

Dear Beach Villa Owners,

When most of you were shown the beautiful pools, gardens, member lounge, gym and other amenities of The Beach Villas by the Centex sales force you weren't told that you may never own them. Our legal documents are different from the majority of the condominiums in the United States. In our case the pools, gardens, member lounge, gym and other amenities are either part of or attached to six commercial apartments presently owned by Centex. In almost all condominium developments when the last unit is sold these amenities are turned over to the condominium association as they have been paid for with part of the purchase price of the condominium units. This may not be true at The Beach Villas.

The legal documents written by Centex for The Beach Villas state, "The Developer, its successors and assigns, as Owner of the Commercial Apartments, shall have the reserved right, but not the obligation, to lease or transfer ownership of any of the Commercial Apartments owned by the Developer to the Association or a THIRD party" (emphasis added.). In another part of the hundreds of pages of Centex documents there is a list of approximately seventy legal documents. One of the documents is called a Right of First Refusal between Centex and Ko Olina Development, LLC. There is nothing to tell you what this Right of First Refusal is about in the Centex documents. In fact we later determined that this may mean that if Centex offers the amenities to the homeowners for one dollar, Ko Olina Development LLC can offer one dollar and take control of all of the commercial apartments and our amenities. The Manager of Ko Olina Development, LLC is Jeffrey R. Stone. We believe that Mr. Stone's companies also have several written agreements for management of our property including our bar, which is also one of the commercial apartments.

The legal documents prepared by Centex also state, "Owners will be responsible for paying for the cost associated with such usage and may also be charged certain other fees associated with such usage which may result in profits to the owner of the business apartments". We have been told that at present time our fees don't include any profit. The documents state that owners of the business apartments can reserve for itself the exclusive use of certain portions of the property, the owner can construct, license, lease or convey out improvements to the association or a third party as the business apartment owner's sole reasonable discretion. As an example the owner of the business apartments could make changes to our gym and sell licenses to outsiders or move the fence by the bar and make it public like the Marriott timeshare property.

Our documents state that the association shall reimburse the business apartment owner with the association's share of the expenses in use and upkeep of the facilities. The documents also state we will pay the owner of the business apartments share of any of these expenses. The charges can be raised by up to 20% per year against our homeowners' dues and we may have no recourse as license fees are controlled by the owner of the business apartments. The resort manager can make changes to the types and amounts of services we have only upon the direction and approval of the owner of the business apartments. As owners we may have no control over this. If our documents are not changed prior to Centex selling out of the project it could leave Mr. Stone's companies in complete control of our property other than your actual unit. They could also have the right to mortgage these parts of our property under these documents. There are many other

issues that we are not visiting in this letter that we believe would also harm our interests as homeowners.

When a small group of us realized after the purchase of our condominium apartments what was going on we raised these issues with Bruce Sloan, Division President, Centex Real Estate Corporation. Mr. Sloan agreed to meet with us and at one of the several meetings we had with him he told us that we would be offered the commercial apartments for one dollar. This could mean under our present documents Mr. Stone's company may pay one dollar and could claim to own what we believed we had already paid for. After several meetings we believed that Mr. Sloan had agreed to make changes, which we believed would have relieved us from the some of the onerous provisions of these documents. We believe that these documents were never fully and properly explained to the purchasers at The Beach Villas. We actually had been given drafts of changes done by Mr. Sloan and his Centex legal counsel. A few weeks ago Mr. Sloan told us that his boss had instructed him to discontinue this process and talk to Mr. Stone concerning this matter. Therefore the changes that we believed Centex had agreed to make have been halted.

We believe it is necessary for us to hire legal counsel and find out what our rights are under Hawaiian law and to follow his advice as to what actions we should take in this matter. The undersigned are asking you to join with us and pay three thousand dollars each to hire legal counsel. If you agree to join us and help pay for the legal counsel in this matter please email Rodger Wilson at wilsonusa@msn.com. This money will be placed in a separate account and if not used for legal fees will be returned in a prorated amount less the money spent for legal counsel. If you have any questions please contact Mr. Wilson at his home in Colorado at 303.690.4724.

Sincerely,

Rodger Wilson
Andre Vanier
Helen Hayes
Klaus Seidel
Rob Floe
Wilf Brooks
Wlodek Bugaski
Alfred Harding
Wallace Woo
Emmett McGuire
Philip Cheng
Charles Walker
George Murdock
Damian Ameen