

135 North Los Robles Avenue
Suite 300
Pasadena, CA 91101-1707
626 396 5100

5/20/2003

Mr. Gerald K. Tanaka
Builder Account Manager
North American Mortgage Company
1001 Bishop Street, Suite 2400, Pacific Twr.
Honolulu, HI 96813

RE: FINAL PROJECT ACCEPTANCE (1028)

Project Name: Waikoloa Colony Villas Condos
Waikoloa, HI
Phase(s): 1 (Bldg 12-15, 19 & 20)
Date expires: 5/19/2006

Dear Mr. Tanaka:

Fannie Mae has reviewed the Application Form relating to the above-identified project, together with the accompanying documents listed therein, hereby issues a Final Project Acceptance (Form 1028) relating to such Project and containing terms and conditions for such acceptance.

Based solely upon a review of the foregoing forms and supportive documentation, including documents submitted pursuant to requirements specified by Fannie Mae in its Conditional Project Acceptance (Form 1027) and in full reliance upon the representations, warranties and information made or furnished to Fannie Mae or set forth in the Fannie Mae Selling Guide, it has been determined that the documentation relating to said Project, heretofore submitted, will be acceptable to Fannie Mae with respect to mortgages on individual units within such Project which Fannie Mae shall have committed to purchase or otherwise shall be agreeable to purchase, provided Lender furnishes Fannie Mae with each loan on an individual unit of said Project delivered for purchase, a satisfactory mortgage and promissory note (or other authorized debt and security instruments) in form acceptable to Fannie Mae, together with all other documents not theretofore furnished to and approved by Fannie Mae which are required by the Selling Guide to be submitted as a prerequisite to the purchase of such loan including, but not limited to, all required title evidence and related documentation and all required credit or property underwriting documentation.

Notwithstanding anything herein to the contrary, Fannie Mae shall have the option of terminating this Final Project Acceptance in the event of inadequate maintenance, market deterioration, or other factors diminishing mortgage security and any change, modification,

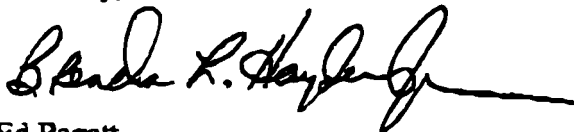
termination, or supercedure of any documents relating to the Project or individual units within the Project, including but not limited to the declaration, covenants, conditions and restrictions, bylaws, exhibits and other instruments and communications, if any, previously forwarded to Fannie Mae.

Lender is required to notify Fannie Mae immediately of any significant change in the project or its market environment.

It is understood that this Final Project Acceptance is not issued for the exclusive use and benefit of the above Lender. The attached "Warranty By Lender" is considered to be a part of this Final Project Acceptance.

If you have any questions regarding this project please contact the undersigned at 626-396-5459.

Sincerely,



Ed Pagett
Underwriting Consultant

1028 / 02-183

Unit Addresses:

WARRANTY BY LENDER

Project Name: Waikoloa Colony Villas Condos
Phase(s): 1 (Bldg 12-15, 19 & 20)

Lender hereby warrants as follows to Fannie Mae in connection with the purchase by Fannie Mae of the mortgage on a unit in the Project or Phase(s) described on the attached "Final Acceptance" dated 5/20/2003.

- 1. No facts or circumstances that might reasonably have a significantly adverse effect upon the Project or Phase(s) (including but not limited to matters relating to the viable condition and sound functioning of the Project or Phase(s)) have arisen or have been discovered that would be material to Fannie Mae in evaluating a loan on a unit in the Project or Phase(s) for purchase; except as disclosed in full by Lender to Fannie Mae in writing on or before the date of delivery of the Mortgage to Fannie Mae.**
- 2. The Project or Phase(s) legal documents, contracts, conveyances, plats, plans, insurance coverage, and presale conditions--and other documents relating to the establishment and maintenance of the Project or Phase(s)--previously described on and submitted with an "Application for Project Acceptance" (Form 1026), and "Application for Acceptance of Established Project" (Form 1091), cited in the "Warranty of Presales" (Form 1029) or in the "Warranty of Project Legal Documents" (Form 1054), or submitted pursuant to requirements specified in Form 1027, remain in full force and effect and have not been changed, modified, revised, superceded, or terminated in whole or in part subsequent to the issuance date of the "Final Project Acceptance", except as disclosed in full by Lender to Fannie Mae in writing on or**
- 3. The foregoing warranties and Fannie Mae's rights and remedies for breach of such warranties will survive Fannie Mae's purchase of such loan, and will inure to the benefit of Fannie Mae, its successors and assigns. Each such warranty is made in addition to, and not in substitution for, the warranties set forth in the Fannie Mae Mortgage Selling and Servicing Contract and the Fannie Mae Selling Guide and subsequent Announcements and Letters.**

Neither Fannie Mae's examination of such loan nor any failure by Fannie Mae to discover a breach of warranty, or to avail itself of (a) the right to require Lender to repurchase the loan or (b) any other right or remedy for such breach, will constitute or effect a waiver by Fannie Mae of its continuing right thereafter to assert any such breach to require such a repurchase, or to avail itself of any right or remedy that it may have hereunder, under the above-mentioned Contract or Selling Guide, or otherwise.

All rights and remedies of Fannie Mae hereunder (together with those under Contract and Guide) are distinct and cumulative, not only as to each other, but as to any rights or remedies afforded by law or equity. They may be exercised together, separately, or successively.