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FOUNDED 1866

July 25, 2007

**Via Facsimile and Certified U.S. Mail,
 Return Receipt Requested**

Kuilima Resort Company
 c/o Oaktree Capital Management, LLC
 1301 Avenue of the Americas, 34th Floor
 New York, New York 10019

Paul, Weiss, Rifkind, Wharton & Garrison LLP
 1285 Avenue of the Americas
 New York, New York 10019-6064

Attention: Mitchell L. Berg

Attention: Russell S. Bernard and
 Marc Porosoff

Kuilima Resort Company
 57-091 Kamehameha Highway
 Kahuku, Hawaii 96731

Hennigan, Bennett & Dorman LLP
 865 South Figueroa Street
 Suite 2900
 Los Angeles, CA 90017

Attention: Bruce Bennett

Attention: Hy Adelman

NOTICE OF EVENTS OF DEFAULT

Gentlemen:

Please refer to the First Lien Credit Agreement, dated as of September 30, 2005, as amended by that certain Waiver and Amendment dated as of May 30, 2007 ("Waiver and Amendment") (together, the "Credit Agreement"), by and among Kuilima Resort Company ("Borrower"), the Lenders (as defined in the Credit Agreement), and Credit Suisse, Cayman Islands Branch, in its capacity as administrative agent, collateral agent, lead arranger and sole book runner for the Lenders ("Agent"). Capitalized terms not otherwise defined in this letter have the meanings given them in the Credit Agreement.

Under Section 2.4A of the Credit Agreement, on June 29, 2007 Borrower was obligated to make a principal payment on the Loans in an amount equal to \$687,500.00. Borrower failed to make such payment when due, and such payment remains unpaid. Under Section 7.1 of the Credit Agreement, Borrower's failure to make such payment when due was an immediate Event of Default, without notice or a grace or cure period. As a courtesy, we hereby notify Borrower that an Event of Default exists under Section 7.1 of the Credit Agreement by reason of Borrower's failure to make the principal payment on the Loans due on June 29, 2007 under Section 2.4.A. of the Credit Agreement.

Additionally, under Section 2.2C of the Credit Agreement, \$5,328,445.21 in accrued interest on the Loans was due and payable on June 29, 2007. Borrower failed to make such payment on

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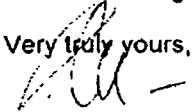
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or before June 29, 2007. Under Section 7.1 of the Credit Agreement, Borrower was required to make such payment within three business days after the date on which such payment was due, without notice or any further grace or cure period. The third business day after June 29, 2007 was July 5, 2007. Borrower failed to pay such payment on or before July 5, 2007, and such payment remains unpaid. We hereby notify Borrower that an Event of Default exists under the Credit Agreement, by reason of Borrower's failure to pay interest on the Loans when due under Section 2.2C of the Credit Agreement.

Such Events of Default are independent of those Events of Default and Defaults referred to in the Waiver and Amendment.

On behalf of Agent and Lenders, we hereby reserve all claims, defenses, rights and remedies.

Very truly yours,



Paul R. Walker

cc: Michael Criscito
Dana Klein