



92-102 Waialii Place, #101
Kapolei, HI 96707

June 24, 2009

Dear Beach Villa Owner,

Over the past week or so, individuals representing various interests have written to Beach Villas owners on a number of topics. Soon, you will receive communications on behalf of the Beach Villas Association of Apartment Owners (the Association or AOA) regarding an important decision and vote of the owners.

With all of the communication coming your way, we thought it would helpful if we provided our perspective to the more frequently asked questions that we've heard. Our goal is to ensure that you are kept informed about matters of governance that could affect your enjoyment of the Beach Villas at Ko Olina.

Please do not hesitate to contact me or any of our team members if you have questions regarding these matters.

Sincerely,

Bruce N. Sloan
Division President
Centex Destination Properties - Hawaii

June 24, 2009

**Questions and Answers for Owners
Beach Villas at Ko Olina**

Q: What is the main issue that needs to be resolved by a vote of the owners?

At issue is who will have control of some important public areas at the Beach Villas.

You will be asked to vote on converting or "re-characterizing" (as such term is used in the Condominium Declaration) the *Limited Common Elements* of (or appurtenant to) Commercial Apartment 2 into *Common Elements* of the Project.

Q: What does it mean to "re-characterize" the Limited Common Elements into Common Elements?

Some of the Beach Villas owners have come to Centex and asked that they be provided more of an opportunity to participate in the future governance of some of the Limited Common Elements at the Beach Villas. These Limited Common Elements include such areas as the pools, landscaping, drives and unassigned parking stalls and open spaces around the buildings. Under the current Association structure, these areas are within Limited Common Elements of Commercial Apartment 2 (also informally known as the "Members Lounge" or the "Business Apartment" in the Condominium Declaration) and are used but not directly controlled (as to their maintenance and use) by the Beach Villas owners. Instead, the use and maintenance of such Limited Common Elements is controlled by the owner of the Members Lounge.

A portion of the Limited Common Elements of Commercial Apartment 2 described as the lagoon pool area, P1 bar storage area and beach front area are currently part of the "Premises" that are leased pursuant to the Lease (as amended) of the Beach Bar. Upon re-characterization of the Limited Common Elements of Commercial Apartment 2, such areas (as Common Elements) shall remain subject to such Beach Bar Lease.

If the vote is not approved by 75% of the membership and no other action is taken with respect to the Limited Common Elements of the Members Lounge, then Ko Olina Development (KOD) will eventually have the right to control the use, maintenance and access of these public areas within the Beach Villas by virtue of its right to purchase and ultimate ownership of the Members Lounge.

Q: What is Centex's position on this matter and why?

We think it is important for the owners to have a say in this change through a ballot vote conducted in accordance with the terms of the Condominium Declaration. While Centex already has the unilateral right to amend the Condominium Declaration to convert the "Limited Common Elements" to "Common Elements" and thereby give control of such Common Elements to the Association pursuant to its reserved right under the Declaration, we believe owners should have a say in this change. Accordingly, we have asked that the Association submit this question to a vote of the owners.

Q: Why does this need to be done now?

Centex believes it is in the best interests of the Beach Villa owners to resolve these issues now. In particular, we believe that a decision on these changes should be made before the upcoming scheduled sales event.

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Q: What should be my concerns if I fail to vote or vote “no” for the proposed amendment?

If you do not vote then you are in effect voting “no” as 75% of the ownership (“Common Interest” under the Condominium Declaration) must vote “yes” to implement the change. If the change is not undertaken, then control of some important amenities will most likely rest with the Resort’s Master Developer, KOD, whose interests may or may not be aligned with yours.

Q. If action is not taken, why will KOD gain control of these public areas?

The Limited Common Elements in question are Limited Common Elements to the Members Lounge, which is currently owned by Centex Homes. KOD has the right to take ownership of the Members Lounge from Centex Homes under certain circumstances before the end of 2012. Mr. Stone has asserted that these public areas that comprise the Limited Common Elements should remain as Limited Common Elements to the Members Lounge when it is acquired by KOD. Centex does not share Mr. Stone’s view but believes that if the owners want the areas in question to become Common Elements of the Project that the re-characterization of the Limited Common Elements to Common Elements should occur.

Q: Does Centex have a financial interest in the outcome of the vote?

Centex Homes has a financial interest in selling the remainder of the units at the Beach Villas so that it can recover as much as possible of its investment in Ko Olina. Centex Homes believes that its sales will be strongest if the current owners are satisfied with the ownership, control, management and use arrangements for key public areas like the Limited Common Elements.

Q: Ko Olina Development and Ko Olina Realty have filed litigation against Centex...what’s that all about?

Centex has tried to avoid litigation with Mr. Stone through extensive negotiations. We disagree with his allegations and believe that we will be successful in defending our rights in court.

Q: Does Mr. Stone have a prior right to buy any of the units that will be offered in the upcoming sales event?

This is one of the subjects of the lawsuit. Centex strongly disagrees with the merits of the allegations related to the right to purchase units made by KOR in the lawsuit. While we do not wish to argue the merits of the litigation in this communication since it is up to the Court to decide, we believe that you should review the independent opinions of Mr. Kanazawa who represents similarly situated owners like yourself as to his impressions of the merits of the claims made by KOD and KOR as set forth in his recent communications to owners. We may decide not to offer the affected units, which total 35, in the scheduled sales event as a result of Stone’s filing of litigation and recording a notice of pending action against the affected units.

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Q: I see in Mr. Stone's letter that he contends that changing the Limited Common Elements to Common Elements would "destroy the fabric of the project." What is he talking about and how could that occur?

Mr. Stone wants to have the right to assert unilateral authority over the operation and use of the Limited Common Elements at issue. He believes that he will gain these rights when he acquires the Members Lounge and that it will be in the best interests of the Project for him to have this authority.

Mr. Stone would probably argue that in a complex resort like this one, the best operation and maintenance of standards can be assured only if control of key public areas rests with a sophisticated resort manager and not with the owners' association. Failure to do so, he would probably argue, runs the risk of damaging the fabric of the Project.

We believe that the owners at the Beach Villas should make this decision for themselves. We also point out that the use of the Limited Common Elements will not be altered by the re-characterization.

Q: Should I worry about Mr. Stone's suggestion that by voting I may become involved in litigation?

We regret that Mr. Stone has raised the specter of litigation for owners called to make a decision on an issue of significant importance to the Project. In order to help the voting process, Centex will pay for a single lawyer to defend the AOA and all owners who request such a defense against any claims which may ultimately be brought by Mr. Stone related solely to an owner having voted on the amendment or the AOA in adopting and recording the amendment (if approved). Also, if Mr. Stone recovers a judgment against an owner solely for having voted on the amendment or the AOA in adopting and recording the amendment (if approved), Centex Homes will pay the judgment. The defending attorney will be a Hawaii trial lawyer chosen by Centex solely for this purpose and none other. Mr. Stone, who is also an owner, will not be eligible for this defense and indemnity. We hope this offer of support will help you focus your attention on deciding which way to vote.

Q: When will we see the ballot?

Independent legal counsel for the AOA is preparing the ballot and background material and is expected to send that to you in the next few days.

Q: Is there anything I need to do now?

Please read the information from the AOA carefully and send in your vote in a timely manner.

Q: Will Centex vote?

Centex has the right to vote as any other owner and will participate in the voting. Centex intends to vote "Yes" for the proposed amendment. Consequently, a vote of about 50% of the other owners will be sufficient for the vote total to reach the necessary 75%. Centex decided to vote "Yes" because it believes, on balance, that it will be better for the Project if the AOA controls and manages the areas affected by the proposed amendment.