

AINA LE'A, INC.
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May 4, 2020

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Executive Director
State of Hawaii Land Use Commission
235 South Bretania Street, Room 406
Honolulu, Hawaii 96804-2359

Michael Yee
Planning Director
County of Hawaii
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LAND USE PERMITS
STATE OF HAWAII

2019 Annual Report for LUC Docket No. A87-617

Gentlemen:

This 2019 annual report incorporates by reference the 2017-2018 Annual Report filed on or about September 25, 2018, for LUC Docket No. A87-617

Aina Le'a Inc. and its 1,056 shareholders own four tax parcels:

- 3-6-8-001-038-0000
- 3-6-8-001-039-0000
- 3-6-8-001-036-0000
- 3-6-8-001-069-0000

In accordance with the terms of Aina Le'a Inc.'s confirmed plan of reorganization in its Chapter 11 Bankruptcy case BK No. 17-00611 in the US Bankruptcy Court for the District of Hawaii, the parcels are now held in three wholly owned development subsidiaries:

B-1-A-D-1-A, LLC owns 1,011 acres and is being planned for development as the Town of Aina Le'a: parcels 3-6-8-001-038 and 3-6-8-001-039

Ho'Olei Village, LLC owns 23 acres and is being planned for development as Ho'Olei Village: parcel 3-6-8-001-069

Lulana Gardens, LLC owns 38 acres and is under development for 435 affordable family homes: parcel 3-6-8-001-036-0000.

A fifth parcel 3-6-8-001-025-000 is under an option to purchase by Aina Le'a Inc. but continues to be owned by Bridge Aina Le'a, LLC.

The Aina Le'a development progress has been delayed and stopped by no-growth challenges to the 1987 State and 1996 County approved ordinances by wealthy vacation second home property owners from the nearby resorts. The no-growth filings are designed to limit local Hawaiians use of "their beaches". The District Court and State Supreme Court have now resolved the issues raised by this group.

The 2010 Environmental Impact Statement (FEIS), accepted and published by the OEQC in November 2010, defines the Program for the above Aina Le'a lands and the specific Lulana Gardens Project. At the request of the Planning Department, Aina Le'a, Inc. is addressing the 11-year delay with supplemental new 2020 traffic and socio-economic studies. The studies have been completed and a public notice filed with the County Planning Department for filing with the OEQC. A legal action to determine the continuing validity of the published 2010 FEIS has been filed and is now pending in the District Court under case # 3CCV-20-0000107. Upon resolution of the legal action, County Planning will know whether the supplements should be noticed as an SEIS or a new EIS for the planned Project District rezoning filing. Although a hearing was scheduled for April 29, 2020, the hearing has been continued due to fall out from CORONA 19. The Court should make its determination within the next 60 days.

In 2013, the challenge to the 2010 published environmental impact statement was remanded by the District Court to the County Planning Department to determine what if any additional disclosure should be added to the 2010 FEIS. In May 2017, the County Planning Director issued an order to stop all work until the County Planning Department could determine what additional information may be necessary to supplement the 2010 FEIS. The County Planning Department has continued to enforce its stop work notice, compelling the new District Court Action.

During the 2019 period, the DOT has conducted its meetings with the Mauna Lani Resort Association discussing a roundabout intersection alternative as opposed to the signalized intersection submitted by Wilson Okamoto Engineering on behalf of Aina Le'a Inc. DOT has determined that a channelized intersection remains appropriate and has approved the plans as drawn and submitted by Wilson Okamoto. The intersection construction funds remain on deposit in the construction escrow and the contractor has requested a permit to immediately build the intersection.

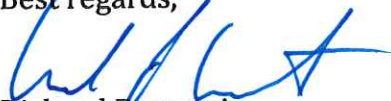
In August 2019, Aina Le'a Inc. bought back the Aina Le'a Land Trust ownership interests and Aina Le'a, Inc., through its three subsidiaries, owns 100% of the Aina Le'a, Inc. property listed above.

In August 2019, Aina Le'a, Inc. turned the Ouli Wells lease back to Bridge Aina Le'a LLC. Aina Le'a, Inc. has reached agreement with Hawaii Water Service to provide drinking water, recycled water for irrigation, and the ownership and operation of on-site wastewater plants. County of Hawaii Department of Water provided a letter to Hawaii Water Service confirming its agreement for Hawaii Water to serve both Lulana Gardens and all of Aina Le'a Inc.'s 1,072 acres.

Lulana Gardens, LLC is building the affordable homes under the County approved Ordinance 96-153 in full compliance with the Ordinance. However, the stop work notice has delayed the timing of compliance requirements. On December 23, 2019 Lulana Gardens, LLC filed a completed 201H application with the Department of Housing to file with County Council to expedite the building of the affordable family homes. The processing of the 201H application has been delayed pending the District Court's determination of its 2013 District Court Order.

Lulana Gardens has the valid building permits, installed the health and safety required utilities including water service, wastewater collection system, access roadway and storm drainage control system. 40 affordable family townhomes are constructed, the two models furnished and shown to potential buyers and renters with very positive building requests from local families. The 201H application for County Council approval requests waivers of delays in specific time related Ordinance compliance caused by the Stop Work letter. Lulana Gardens has two commitments to fund the complete building of the 435 homes (a) \$42.6 million construction loan and (b) a \$65 million HUD insured 40-year loan for 160 family rental homes. The two Lulana Gardens, LLC loans supplement the \$124,991,166 already invested in purchasing and developing the infrastructure for the four parcels owned by Aina Le'a Inc.'s subsidiaries.

Best regards,



Richard Bernstein

President - Aina Le'a, Inc. (SEC symbol AIZY)