

ARTICLE VIII. COVENANTS OF THE ISSUER

HAWAIIAN PARADISE PARK OWNERS ASSOCIATION

and

**UNION BANK OF CALIFORNIA, N.A.,
as Trustee**

TRUST INDENTURE

**\$12,085,000
Hawaiian Paradise Park Owners Association
Homeowners Assessment Revenue Bonds, Series 2007**

Dated as of June 1, 2007

**ARTICLE VIII
COVENANTS OF THE ISSUER**

Section 8.01. Maintenance of Existence and Powers. For so long as any Bonds remain Outstanding, the Issuer covenants that:

(a) It shall maintain its corporate existence and its power and authority to perform its obligations hereunder;

(b) It shall maintain its power and authority to provide for, and shall provide for, the continuous maintenance and operation of the Road Maintenance Properties, the construction or acquisition of all Projects in accordance with the provisions hereof and performance of all other repairs, renewals, replacements and improvements thereto necessary to maintain adequate service, and compliance with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any competent public authority;

(c) It shall take all actions necessary to maintain its status as a 501(c)(4) organization under the Internal Revenue Code, and shall refrain from taking any actions that would jeopardize such status; and

(d) It shall not amend its Articles of Incorporation or Bylaws to authorize any significant expansion of its objects and purposes without the prior written consent of a Majority of Owners.

Section 8.02. Performance of Covenants by Issuer. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized to issue the Bonds and to execute this Indenture, and to pledge and assign the Trust Estate in the manner and to the extent herein set forth. The Issuer further covenants that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof and hereof.

Section 8.03. Rate Covenant. The Issuer covenants that it will charge and collect its Road Maintenance Assessments and other revenues as necessary to provide, in each Fiscal Year, Revenues Available for Debt Service which shall be at least equal to 110% of the Debt Service Requirements on all Outstanding Bonds for the next succeeding Fiscal Year. The Issuer shall increase its Road Maintenance Assessments to the extent necessary to satisfy the covenant set forth in this Section 8.03 in accordance with the following:

(a) Not later than 120 days after the end of each Fiscal Year, the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer (each, a "Debt Service Coverage Certificate") setting forth the Revenues Available for Debt Service for the preceding Fiscal Year and the Debt Service Requirements for the next succeeding Fiscal Year, and the ratio (expressed in percentage terms) between such Revenues Available for Debt Service and the Debt Service Requirements. The Debt Service Coverage Certificate shall be based on the Issuer's audited

financial statements; provided that, if such audited financial statements are not available by the end of the 120-day period specified above, the Certificate shall be based on the Issuer's unaudited financial statements, with reasonable provision made for anticipated year-end adjustments.

(b) If any Debt Service Coverage Certificate discloses that the Issuer's Revenues Available for Debt Service for the preceding Fiscal Year were less than 110% of its Debt Service Requirements for the next succeeding Fiscal Year, the Issuer shall take such action as prescribed by its Articles of Incorporation and Bylaws to increase the Road Maintenance Assessments by an amount sufficient to cause its Revenues Available for Debt Service for the then-current Fiscal Year to be at least 110% of the Debt Service Requirements for the next succeeding Fiscal Year. Promptly upon implementing any such increase (and obtaining any required consents or approvals from its Members), the Issuer shall provide the Trustee and the Initial Owner with a report setting forth, in reasonable detail, the manner in which the amount of the increase was determined. Each such report shall be reviewed by the Issuer's independent auditors as to the calculation of the amount of the increase indicated therein.

Section 8.04. Enforcement of Road Maintenance Assessments.

(a) The Issuer shall diligently enforce the collection of the Road Maintenance Assessments in such manner and to such extent as will ensure that sufficient revenues will be available to pay, when due, the Debt Service Requirements on all Outstanding Bonds and all other sums due hereunder and also to comply with all of the Issuer's covenants hereunder, including but not limited to the rate covenant under Section 8.03 hereof. Without limiting the generality of the foregoing, the Issuer will pursue all available remedies under its By-Laws and applicable law with respect to delinquent Road Maintenance Assessments to the extent reasonably necessary for such purposes, including the filing of liens against properties within the Subdivision to which such delinquencies relate and the exercise of such further remedies as may be available by law, including but not limited to attachment, execution on lien, foreclosure and writ of possession.

(b) As of the date of execution of this Indenture, it is the policy of the Issuer to commence legal action to enforce the collection of Road Maintenance Assessments against properties within the Subdivision with delinquent Road Maintenance Assessments in excess of \$2,000. The Issuer shall review such policy from time to time, as necessary, and amend the same with the consent of a Majority of Owners to the extent necessary to ensure that the Issuer enforces the collection of the Road Maintenance Assessments in such manner and to such extent as will ensure compliance with the Issuer's payment obligations and covenants as aforesaid. In addition, (i) the Issuer shall file liens against any properties with delinquent Road Maintenance Assessments of \$500 or more, provided that, if the total amount of delinquent Road Maintenance Assessments as of the end of any calendar year is equal to or greater than 15% of the total amount of Road Maintenance Assessments billed for that calendar year, the Issuer shall also file liens against any properties with delinquent Road Maintenance Assessments greater than or equal to the amount of the Road Maintenance Assessment for such year, and (ii) if the total amount of delinquent Road Maintenance Assessments as of the end of any calendar year is equal to or greater than 20% of the total amount of Road Maintenance Assessments billed for that calendar year, the Issuer shall commence legal action to enforce the collection of Road Maintenance Assessments against properties with delinquent Road Maintenance Assessments of \$1,000 or more.

(c) In the event that two or more properties subject to assessment are consolidated into a single lot, the Issuer shall impose and collect the Road Maintenance Assessments for such properties as if the consolidation had not occurred. In no event shall the number of lots (treating consolidated lots as separate lots) for which the Issuer charges and collects Road Maintenance Assessments be less than 8,500, except to the extent that the number of lots may be reduced for reasons beyond the reasonable control of the Issuer, including without limitation condemnation proceedings, natural disasters or acts of God.

(d) Within 30 days after the beginning of each calendar year, the Issuer shall file with the Trustee and the Initial Owner a certificate of an Authorized Officer disclosing whether or not the Issuer was in compliance with this Section 8.04 as of the first day such calendar year.

Section 8.05. Insurance. The Issuer will (a) maintain, or cause to be maintained, insurance covering such risks and in such amounts as, in its judgment, is adequate to protect it and its properties and operations, (b) cause such coverages to be reviewed and reported on as to adequacy and acceptability of the insurance carrier by an independent insurance consultant not less often than once every second Fiscal Year, and (c) upon receipt of each report of the insurance consultant, deliver the same to the Trustee and obtain or cause to be obtained such additional, alternative or increased general commercial liability coverages as may be recommended therein by the insurance consultant; provided that the limits of the Issuer's insurance coverages shall not be reduced below the levels in effect as of the date of execution and delivery of this Indenture without the prior written consent of a Majority of Owners; and provided further that, at the time of submission of the first Requisition from the Construction Fund and at all times thereafter, the Issuer's general commercial liability insurance coverage shall have an annual aggregate limit of at least \$5 million or such higher amount as may be recommended by the insurance consultant. Such coverages shall be obtained and maintained through commercial insurance carriers or captive insurance companies qualified to do business as insurance companies under the laws of the State of Hawaii. The Trustee shall be named as a loss payee under all property insurance policies. To the extent reasonably obtainable, all insurance policies shall require the insurer to provide at least thirty (30) days' notice to the Trustee and the Initial Owner prior to termination of any coverages thereunder.

Section 8.06. Vacancies in Certain Offices. In the event of any vacancy in the office of the President, Vice President, Secretary or Treasurer of the Issuer, the Issuer shall make a good faith effort to elect a qualified replacement to fill the vacancy within 60 days after the occurrence thereof.

Section 8.07. Operating Budgets and Financial Statements.

(a) On or before the first day of each Fiscal Year, the Issuer shall file its Operating Budget for such Fiscal Year with the Trustee and the Initial Owner. Within 30 days after the adoption thereof, the Issuer shall also file any revisions to its Operating Budget with the Trustee and the Initial Owner. Each Operating Budget, as the same may be revised from time to time, shall be a balanced budget, which shall mean that the budget provides for budgeted revenues for the Fiscal Year in question which are at least equal to the budgeted expenses for such Fiscal Year.

(b) The Issuer shall keep accurate records and books of account with respect to the Road Maintenance Properties and all other properties and operations of the Issuer. The Issuer shall have a complete audit of such records and accounts made and reported on annually by an independent public accountant and shall deliver a signed copy of the audit report to the Trustee and the Initial Owner within 120 days after the completion of each Fiscal Year. Notwithstanding the foregoing, any failure

to deliver an audit report to the Trustee and the Initial Owner within such 120-day period shall not constitute an Event of Default; provided that the Issuer notifies the Trustee in writing, prior to the expiration of such period, of its inability to deliver the audit report within such period and of the date by which such delivery is expected to be made; and, provided further that the Issuer shall continue to make a good faith effort to deliver the completed audit report to the Trustee as soon as practicable thereafter.

Section 8.08. Extension of Time for Payment. The Issuer shall not directly or indirectly extend or assent to the extension of the time for payment of the principal of or interest on any Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Section 8.09. No Disposition of Trust Estate. Except as permitted by this Indenture, the Issuer shall not sell, lease, pledge, assign or otherwise encumber or dispose of its interest in the Trust Estate and will promptly pay or cause to be discharged, or make adequate provision to discharge, any lien or charge on any part thereof not permitted hereby.

Section 8.10. Financing Statements. This Indenture shall constitute a security agreement within the meaning of the Hawaii Uniform Commercial Code and the Issuer's obligations hereunder shall be secured pursuant to such Code by the security interests herein granted with respect to the Issuer's right, title and interest in and to the Trust Estate. The Issuer shall cause this Indenture or an appropriate financing statement or memorandum to be filed, registered and recorded in such manner and at such places as may be required by law fully to protect the security of the Owners of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. Concurrently with the execution and delivery hereof and thereafter from time to time, as reasonably requested by the Trustee, not less often than once every five (5) years, the Issuer shall obtain or cause to be obtained an opinion of counsel and furnish a signed copy thereof to the Trustee, setting forth what actions, if any, by the Issuer or Trustee should be taken to preserve such security. The Issuer shall perform or shall cause to be performed any such acts, and execute and cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the Trustee and the Owners of the Bonds, and shall furnish satisfactory evidence to the Trustee of recording, registering, filing and refiling of such instrument and of every additional instrument which shall be necessary to preserve the lien of this Indenture upon the trust estate or any part thereof until the principal of and interest on the Bonds secured hereby shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of counsel will preserve the lien of this Indenture upon the Trust Estate or any part thereof until the aforesaid principal shall have been paid.

Section 8.11. Recording and Filing; Instruments of Further Assurance. The Issuer agrees that the Trustee may defend the Issuer's rights to the payments and other amounts due in respect of the Gross Revenues, for the benefit of the Owners of the Bonds, against the claims and demands of all Persons whomsoever. The Issuer covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as may be reasonably required for the better

assuring, transferring, pledging, assigning and confirming to the Trustee all and singular the rights assigned hereby and the amounts pledged hereby to the payment of the principal or redemption price of and interest on the Bonds.

Section 8.12. Access to Books. All books and documents in the possession of the Issuer relating to any Project and the Trust Estate shall at all reasonable times be open to inspection by the Trustee and the Initial Owner and such accountants or other agents of the Trustee and the Initial Owner, if any, as the Trustee or the Initial Owner may from time to time designate.

Section 8.13. Limitation on Indebtedness. The Issuer shall not incur any indebtedness (other than indebtedness in the form of Additional Bonds) without the prior written consent of a Majority of Owners, except for up to \$250,000 of indebtedness at any one time outstanding which is either unsecured or secured by a lien on the Trust Estate on a subordinate basis to the lien securing the Series 2007 Bonds.