass road, mauka of Lahaina Town, has been built. Further extensions to the Honokowai area are being considered for some time after 2020.

Maui's northwest coast is the focus of tourist related activities for the island. There are two quality resorts, Kaanapali and Kapalua, north of Lahaina Town. There are also many condominium projects along the waterfront that cater to the transient tourist population. Land south of Lahaina Town, previously used for sugarcane cultivation which has been phased out, is under development with agricultural estate lots.

Lahaina Town is a major tourist attraction that serves as the commercial center for the resort development which has occurred in the area. It features a small harbor facility, tourist shops and restaurants as well as some hotel facilities. The primary roadway in Lahaina Town is Front Street which runs along the

MAUI



SUBJECT



ENVIRONS

oceanfront. There is significant pedestrian traffic along this roadway where tourist-oriented retail stores command premium rents.

The subject property is located east of Honokowai Town and is located within an agricultural landholding that extends from near urban development in an easterly (mauka) direction to other agricultural land situated below forest reserve land that is part of the West Maui Mountains. The character of the immediate vicinity of the subject property involves an expanse of agricultural land interspersed with various infrastructure (reservoirs, water tanks, etc.). In previous decades, fairly level to moderately sloping land in the vicinity was used for agricultural cultivation which was phased out.

In summary, the subject property involves agricultural, east of Honokowai Town, that extends from below the West Maui Mountains in a makai direction to near urban development along the coastline.

PROPERTY DATA

Property Identification – The subject property is identified by Hawaii State Tax Maps as TMK 4-4-2-19, Second Division (see Tax Map on a following page) containing 5.1 acres and is comprised of the Reservoir Site (3.2 acres), Ditch Right-of-Way (0.88 acre) and Pipeline Right-of-Way (1.02 acres).

The subject is located at Honokowai, Kaanapali, Lahaina, Maui, Hawaii to the south of Kapalua Airport.

A Legal Description is included in Exhibit 2 in the Addenda of this report.

Property History – Prior to September 2000, the subject property was owned by Pioneer Mill Company, Limited for many years.

By Limited Warranty Deed dated September 19, 2000, the fee simple interest in the property was conveyed to Maui Land & Pineapple Company, Inc.

By unrecorded Solar Lease Agreement dated March 9, 2012 (Memorandum of Lease dated November 19, 2012, recorded as Document No. A-47650329), Solar Hub Utilities LLC leased a portion of the subject property for development with a solar electric generation farm. The lease is for a twenty year term to commence upon connection of the solar electric project to the islands electrical grid.

By Assignment of Solar Lease Agreement and Lessor's Consent dated April 23, 2014, the Solar Lease Agreement was assigned to Maui 61-5 LLC.

Currently, the fee simple interest in the subject property is owned by Maui Land & Pineapple Company, Inc., subject to the lease to Maui 61-5 LLC.

It should be noted that the County of Maui reportedly uses the reservoir and rights-of-way by some form of interim use agreement.

Land Use Ordinances – The State of Hawaii has classified the property Agricultural District (see State Land Use Map on a following page).

The County Community Plan designates the property Agricultural (see Community Plan Map on a following page).

Zoning for the property is Agricultural District (see Zoning Map on a following page).

The property is located in Flood Zone X which involves areas in which flood hazards are undetermined, but possible (see Flood Zone Map on a following page).

The property is not located in the Special Management Area.

Assessed Values/Real Property Taxes are summarized on the table on a following page. The 2019 land assessed value is \$32,600 (\$6,392 per acre). There is no building assessment. R.P. Taxes total \$400, the minimum R.P. Tax per parcel.

It should be noted that real property tax assessments are not considered accurate indicators of market value in Hawaii.

Utilities – The property involves a ditch right-of-way and pipeline right-of-way which allow water to be pumped into the reservoir for storage.

Electrical lines run from the solar farm, across adjacent land, to provide connection with the electrical grid.

The property is not served by wastewater lines.

Reservations/Restrictions/Easements – The appraisers are not aware of any reservations, restrictions or easements that significantly adversely affect use of the subject land.

Solar Lease – The property is encumbered by an unrecorded Solar Lease Agreement dated March 9, 2012 (Memorandum of Lease dated November 19, 2012, recorded as Document No. A-47650329). The lease is for a twenty year term to commence upon connection of the solar electric project to the islands electrical grid. The appraisers requested a copy of the lease from the landowner; however, a copy of the lease was not provided.

PROPERTY DESCRIPTION

Land – The subject property contains 5.1 acres in an irregular shape.

The reservoir site contains 3.2 acres in an irregular hexagonal shape. The ditch right-of-way (0.88 acre) and pipeline right-of-way (1.02 acre) involve long, narrow segments.

Access to the property is over adjacent land from Akahahele Street. The access way is about 1.5± miles long and involves former cane haul roads.

The property is located in the midst of Parcel 18, owned by the Department of Hawaiian Home Lands. Parcel 18 contains 510 acres and involves former agricultural fields that are now fallow.

Topography is fairly level to sloping. Portions of the land have been excavated and other portions built up to accommodate the reservoir improvements.

SUBJECT PROPERTY DATA
 TMK 4-4-02-19 (Second Division)
Honokowai, Lahaina, Maui, Hawaii

Tax Map Parcel: 4-4-02-19 (Second Division)

Land Area:

Reservoir Site:	3.20 acres (139,392 sq. ft.)
Ditch Right-of-Way:	0.88 acres (38,333 sq. ft.)
Pipeline Right-of-Way:	1.02 acres (44,431 sq. ft.)
Total	5.10 acres (222,156 sq. ft.)

Location: Off Akahele Street, Honokowai, Kaanapali, Lahaina, Maui, Hawaii

Improvements: Water storage reservoir and solar electric generation farm.

Fee Simple Property
 Owner/Lessor: Maui Land & Pineapple Company, Inc.

Lessee: Maui 61-5 LLC

Ordinances Affecting Land Use and Development:

State Land Use: Agricultural District

County Community Plan: Agricultural

County Zoning: Agricultural District

Federal Flood Insurance Rate Map (FIRM)
 Panel No. 1500030351F, dated 9/19/2012 &
 Panel No. 1500030352E, dated 9/25/2009: Zone X (unshaded): Areas determined to be outside the 0.2% annual chance floodplain.

Special Management Area (SMA): Not Located in Special Management Area.

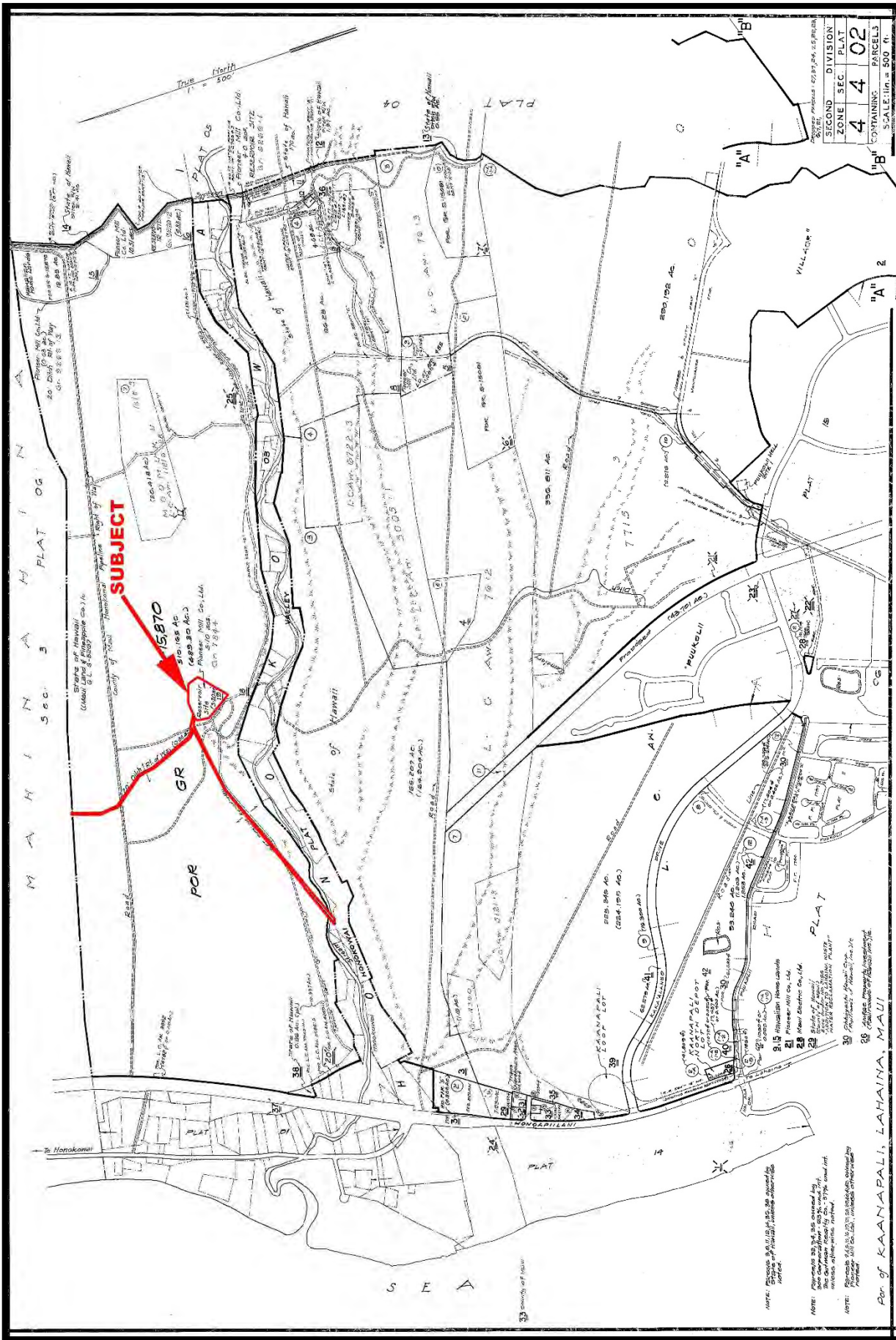
Census Tract: 315.03

Real Property Tax Assessed Values and Estimated Taxes:

Year	Assessed Values @ 100%				Tax Rate/\$1,000		Approximate R.P. Taxes [1]
	Land		Building	Total	Land	Bldg	
	\$	\$/acre					
2019	\$32,600	\$6,392	\$0	\$32,600	\$6.00	\$6.00	\$196 [2]
2018	\$32,600	\$6,392	\$0	\$32,600	\$6.00	\$6.00	\$196
2017	\$32,600	\$6,392	\$0	\$32,600	\$6.01	\$6.01	\$196
2016	\$30,600	\$6,000	\$0	\$30,600	\$5.66	\$5.66	\$173
2015	\$31,400	\$6,157	\$0	\$31,400	\$5.75	\$5.75	\$181
2014	\$38,800	\$7,608	\$0	\$38,800	\$5.86	\$5.86	\$227

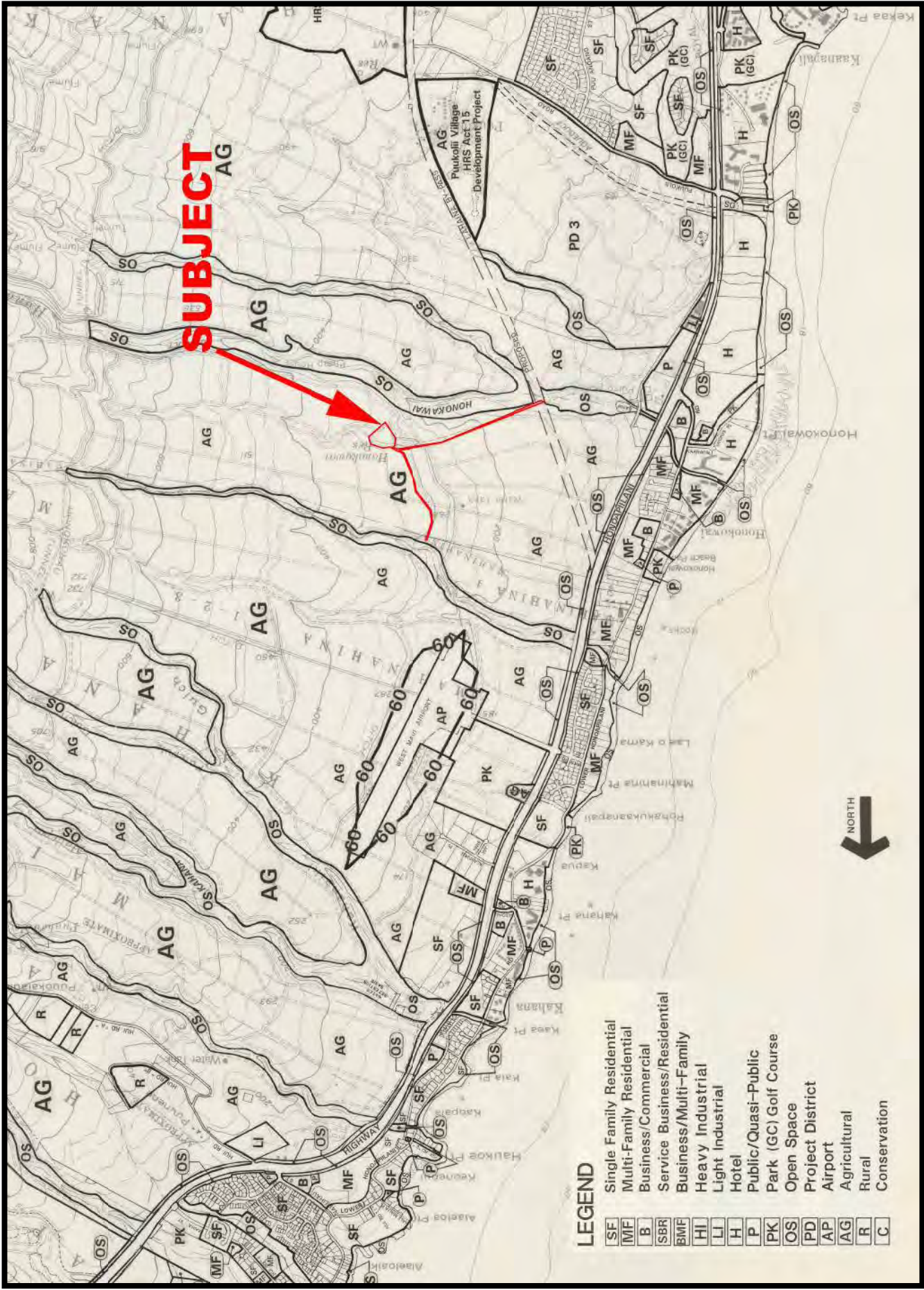
[1] The property is subject to the minimum R.P. Tax, currently \$400/year.

[2] R.P. Tax rates for this year have not been set. Rates for the prior year are shown.



TAX MAP





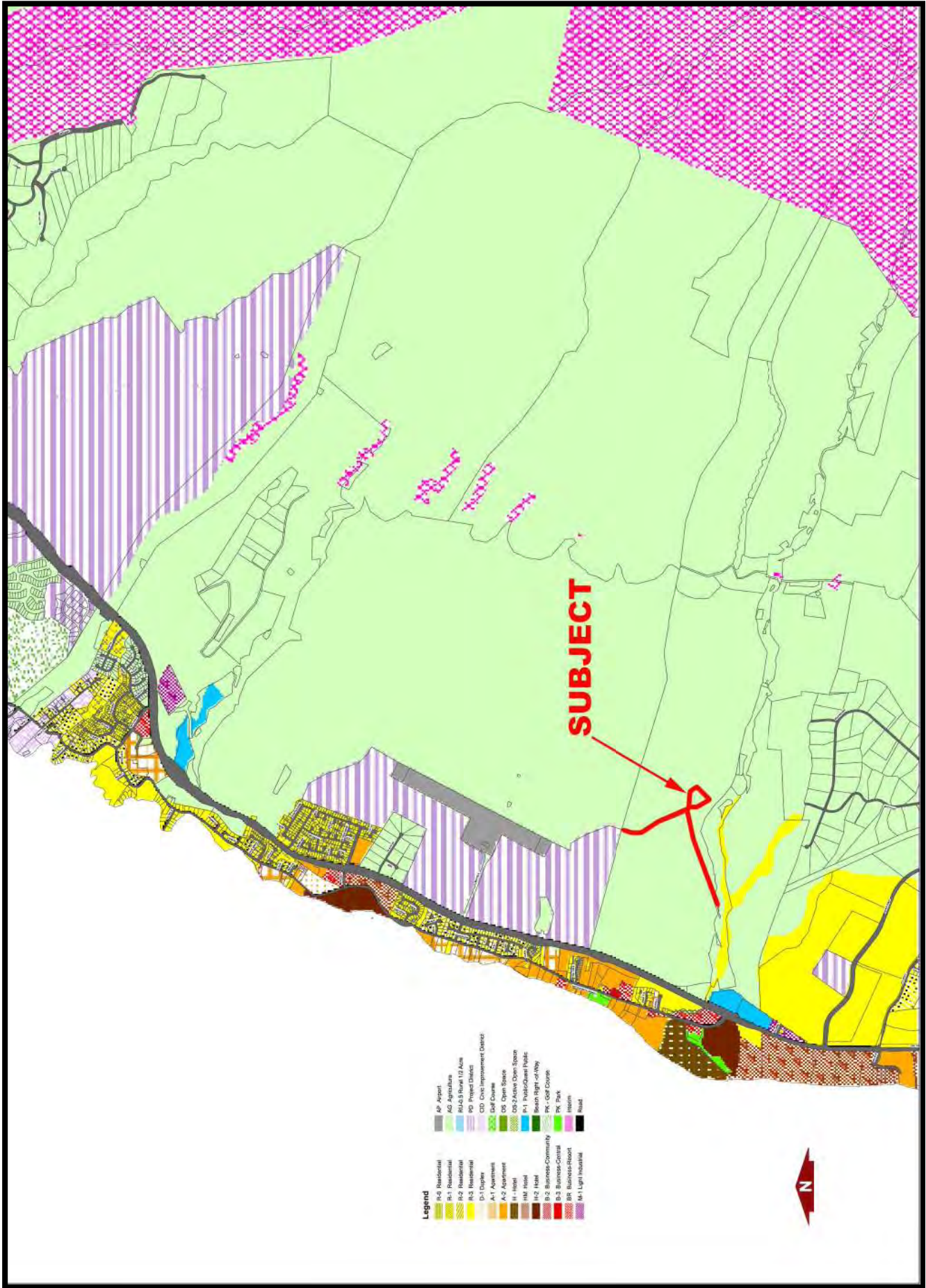
SUBJECT



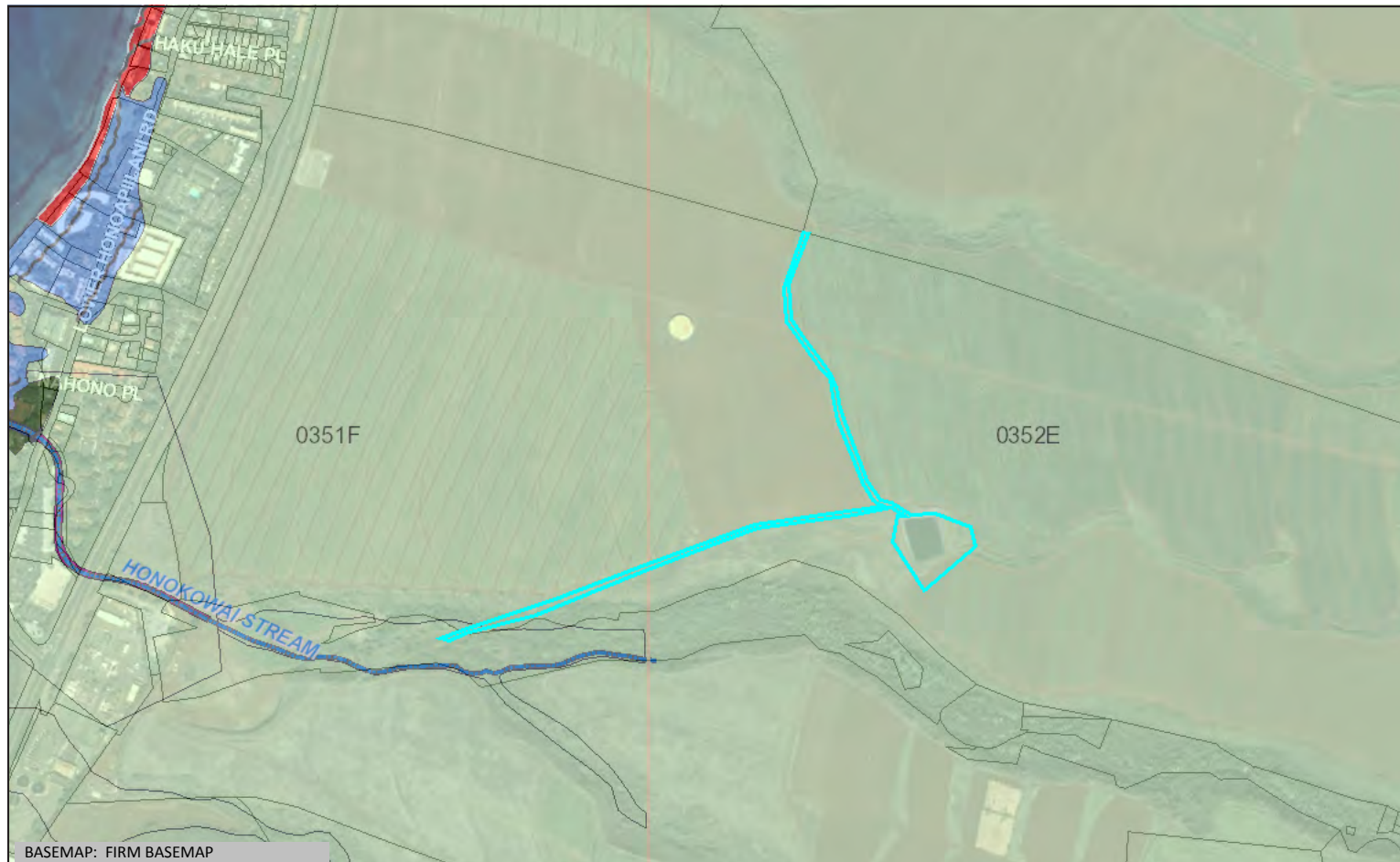
LEGEND

- SF Single Family Residential
- MF Multi-Family Residential
- B Business/Commercial
- SBR Service Business/Residential
- BMF Business/Multi-Family
- HI Heavy Industrial
- LI Light Industrial
- H Hotel
- P Public/Quasi-Public
- PK Park (GC) Golf Course
- OS Open Space
- PD Project District
- AP Airport
- AG Agricultural
- R Rural
- C Conservation

COMMUNITY PLAN MAP



ZONING MAP



Flood Hazard Assessment Report

www.hawaiiinfip.org

Property Information

COUNTY: MAUI
 TMK NO: (2) 4-4-002:019
 WATERSHED: HONOKOWAI
 PARCEL ADDRESS:

Notes:

Flood Hazard Information

FIRM INDEX DATE: NOVEMBER 04, 2015
 LETTER OF MAP CHANGE(S): NONE
 FEMA FIRM PANEL - EFFECTIVE DATE: 1500030351F - SEPTEMBER 19, 2012
 1500030352E - SEPTEMBER 25, 2009

THIS PROPERTY IS WITHIN A TSUNAMI EVACUATION ZONE: NO
 FOR MORE INFO, VISIT: <http://www.scd.hawaii.gov/>

THIS PROPERTY IS WITHIN A DAM EVACUATION ZONE: YES (MA-0058; MA-0059; MA-0144)
 FOR MORE INFO, VISIT: <http://dlnreg.hawaii.gov/dam/>



Disclaimer: The Hawaii Department of Land and Natural Resources (DLNR) assumes no responsibility arising from the use, accuracy, completeness, and timeliness of any information contained in this report. Viewers/Users are responsible for verifying the accuracy of the information and agree to indemnify the DLNR, its officers, and employees from any liability which may arise from its use of its data or information.

If this map has been identified as 'PRELIMINARY', please note that it is being provided for informational purposes and is not to be used for flood insurance rating. Contact your county floodplain manager for flood zone determinations to be used for compliance with local floodplain management regulations.

FLOOD HAZARD ASSESSMENT TOOL LAYER LEGEND (Note: legend does not correspond with NFHL)

SPECIAL FLOOD HAZARD AREAS (SFHAs) SUBJECT TO INUNDATION BY THE 1% ANNUAL CHANCE FLOOD - The 1% annual chance flood (100-year), also known as the base flood, is the flood that has a 1% chance of being equaled or exceeded in any given year. SFHAs include Zone A, AE, AH, AO, V, and VE. The Base Flood Elevation (BFE) is the water surface elevation of the 1% annual chance flood. Mandatory flood insurance purchase applies in these zones:

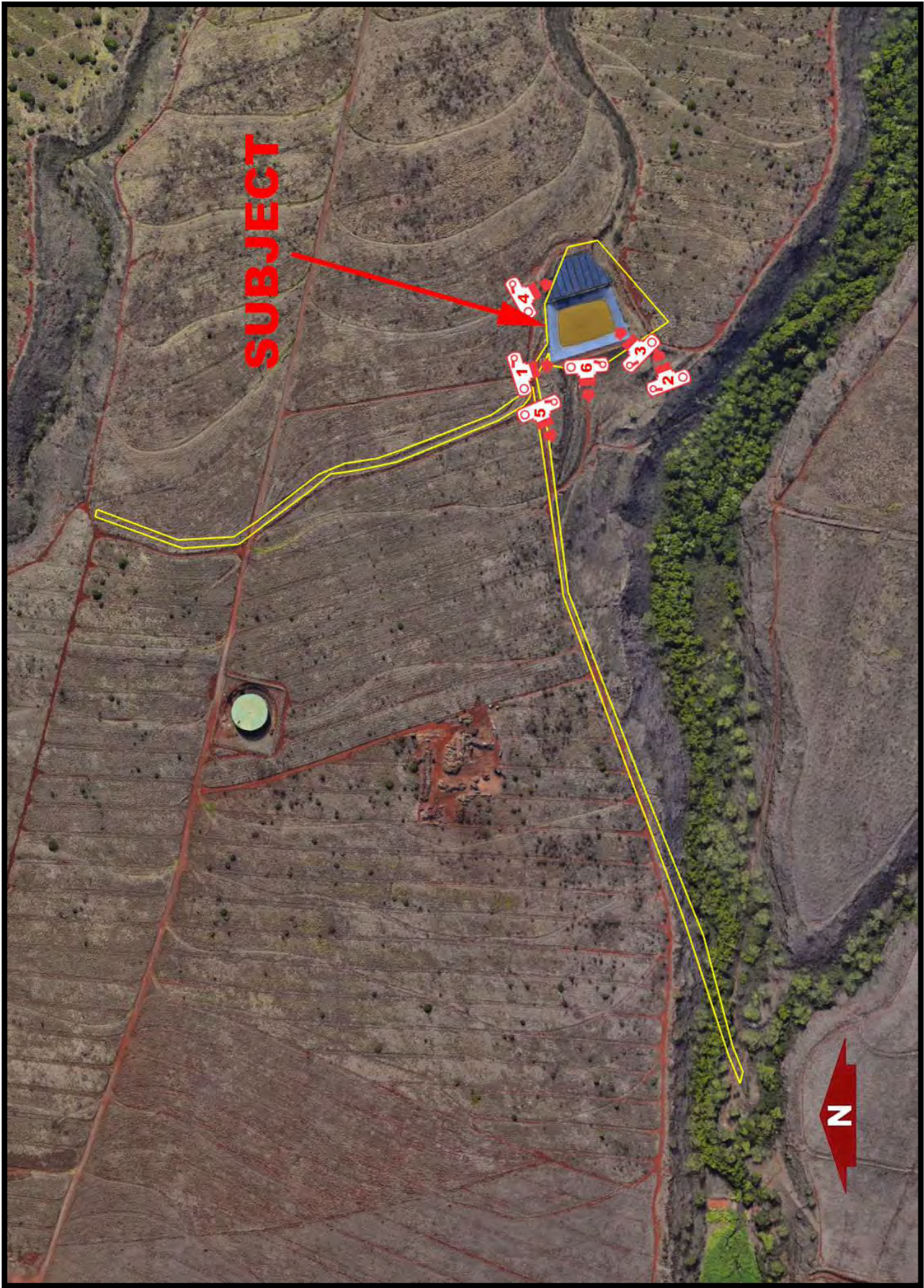
	Zone A: No BFE determined.
	Zone AE: BFE determined.
	Zone AH: Flood depths of 1 to 3 feet (usually areas of ponding); BFE determined.
	Zone AO: Flood depths of 1 to 3 feet (usually sheet flow on sloping terrain); average depths determined.
	Zone V: Coastal flood zone with velocity hazard (wave action); no BFE determined.
	Zone VE: Coastal flood zone with velocity hazard (wave action); BFE determined.
	Zone AEF: Floodway areas in Zone AE. The floodway is the channel of stream plus any adjacent floodplain areas that must be kept free of encroachment so that the 1% annual chance flood can be carried without increasing the BFE.

NON-SPECIAL FLOOD HAZARD AREA - An area in a low-to-moderate risk flood zone. No mandatory flood insurance purchase requirements apply, but coverage is available in participating communities.

	Zone XS (X shaded): Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.
	Zone X: Areas determined to be outside the 0.2% annual chance floodplain.

OTHER FLOOD AREAS

	Zone D: Unstudied areas where flood hazards are undetermined, but flooding is possible. No mandatory flood insurance purchase applies, but coverage is available in participating communities.
--	---



AERIAL PHOTOGRAPH

SUBJECT PROPERTY
Honokowai, Maui, Hawaii



PHOTO NO. 1: Southerly view along the dirt road that runs along a portion of the subject property near its westerly boundary. Note the reservoir improvements to the left.



PHOTO NO. 2: Easterly view along the swale that runs near the southerly boundary of the subject property. The subject property is to the left.

SUBJECT PROPERTY
Honokowai, Maui, Hawaii



PHOTO NO. 3: Northeasterly view of the reservoir improvements.



PHOTO NO. 4: Southeasterly view of the solar farm improvements.

SUBJECT PROPERTY
Honokowai, Maui, Hawaii



PHOTO NO. 5: Southwesterly view along the 16 foot pipeline right-of-way portion of the subject property.



PHOTO NO. 6: Ocean view from the subject property.



Honokowai Reservoir (4.0 MG)

There are good views to the ocean.

Improvements – The subject land is improved with a water storage reservoir (4.0 MG) and a solar electric generation farm.

RIGHTS APPRAISED

The Rights Appraised involve the fee simple interest in the property.

HIGHEST AND BEST USE

Highest and Best Use is the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability. Highest and Best Use has been analyzed in the As If Vacant and As Improved conditions.

As If Vacant– Legally permissible uses for land are typically set forth by the zoning code. Agricultural zoning sets forth the permissible uses. Such uses would likely include traditional agricultural uses and associated low density residential use.

Agricultural and low density residential uses are physically possible.

Agricultural and low density residential uses are financially feasible as demonstrated by such uses in the vicinity.

Of the financially feasible uses, that use which provides the highest return to the land is concluded to be the highest and best use. Agricultural use, to include low density residential use, is concluded to be the highest and best use As If Vacant.

As Improved – For purposes of analysis, the subject involves reservoir improvements. Some market participants view the reservoir improvements as a benefit, while other market participants view these improvements as a detriment, indicating that the reservoir improvements do not contribute substantially to the overall property value. As such, agricultural use, to include low density residential use, represents the highest and best use of the property, As Improved.

APPRAISAL METHODOLOGY

The market comparison approach was employed.

The cost and income approaches were not employed as they are not applicable.

MARKET DATA

Employing the market comparison approach, the appraisers researched and analyzed transactions involving land having characteristics reasonably similar to the subject property. Geographically, the search for transactions involved the Lahaina District. Timewise, the research included 2018 to present.

A table summarizing the most pertinent transactions disclosed by the research is included on a following page. Details to the transactions are included in Exhibit 3 in the Addenda of this report. The research includes two current listing and five closed transactions which are briefly described as follows.

Listing A involves 5.215 acres of vacant land at Kaanapali Coffee Farms, listed for sale since April 2019 at an original asking price of \$849,000, subsequently lowered to \$799,000 (\$3.52 per sq. ft.).

Listing B involves 4.137 acres of vacant land at Kaanapali Coffee Farms, listed for sale since January 2018 at an original asking price of \$995,000, subsequently lowered to \$895,000 (\$4.99 per sq. ft.).

Transaction No. 1 involves 5.415 acres of vacant land at Kaanapali Coffee Farms that sold in May 2019 for \$1,080,000 reflecting \$4.58 per sq. ft.

Transaction No. 2 involves 4.584 acres of vacant land at Kaanapali Coffee Farms that sold in April 2019 for \$900,000 reflecting \$4.51 per sq. ft.

Transaction No. 3 involves 5.458 acres of vacant land at Kaanapali Coffee Farms that sold in February 2019 for \$937,500 reflecting \$3.94 per sq. ft.

Transaction No. 4 involves 5.060 acres of vacant land at Kaanapali Coffee Farms that sold in January 2019 for \$820,000 reflecting \$3.72 per sq. ft.

Transaction No. 5 involves 4.037 acres of vacant land at Kaanapali Coffee Farms that sold in October 2018 for \$890,981 reflecting \$5.07 per sq. ft.

LAND VALUATION

Market Comparison Analysis is summarized on the table on a following page. For purposes of analysis, a unit rate of dollar per sq. ft. of land area was employed. Before adjustment, the transactions reflect a range of unit rate prices from \$3.72 to \$5.07 per sq. ft. Adjustments made are discussed as follows.

Financing – Transaction No. 5 involved a purchase money mortgage. Terms of the PMM reasonably reflect market terms. No adjustment was made.

Transaction Nos. 1 through 4 involved cash to the seller and do not require adjustment.

Conditions of Sale – The appraisers are not aware of any special conditions that affected the transactions. No adjustments were made.



LAND TRANSACTIONS MAP

AGRICULTURAL LAND TRANSACTIONS
Island of Maui, Hawaii

Trans. Location No. (Tax Map Key)	Land Area (acres)	Zoning	Transaction		Transaction Price/ Indicated Land Value		Comments
			Type	Date	\$	\$/acre \$/sq. ft.	
<u>Current Lisitings</u>							
A Kaanapali Coffee Farms (4-4-20-03)	5.215	Ag	Listing		\$799,000	\$153,212 \$3.52	Listed for sale in April 2019 at \$849,000. Asking price subsequently lowered to \$799,000.
B Kaanapali Coffee Farms (4-4-20-29)	4.137	Ag	Listing		\$899,000	\$217,307 \$4.99	Listed for sale in January 2018 at \$995,000. Asking price subsequently lowered to \$895,000.
<u>Primary Transactions</u>							
1 Kaanapali Coffee Farms (4-4-20-42)	5.415	Ag	Deed	05/01/19	\$1,080,000	\$199,446 \$4.58	Listed for sale in January 2019 at \$1,100,000. Asking price subsequently lowered to \$1,080,000.
2 Kaanapali Coffee Farms (4-4-20-14)	4.584	Ag	Deed	04/30/19	\$900,000	\$196,335 \$4.51	Listed for sale in March 2019 at \$950,000.
3 Kaanapali Coffee Farms (4-4-20-25)	5.458	Ag	Deed	02/14/19	\$937,500	\$171,766 \$3.94	Listed for sale in January 2018 at \$1,095,000. Asking price subsequently lowered to \$995,000.
4 Kaanapali Coffee Farms (4-4-20-02)	5.060	Ag	Deed	01/29/19	\$820,000	\$162,055 \$3.72	Listed for sale in May 2018 at \$895,000.
5 Kaanapali Coffee Farms (4-4-20-33)	4.037	Ag	Deed	10/02/18	\$890,981	\$220,704 \$5.07	Listed for sale in September 2017 at \$915,000. Transaction involved a purchase money mortgage.

LAND VALUE ANALYSIS [1]
 TMK 4-4-02-19 (Second Division)
 Honokowai, Lahaina, Maui, Hawaii

DESCRIPTION	Subject	Trans No 1	Trans No 2	Trans No 3	Trans No 4	Trans No 5
<u>PROPERTY DATA</u>						
Tax Map Key	4-4-02-19	4-4-20-42	4-4-20-14	4-4-20-25	4-4-20-02	4-4-20-33
Location	Off Akahole Street, Honokowai	Aina Mahiai Street, Honokowai	Aina Mahiai Place, Honokowai	Aina Mahiai Street, Honokowai	Oka Kope Street, Honokowai	Aina Mahiai Street et al., Honokowai
Transaction Type	-	Deed	Deed	Deed	Deed	Deed
Transaction Date	-	05/01/19	04/30/19	02/14/19	01/29/19	10/02/18
Zoning (Height Limit)	Ag	Ag	Ag	Ag	Ag	Ag
Land Area (sq. ft.)	222,156	235,877	199,679	237,750	220,414	175,852
Land Area (acres)	5.100	5.415	4.584	5.458	5.060	4.037
<u>TRANSACTION ANALYSIS</u>						
Transaction Price		\$1,080,000	\$900,000	\$937,500	\$820,000	\$890,981
\$/sq. ft. of Land Area		\$4.58	\$4.51	\$3.94	\$3.72	\$5.07
<u>ADJUSTMENT FOR FINANCING/CONDITIONS OF SALE</u>						
Financing/Conditions of Sale Adjustment	x	1.00	1.00	1.00	1.00	1.00
Adjusted Unit Rate (\$/sq. ft. of Land Area)		\$4.58	\$4.51	\$3.94	\$3.72	\$5.07
<u>ADJUSTMENT FOR TIME</u>						
Time Adjustment	x	1.00	1.00	1.00	1.00	1.00
Adjusted Unit Rate (\$/sq. ft. of Land Area)		\$4.58	\$4.51	\$3.94	\$3.72	\$5.07
<u>OTHER ADJUSTMENTS</u>						
Location		-10%	-10%	-10%	-10%	-10%
Access/Frontage		-25%	-25%	-25%	-25%	-25%
Shape		-5%	-5%	0%	-5%	-5%
Off Site Improvements		-10%	-10%	-10%	-10%	-10%
Net Adjustments		-50%	-50%	-45%	-50%	-50%
Subtotal		\$2.29	\$2.25	\$2.17	\$1.86	\$2.53
Size Adjustment [2]	x	1.03	0.95	1.04	1.00	0.89
Adjusted Unit Rate Per Square Foot		\$2.36	\$2.14	\$2.26	\$1.86	\$2.25
<u>INDICATED SUBJECT VALUE</u>						
WEIGHTED AVERAGE		\$524,288	\$475,414	\$502,073	\$413,210	\$499,851
Weighting Factor:	x	0.20	0.20	0.20	0.20	0.20
		\$104,858	\$95,083	\$100,415	\$82,642	\$99,970
Weighted Average:	Say,	\$482,968	\$2.16 /Sq. Ft. of Land Area			
		\$480,000				
<u>UNWEIGHTED SUMMARY</u>						
		Total		Unit Value		
Range:	\$413,210 to	\$524,288	\$1.86 to	\$2.36		
Median:		\$499,851		\$2.25		
Average:		\$482,967		\$2.17		

[1] The effective date of this analysis is:

[2] Based on the Dilmore Size Adjustment Tables, 70% curve.

Time adjustments are made to account for changes in market conditions from the transaction date to the effective appraisal date. The transactions occurred in the October 2018 to May 2019 timeframe and reflect current market conditions, not requiring adjustment.

Location – The subject property is located in the midst of former agricultural fields that are now fallow.

While the comparable properties are located in close proximity to the subject (less than 1 mile), the comparables are located in an upscale, gated community. Adjustments of -10 percent were made considering the superior location of the comparables.

Access/Frontage – The subject property has unpaved access along former cane haul roads, about 1.5± miles from paved roadways and is significantly inferior to the comparables. Roadway costs, including grading, gravel base and asphalt paving, to cure this deficiency are cost prohibitive and a likely buyer would not discount price on a dollar for dollar basis. Based on discussions with market participants, an adjustment of -25 percent was made to each comparable

Shape – The subject property has an irregular shape due to the ditch and pipeline rights-of way that are portions of the parcel.

Comparable Nos. 1, 2, 4 and 5 have fairly regular shapes and were adjusted -5 percent.

Comparable No. 3 involves a flag lot and was not adjusted.

Off Site Improvements – The comparable properties involve finished lots served by roadways and utilities. Adjustments of -10 percent were made to each comparable.

Size adjustments were made based on the concept that larger parcels, all other factors being equal, tend to command lower unit rate prices. The Dillmore Tables were employed. The 70 percent curve was employed herein as it best fits the market data. The resulting size adjustments range from -11 to +4 percent.

Market Value Conclusion – Weighted average analysis was completed placing equal weight on each transaction. The analysis indicates a fee simple land value of \$480,000 reflecting \$2.16 per sq. ft.

Based upon the research and analyses completed, subject to the Limiting Conditions and Assumptions stated in this report, we estimate that the Market Value of the fee simple interest in the subject property, as described herein, as of July 23, 2019, was:

FOUR HUNDRED EIGHTY THOUSAND DOLLARS

(\$480,000)

The reader's attention is particularly directed to the Special Limiting Condition and Assumption regarding Solar Electric Generation Improvements and Associated Lease.

Exposure/Marketing Times are estimated at 6± months.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- I have made a personal inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported 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.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Edward W. Becker, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- This assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Juan A. Rivera, P.E.
County of Maui, Dept. of Environmental Mgt.
July 31, 2019

We appreciate the opportunity of completing this assignment for you.

Sincerely,

Medusky & Co., Inc.

A handwritten signature in black ink, appearing to read 'E. Becker', with a long horizontal flourish extending to the right.

Edward W. Becker, MAI
Real Estate Appraiser

Hawaii State Certified General Appraiser
CGA-581
Certificate Expires 12/31/19

A D D E N D A

LIMITING CONDITIONS AND ASSUMPTIONS

The conduct of any study is necessarily guided by, and its results influenced by, the terms of the assignment and the assumptions forming the basis of the study. The following conditions and assumptions, together with other assumptions embodied in the study, constitute the framework of our analysis and conclusions.

STANDARD LIMITING CONDITIONS AND ASSUMPTIONS

1. **The conclusions and opinions** are based upon the purchasing power of the dollar and economic conditions as of the effective appraisal date. This study expresses the opinion of the appraisers as of July 31, 2019 with an effective date of July 23, 2019 and in no way was contingent upon the reporting of specified conclusions.
2. **It is assumed that the subject property is free and clear** of any and all encumbrances, except for those noted herein; no responsibility is assumed for matters of a legal nature; nor is the report to be construed as rendering any opinion of title, which is assumed to be good and salable.
3. **Soil Conditions and Land Areas** – A soils report was not furnished to the appraisers. We assume soil conditions to be satisfactory for existing and potential development of the subject and assume no responsibility in this respect. Land areas are based on information provided by Tax Office records and other sources and are assumed to be correct.
4. **Relied Upon Information** – Information provided by informed local sources, such as governmental agencies, financial institutions, Realtors, buyers, sellers, property owners and others, was weighed in the light in which it was supplied and checked by secondary means when appropriate. It is believed that the information obtained from these and other sources is true and correct.
5. **Maps** – Any maps or plans reproduced and included in this report are intended only for the purpose of showing spatial relationships. They are not necessarily measured surveys or measured maps and we are not responsible for cartographic or surveying errors.
6. **Possession of this 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 appraisers and then only in its entirety.
7. **The report does not imply** the right of court testimony on the part of the appraisers, without additional arrangements.
8. **Disclosure of the contents** of this study is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this study (especially any conclusions as to value, the identity of the appraisers or the firm with 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 other public means of communication, without the prior consent and approval of the appraisers.

9. **Disclosure to Institute** – The contents of this report are subject to the review, upon request of the Appraisal Institute, by duly constituted committees of the Institute or individual members thereof when such committees or members are acting within the scope of their authority under the By-Laws and Regulations of the Institute. This requirement was adopted by the Institute to facilitate the Institute's efforts to maintain the high standards of professional practice and ethical conduct that have been the hallmark of the Institute since its creation.
10. **Toxic Wastes and Hazardous Materials** – The existence of toxic wastes and/or other hazardous materials, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as toxic wastes, 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 value conclusion shown in this report assumes that there are no toxic wastes and/or hazardous materials affecting the subject property.

SPECIAL LIMITING CONDITION AND ASSUMPTION

11. **Solar Electric Generation Improvements and Associated Lease** – For purposes of this appraisal, based on instructions from the client, market value of the subject property is based on the hypothetical condition that the subject property is not improved with the Solar Electric Generation Farm and the property is not subject to the Solar Lease Agreement.

LEGAL DESCRIPTION OF THE SUBJECT PROPERTY
Taken From the Memorandum of Lease Dated November 19, 2012

Tax Map Key No.: (2) 4-4-002-019

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

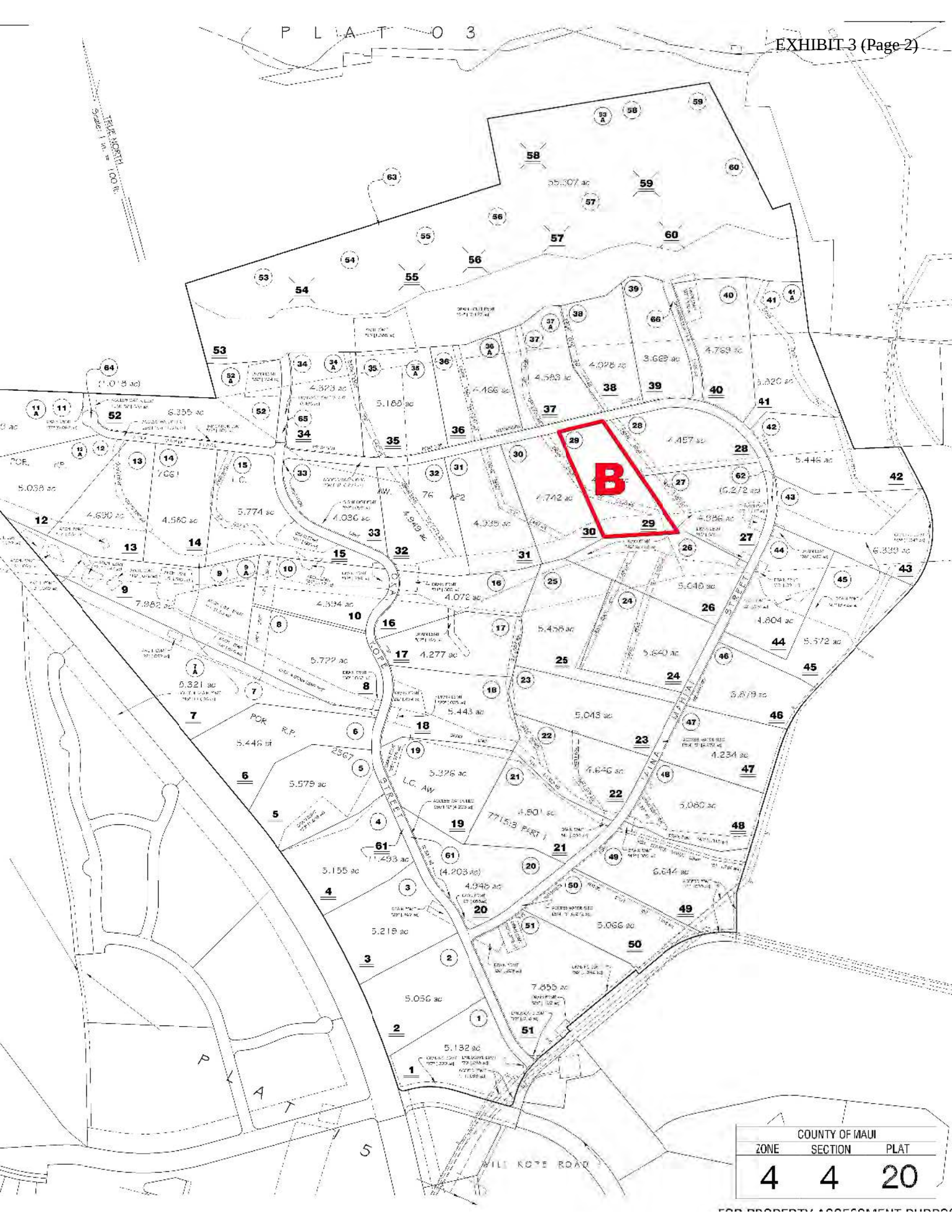
-FIRST:-

All of that certain parcel of land (being portion of the lands described in and covered by Land Patent Grant Number 7844 to Lahaina Agricultural Company, Limited), situate, lying and being at Honokowai, Kaanapali, District of Lahaina, Island and County of Maui, State of Hawaii, being RESERVOIR SITE, described as follows:

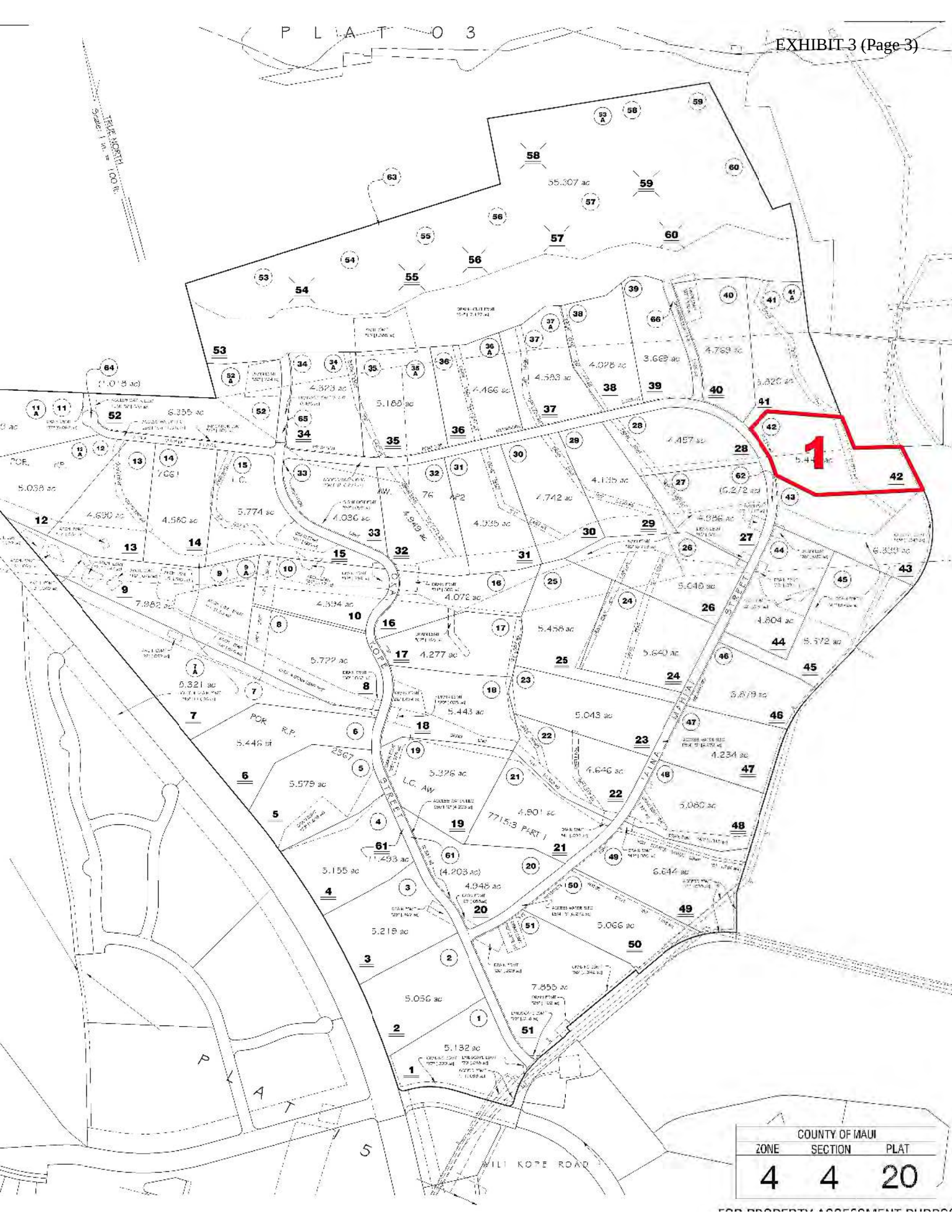
Beginning at the northwest corner of this lot, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUU KOLII" being 7146.00 feet north and 8051.00 feet west, as shown on Government Survey Registered Map No. 2534 and running by true azimuths:

- | | | | | |
|----|------|-----|--------|---|
| 1. | 266° | 15' | 220.00 | feet; |
| 2. | 289° | 00' | 215.00 | feet; |
| 3. | 341° | 30' | 120.00 | feet; |
| 4. | 47° | 45' | 405.00 | feet; |
| 5. | 146° | 00' | 340.00 | feet; |
| 6. | 190° | 18' | 162.50 | feet to the point of beginning and containing an area of 3.20 acres more or less. |





COUNTY OF MAUI		
ZONE	SECTION	PLAT
4	4	20



COUNTY OF MAUI		
ZONE	SECTION	PLAT
4	4	20

LAND TRANSACTIONSTransaction No. 1

Property Data:

Tax Map Key:	4-4-20-42 (Second Division)
Land Area:	5.415 acres (235,877 sq. ft.)
Location:	1600 Aina Mahiai Street, Kaanapali Coffee Farms, Honokowai, Kaanapali, Lahaina, Maui, Hawaii
Improvements:	Vacant
County Zoning:	Agricultural District

Transaction Data:

Transaction Type:	Warranty Deed
Transaction Date:	May 1, 2019
Recorded:	Doc. No. A-70670500
Grantor:	John Vincent Cahill
Grantee:	Scott Lee Laudon and Lisa Jayne Laudon

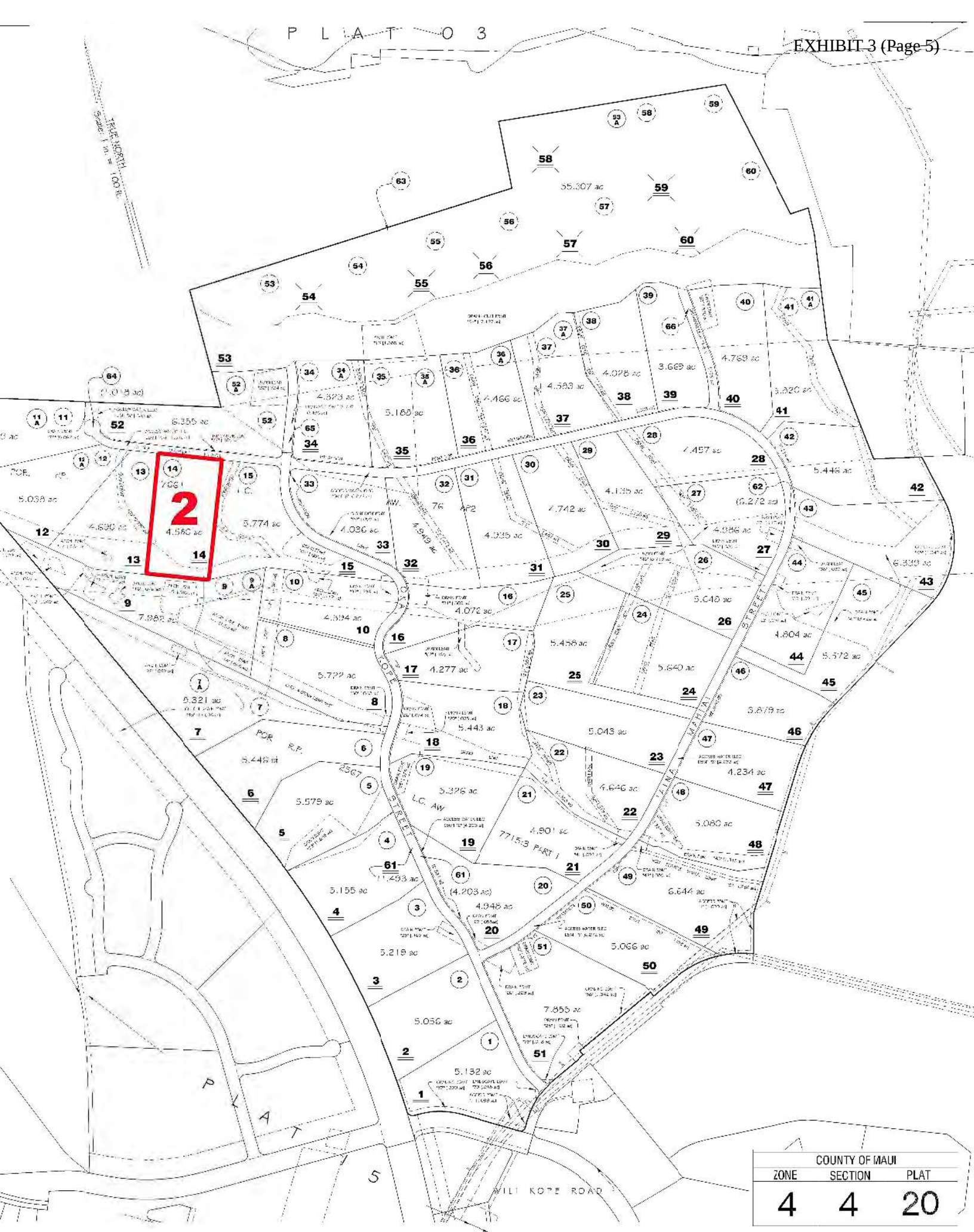
Indicated Land Value:	\$1,080,000 (cash to seller)
-----------------------	------------------------------

Indicated Unit Rate:	\$4.58 per sq. ft.
	(\$1,080,000 ÷ 235,877 sq. ft.)

Comments:

Details of this transaction were verified with Rohn Stark, the agent representing the seller. According to Mr. Stark, this was an arm's length transaction involving cash to the seller.

Topography is fairly level to gently sloping. There are good ocean views. Portions of the property are planted to coffee.



Transaction No. 2

Property Data:

Tax Map Key:	4-4-20-14 (Second Division)
Land Area:	4.584 acres (199,679 sq. ft.)
Location:	3125 Aina Mahiai Place, Kaanapali Coffee Farms, Honokowai, Kaanapali, Lahaina, Maui, Hawaii
Improvements:	Vacant
County Zoning:	Agricultural District

Transaction Data:

Transaction Type:	Warranty Deed
Transaction Date:	April 30, 2019
Recorded:	Doc. No. A-70620217
Grantor:	Tomoko Bito Nelson
Grantee:	Jack W. Muegge and Lyn Muegge, Trustees

Indicated Land Value:	\$900,000 (cash to seller)
-----------------------	----------------------------

Indicated Unit Rate:	\$4.51 per sq. ft.
	(\$900,000 ÷ 199,679 sq. ft.)

Comments:

Details of this transaction were verified with Peggy Speicher, the agent involved in the transaction. According to Ms. Speicher, this was an arm's length transaction involving cash to the seller.

Topography is fairly level to gently sloping. There are good ocean views. Portions of the property are planted to coffee.



Transaction No. 3

Property Data:

Tax Map Key:	4-4-20-25 (Second Division)
Land Area:	5.458 acres (237,750 sq. ft.)
Location:	901 Aina Mahiai Street, Kaanapali Coffee Farms, Honokowai, Kaanapali, Lahaina, Maui, Hawaii
Improvements:	Vacant
County Zoning:	Agricultural District

Transaction Data:

Transaction Type:	Warranty Deed
Transaction Date:	February 14, 2019
Recorded:	Doc. No. A-70040154
Grantor:	Gary T. Draffen, Jr. and Saundra Kay Draffen, Trustees
Grantee:	Pacific Principal Holdings LLC

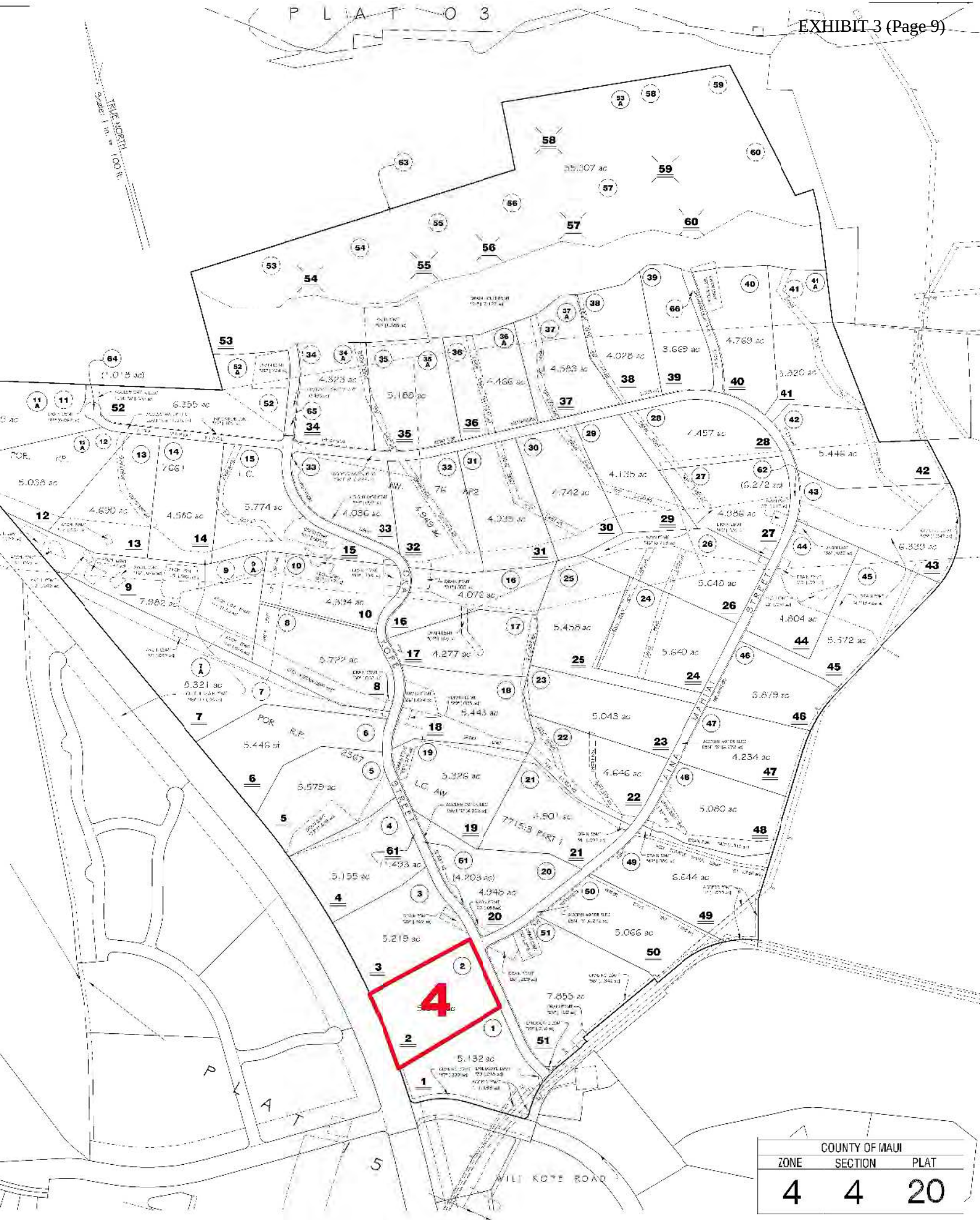
Indicated Land Value:	\$937,500 (cash to seller)
-----------------------	----------------------------

Indicated Unit Rate:	\$3.94 per sq. ft.
	(\$937,500 ÷ 237,750 sq. ft.)

Comments:

Details of this transaction were verified with Rohn Stark, the agent representing the seller. According to Mr. Stark, this was an arm's length transaction involving cash to the seller.

Topography is fairly level to gently sloping. There are good ocean views. Portions of the property are planted to coffee.



Transaction No. 4

Property Data:

Tax Map Key:	4-4-20-02 (Second Division)
Land Area:	5.060 acres (220,414 sq. ft.)
Location:	325 Oka Kope Street, Kaanapali Coffee Farms, Honokowai, Kaanapali, Lahaina, Maui, Hawaii
Improvements:	Vacant
County Zoning:	Agricultural District

Transaction Data:

Transaction Type:	Warranty Deed
Transaction Date:	January 29, 2019
Recorded:	Doc. No. A-69770026
Grantor:	Pacific Principal Holdings LLC
Grantee:	Thomas Gilligan

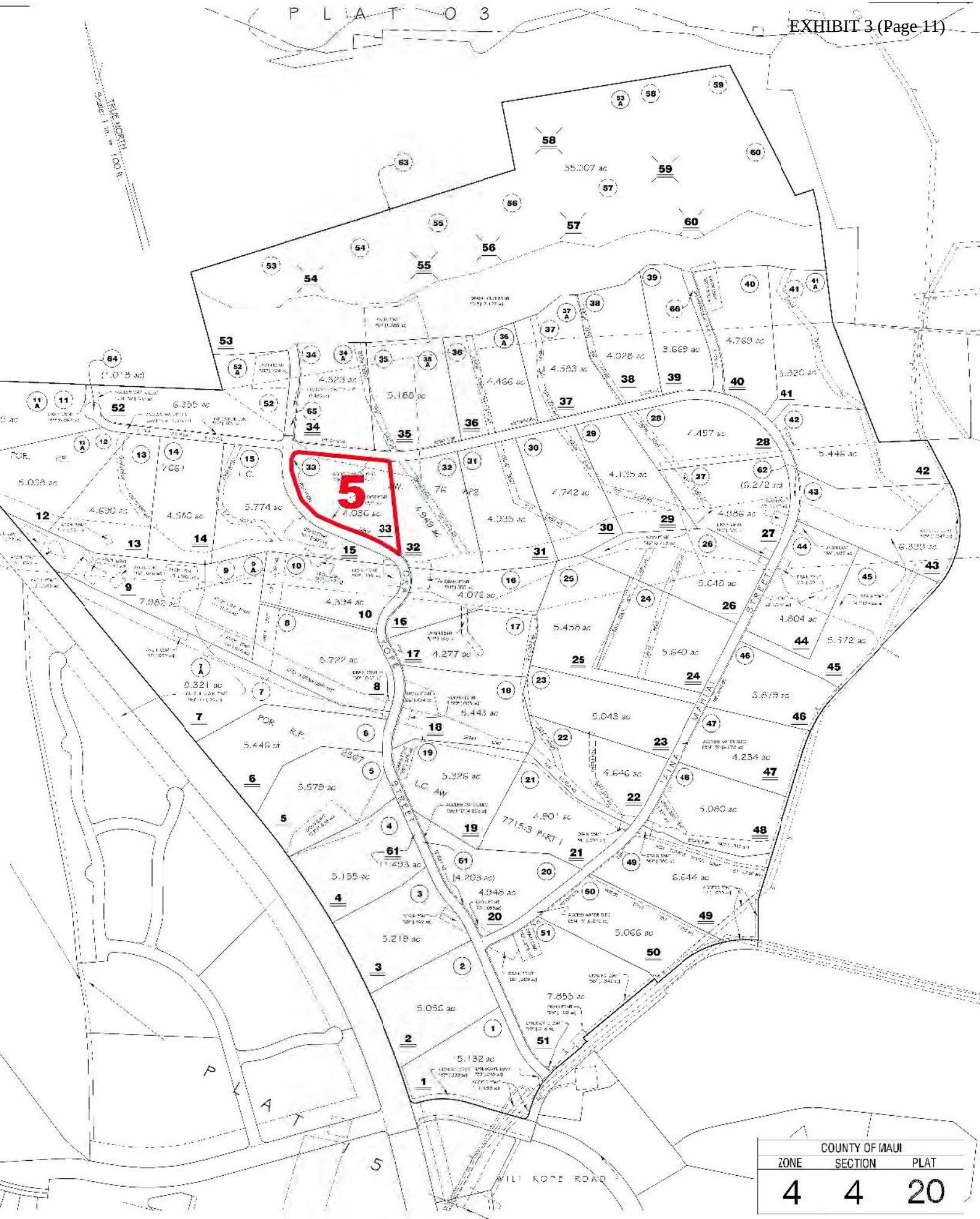
Indicated Land Value:	\$820,000 (cash to seller)
-----------------------	----------------------------

Indicated Unit Rate:	\$3.72 per sq. ft.
	(\$820,000 ÷ 220,414 sq. ft.)

Comments:

Details of this transaction were verified with Rohn Stark, the agent representing the seller. According to Mr. Stark, this was an arm's length transaction involving cash to the seller.

Topography is fairly level to gently sloping. There are good ocean views. Portions of the property are planted to coffee.



COUNTY OF MAUI		
ZONE	SECTION	PLAT
4	4	20

Transaction No. 5

Property Data:

Tax Map Key:	4-4-20-33 (Second Division)
Land Area:	4.037 acres (175,852 sq. ft.)
Location:	2751 Aina Mahia & Oka Kope Streets, Kaanapali Coffee Farms, Honokowai, Kaanapali, Lahaina, Maui, Hawaii
Improvements:	Vacant
County Zoning:	Agricultural District

Transaction Data:

Transaction Type:	Agricultural Lot Deed and Reservation of Rights
Transaction Date:	October 2, 2018
Recorded:	Doc. No. A-68490261
Grantor:	PM Land Company, LLC
Grantee:	Ieronim Andronesi

Indicated Land Value:	\$890,981 (see comments)
-----------------------	--------------------------

Indicated Unit Rate:	\$5.07 per sq. ft.
	(\$890,981 ÷ 175,852 sq. ft.)

Comments:

Details of this transaction were verified with Rohn Stark, the agent representing the seller. According to Mr. Stark, this was an arm's length transaction involving a purchase money mortgage (PMM). Terms of the PMM reasonably reflect market terms.

Topography is fairly level to gently sloping. There are good ocean views. Portions of the property are planted to coffee.

QUALIFICATIONS OF EDWARD W. BECKER, MAI

Real Estate Appraiser, Medusky & Co., Inc., Real Estate Consultants
Queen's Court, Suite 404, 800 Bethel Street, Honolulu, Hawaii

EDUCATION

Bachelor of Arts Degree
University of Hawaii at Manoa, Honolulu, Hawaii
Political Science Major

SPECIAL COURSES

State Certification Courses

Appraising the Single Family Residence
Foundations of Real Estate Appraisal
Real Estate Appraisal Methods
Uniform Standards of Professional Appraisal Practice

Appraisal Institute Courses

550 – Advanced Applications
540 – Report Writing and Valuation Analysis
530 – Advanced Sales Comparison and Cost Approaches
520 – Highest & Best Use and Market Analysis
510 – Advanced Income Capitalization
430 – Standards of Professional Practice, Part C
420 – Standards of Professional Practice, Part B
410 – Standards of Professional Practice, Part A

Appraisal Institute Seminars/Programs

An Introduction to Valuing Commercial Green Buildings
Business Practices and Ethics
Eminent Domain and Condemnation Appraising
Feasibility, Market Value, Investment Timing: Option Value
FHA and the Appraisal Process
New Industrial Valuation
Review Theory – General
Site Use and Valuation Analysis
Small Hotel/Motel Valuation
The Appraiser as an Expert Witness: Preparation and Testimony
Uniform Appraisal Standards for Federal Land Acquisitions

University of Hawaii at Manoa, Small Business Management Program, Real Estate Licensing Course

EXPERIENCE

Engaged in real estate consultation and valuation since 1993. Geographic areas covered include the four counties of the State of Hawaii, the Republic of the Marshall Islands, Republic of Korea and American Samoa. Property types include agricultural, industrial, office, preservation, residential, resort, shopping center, subdivision and various other property types.