

FILED

2013 NOV 13 PM 3:20

U.S. DISTRICT COURT  
DISTRICT OF HAWAII



**DESTINATION MAUI** INC.  
Property Management

November 7, 2013

Regional Hearing Clerk  
Mr. Jeff Scott, Director, Communities and Ecosystems Division  
Mr. Max Weintraub, Lead-Based Paint Enforcement Coordinator  
Mr. Ivan Lieben, Attorney  
USEPA, Region IX  
75 Hawthorne St.  
San Francisco, CA 94105

**Subject: Response to Preliminary Statement (Docket No. TXCA-09-2011-0010 and Request for Opportunity to Request a Hearing**

Dear Sirs:

We acknowledge receipt of your Preliminary Statement ("Statement"), dated 9/4/13, which was received by our office on 9/6/13. As I explained in an email to Mr. Weintraub I was out of the office for 3 weeks with a virus infection. The mail was left on my desk unopened. Upon return to my office I requested that an extension be granted and Mr. Weintraub granted the extension until 11/8/13.

The Statement indicates that there were violations on 9 properties under our management that were constructed prior to 1978. This is listed on page 5 of the Statement. There are a total of 61 violations for these 9 properties. In other words, the EPA has assessed multiple violations on each property.

As part of our due diligence we conducted an extensive search of our archives on these 9 properties and discovered the following with respect to the properties charged with violations:

1. Paragraph No. 33 – 1838 Kaohu St. *For the lease entered into on September 3, 2010 for 1838 Kaohu Street, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a Lead Warning Statement containing the language provided in 40 C.F.R. § 745.113(b)(1).*

Response: The disclosure form was given to the Lessee. However, it was misfiled and not given to Mr. Weintraub. We apologize for this oversight and have enclosed a copy of the document as Exhibit A. As a result, we ask that this Count be removed.

2. Paragraph No. 34 – 249 Muliwai Dr. *For the lease entered into on June 20, 2009 for 249 Muliwai Drive, Wailuku, Hawaii, Respondent failed to include, as an attachment to or*

*within the lease, a Lead Warning Statement containing the language provided in 40 C.F.R. § 745.113(b)(1).*

Response: This tenant and the tenant's lease were secured by another rental management company. Mr. Weintraub reviewed the lease written by the previous rental agent and management company – Maui Real Estate Group, LLC. This lease expired 1/31/10. DMI entered into a management agreement with the owner in late 2009. The lease of June 20, 2009 was still in effect when we took over the management of the unit. We were instructed by the owner and legally obligated to honor the terms of the existing lease. Effective 2/1/10, we executed a new rental agreement with the same tenant and provided all of the required EPA approved lead-based warning statements. A copy of our rental agreement with attachments is enclosed as Exhibit B. As a result, we ask that this Count be removed.

3. Paragraph No. 38 – 111 Kahului Beach Road. *For the lease entered into on December 15, 2009 for 111 Kahului Beach Road, Kahului, Hawaii, Respondent failed to include, as an attachment to or within the lease, a Lead Warning Statement containing the language provided in 40 C.F.R. § 745.113(b)(1).*

Response: The disclosure form was included with the tenant's Lease. We are not certain that a copy was given to Mr. Weintraub. We have enclosed a copy of the document as Exhibit C. As a result, we ask that this Count be removed.

4. Paragraph No. 44 – 1838 Kaohu St. *For the lease entered into on September 3, 2010 for 1838 Kaohu St., Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a statement by Respondent disclosing the presence of known lead-based paint and/or lead-based paint hazards in the unit being leased or indicating no knowledge of the presence of lead-based paint and/or lead-based paint hazards*

Response: The disclosure form was given to the Lessee. However, it was misfiled and not given to Mr. Weintraub. We apologize for this oversight and have enclosed a copy of the document as Exhibit A. As a result, we ask that this Count be removed.

5. Paragraph No. 45 – 249 Muliwai Dr. *For the lease entered into on June 20, 2009 for 249 Muliwai Drive, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a statement by Respondent disclosing the presence of known lead-based paint and/or lead-based paint hazards in the unit being leased or indicating no knowledge of the presence of lead-based paint and/or lead-based paint hazards*

Response: This tenant and the tenant's lease were secured by another rental management company. Mr. Weintraub reviewed the lease written by the previous rental agent and management company – Maui Real Estate Group, LLC. This lease expired 1/31/10. DMI entered into a management agreement with the owner in late 2009. The lease of June 20,

2009 was still in effect when we took over the management of the unit. We were instructed by the owner and legally obligated to honor the terms of the existing lease. Effective 2/1/10, we executed a new rental agreement with the same tenant and provided all of the required EPA approved lead-based warning statements. A copy of our rental agreement with attachments is enclosed as Exhibit B. As a result, we ask that this Count be removed.

6. Paragraph No. 49 – 111 Kahului Beach Road. *For the lease entered into on December 15, 2009 for 111 Kahului Beach Road, Kahului, Hawaii, Respondent failed to include, as an attachment to or within the lease, a statement by Respondent disclosing the presence of known lead-based paint and/or lead-based paint hazards in the unit being leased or indicating no knowledge of the presence of lead-based paint and/or lead-based paint hazards,*

Response: The disclosure form was included with the tenant's Lease. We are not certain that a copy was given to Mr. Weintraub. We have enclosed a copy of the document as Exhibit C. As a result, we ask that this Count be removed.

7. Paragraph No. 55 – 1838 Kaohu St. *For the lease entered into on September 3, 2010 for 1838 Kaohu Street, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a list of any records or reports available to Respondent pertaining to lead-based paint and/or lead-based paint hazards in the units that had been provided to the lessee or indicate that no such records or reports are available.*

Response: The disclosure form was given to the Lessee. However, it was misfiled and not given to Mr. Weintraub. We apologize for this oversight and have enclosed a copy of the document as Exhibit A. As a result, we ask that this Count be removed.

8. Paragraph No. 56. 249 Muliwai Dr. *For the lease entered into on June 20, 2009 for 249 Muliwai Drive, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a list of any records or reports available to Respondent pertaining to lead-based paint and/or lead-based paint hazards in the units that had been provided to the lessee or indicate that no such records or reports are available.*

Response: This tenant and the tenant's lease were secured by another rental management company. Mr. Weintraub reviewed the lease written by the previous rental agent and management company – Maui Real Estate Group, LLC. This lease expired 1/31/10. DMI entered into a management agreement with the owner in late 2009. The lease of June 20, 2009 was still in effect when we took over the management of the unit. We were instructed by the owner and legally obligated to honor the terms of the existing lease. Effective 2/1/10, we executed a new rental agreement with the same tenant and provided all of the required EPA approved lead-based warning statements. A copy of our rental

agreement with attachments is enclosed as Exhibit B. As a result, we ask that this Count be removed.

9. Paragraph No. 60 – 111 Kahului Beach Rd. *For the lease entered into on December 15, 2009 for 111 Kahului Beach Road, Kahului, Hawaii, Respondent failed to include, as an attachment to or within the lease, a list of any records or reports available to Respondent pertaining to lead-based paint and/or lead-based paint hazards in the units that had been provided to the lessee or indicate that no such records or reports are available.*

Response: The disclosure form was included with the tenant's Lease. We are not certain that a copy was given to Mr. Weintraub. We have enclosed a copy of the document as Exhibit C. As a result, we ask that this Count be removed.

10. Paragraph No. 67 – 1838 Kaohu St. *For the lease entered into on September 3, 2010 for 1838 Kaohu Street, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a statement by the lessee affirming receipt of the information set forth in 40 C.F.R. §§ 745.113(b)(2) and (3) and the lead hazard information pamphlet required under 15 U.S.C. § 2696.*

Response: The disclosure form was given to the Lessee. However, it was misfiled and not given to Mr. Weintraub. We apologize for this oversight and have enclosed a copy of the document as Exhibit A. As a result, we ask that this Count be removed.

11. Paragraph No. 68 – 249 Muliwai Dr. *For the lease entered into on June 20, 2009 for 249 Muliwai Drive, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a statement by the lessee affirming receipt of the information set forth in 40 C.F.R. §§ 745.113(b)(2) and (3) and the lead hazard information pamphlet required under 15 U.S.C. § 2696.*

Response: This tenant and the tenant's lease were secured by another rental management company. Mr. Weintraub reviewed the lease written by the previous rental agent and management company – Maui Real Estate Group, LLC. This lease expired 1/31/10. DMI entered into a management agreement with the owner in late 2009. The lease of June 20, 2009 was still in effect when we took over the management of the unit. We were instructed by the owner and legally obligated to honor the terms of the existing lease. Effective 2/1/10, we executed a new rental agreement with the same tenant and provided all of the required EPA approved lead-based warning statements. A copy of our rental agreement with attachments is enclosed as Exhibit B. As a result, we ask that this Count be removed.

12. Paragraph No. 80 – 249 Muliwai Dr. *For the lease entered into on June 20, 2009 for 249 Muliwai Drive, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, a statement that it, as the agent, has informed the lessor of the lessor's*

*obligations under 42 U.S.C. § 4852d and that it is aware of the duty to ensure compliance.*

Response: This tenant and the tenant's lease were secured by another rental management company. Mr. Weintraub reviewed the lease written by the previous rental agent and management company – Maui Real Estate Group, LLC. This lease expired 1/31/10. DMI entered into a management agreement with the owner in late 2009. The lease of June 20, 2009 was still in effect when we took over the management of the unit. We were instructed by the owner and legally obligated to honor the terms of the existing lease. Effective 2/1/10, we executed a new rental agreement with the same tenant and provided all of the required EPA approved lead-based warning statements. A copy of our rental agreement with attachments is enclosed as Exhibit B. As a result, we ask that this Count be removed.

13. Paragraph No. 93. – 1838 Kaohu St. *For the lease entered into on September 3, 2010 for 1838 Kaohu Street, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, the signature of Respondent and the lessee certifying to the accuracy of their statements, to the best of their knowledge, along with the dates of signature.*

Response: The disclosure form was given to the Lessee. However, it was misfiled and not given to Mr. Weintraub. We apologize for this oversight and have enclosed a copy of the document as Exhibit A. As a result, we ask that this Count be removed.

14. Paragraph No. 94 – 249 Muliwai Dr. *For the lease entered into on June 20, 2009 for 249 Muliwai Drive, Wailuku, Hawaii, Respondent failed to include, as an attachment to or within the lease, the signature of Respondent and the lessee certifying to the accuracy of their statements, to the best of their knowledge, along with the dates of signature.*

Response: This tenant and the tenant's lease were secured by another rental management company. Mr. Weintraub reviewed the lease written by the previous rental agent and management company – Maui Real Estate Group, LLC. This lease expired 1/31/10. DMI entered into a management agreement with the owner in late 2009. The lease of June 20, 2009 was still in effect when we took over the management of the unit. We were instructed by the owner and legally obligated to honor the terms of the existing lease. Effective 2/1/10, we executed a new rental agreement with the same tenant and provided all of the required EPA approved lead-based warning statements. A copy of our rental agreement with attachments is enclosed as Exhibit B. As a result, we ask that this Count be removed.

Based on the foregoing comments, we request that 14 of the 61 Counts be removed. This leaves a balance of 47 violations. Again, we should point out that there are only 9 properties cited. DMI manages approximately 150 individual residential units.

In our telephone conversations with Mr. Weintraub and Mr. Lieben, we all agreed that these violations were administrative or clerical errors. DMI's rental policies have been consistent with respect to providing lead-based paint and/or hazard warnings to tenants occupying units built prior to 1978. In other words, these violations were anomalies and made by only one of our three full-time rental agents, who has been severely reprimanded, and in all likelihood, will be terminated. To underscore that these have been anomalous issues, other tenants in the 9 properties cited were given the required lead-based paint and hazard warnings. In other words, DMI has long practiced full compliance with the law and ethical standards mandated by our profession.

As a result, we feel that the proposed penalties of \$190,000+ is egregious. There are many rental agents, who through unsound practices and/or ignorance of the law, continue to practice. Once the disputed Counts are removed, and we are advised of the new proposed penalties, we are willing to work the EPA on a reduced settlement and/or alternative resolutions.

In furtherance of our appeal, we are enclosing our letter to Mr. Weintraub and Mr. Lieben, dated 5/7/2013. This letter provides a history of events, mitigating steps taken as a result of the EPA investigation and certain requested documents. In addition, we discussed the frail financial condition of DMI. This is attached as Exhibit D. We have included the enclosures included with the letter except for the income tax return.

Briefly, an inspection of our balance sheet as of 12/31/12, shows that DMI has Total Current Assets of \$436,255 and Total Liabilities of \$698,831. The largest part of the liabilities is the tenants' security deposit of \$379,629, which should be re-classified as part of the current liabilities since it is due within one year. We should also note that DMI's retained earnings is a negative (\$329,345).

DMI has been in business for nearly 40 continuous years. It is only in the past 6 or 7 years that we started showing a profit. This came about because we changed our business model. DMI was supported by Ronald A. Kawahara and our sister company, Ronald A. Kawahara & Co., CPA's, Inc. for most of DMI's existence. As of 12/31/12, DMI borrowed \$228,726 from these entities.

Our major concern and worst nightmare is a natural calamity such as the long overdue Hurricane that may hit Hawaii. In that event, we will have to return all tenant deposits within 14 days. Until we can remove the negative retained earnings through increased cash flow, we are at risk of bankruptcy.

It is our intent to attend a Hearing to be scheduled at your convenience. However, we are not familiar with the process. We are requesting information regarding this hearing, i.e. place (we assume that it will be on Maui since that is where the violations took place, date, time, whether we can or should be represented by legal counsel and any other particulars.

Regional Hearing Clerk, Mr. Jeff Scott, Mr. Max Weintraub, Mr. Ivan Lieben  
U.S. Environmental Protection Agency  
November 7, 2013  
Page 7

Thank you for allowing us to present our response and the ability to provide further information at the Hearing.

Sincerely,

A handwritten signature in blue ink that reads "Ronald A. Kawahara". The signature is fluid and cursive, with a long horizontal stroke at the end.

---

Ronald A. Kawahara, CPA, CVA, CPM, PCAM  
President

Encl.

This Disclosure form is from the National Lead Information Center under the United States Environmental Protection Agency. This is NOT a Hawaii Association of REALTORS® Standard Form.

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

Lessor's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (i) or (ii) below):

(i) \_\_\_\_\_ Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

(ii)  Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check (i) or (ii) below):

(i) \_\_\_\_\_ Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

(ii)  Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Lessee's Acknowledgment (Initial)

(c) JF Lessee has received copies of all information listed above.

(d) \_\_\_\_\_ Lessee has received the pamphlet, Protect Your Family from Lead in Your Home.

Agent's Acknowledgment (Initial)

(e) \_\_\_\_\_ Agent has informed the lessor of the lessor's obligations under 42 U.S.C. 4852d and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Lessor	Date	Lessor	Date
<u>JF</u>		<u>JK</u>	
Lessee Jenna Felix	Date	Lessee Jason Cruz	Date
Agent	Date	Agent	Date

1838



### Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, landlords must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Tenants must also receive a federally approved pamphlet on lead poisoning prevention.

### Lessor's Disclosure

a) Presence of lead-based paint or lead-based paint hazards (check one below):

(i) Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

(ii) Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check one below):

(i) Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

(ii) Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

### Lessee's Acknowledgment (initial)

CP (c) Lessee has received copies of all information listed above.

CP (d) Lessee has received the pamphlet *Protect Your Family From Lead In Your Home*.

### Agent's Acknowledgment (initial)

PC (e) Agent has informed the lessor of the lessor's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

### Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information provided by the signatory is true and accurate.

Lessor \_\_\_\_\_ Date \_\_\_\_\_ Lessor \_\_\_\_\_ Date \_\_\_\_\_

Lessee CP/Stan Date \_\_\_\_\_ Lessee \_\_\_\_\_ Date \_\_\_\_\_

Agent Janice Spence Date 2-23-10

Multivan

Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards

Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, lessors must disclose the presence of known lead-based paint and/or lead-based paint hazards in the dwelling. Lessees must also receive a federally approved pamphlet on lead poisoning prevention.

Lessor's Disclosure

(a) Presence of lead-based paint and/or lead-based paint hazards (check (I) or (II) below):

(i)  Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

(ii)  Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

(b) Records and reports available to the lessor (check (I) or (II) below):

(i)  Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

(ii)  Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Lessee's Acknowledgment (Initial)

(c)  Lessee has received copies of all information listed above.

(d)  Lessee has received the pamphlet *Protect Your Family from Lead In Your Home*.

Agent's Acknowledgment (Initial)

(e)  Agent has informed the lessor of the lessor's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information they have provided is true and accurate.

Lessor	Date	Lessor	Date
Lessee	Date	Lessee	Date
Agent	Date	Agent	Date

*[Handwritten signature]*



May 7, 2013

Mr. Max Weintraub, Lead-Based Paint Enforcement Coordinator  
Mr. Ivan Lieben, Attorney  
United States Environmental Protection Agency (EPA), Region VIII  
75 Hawthorne Street  
San Francisco, CA 94105

Subject: EPA Enforcement Action

Dear Mr. Weintraub and Mr. Lieben:

Thank you for the correspondence, discussions and emails regarding certain violations of the lead-based paint ("LBP") regulations. While we are dismayed that the EPA may be taking action against our firm, we appreciate the fact that the EPA is doing an outstanding job in enforcing violations of the rules and regulations, particularly in situations that pose a health hazard to the public.

We are fairly certain you will agree that we have been transparent and fully cooperative in complying with any requests from your office. It may be helpful to summarize the history of events up to this point.

### **History of Events**

1. On 5/10/11, pursuant to an undated certified letter, Mr. Weintraub met with Nancy Price, Vice-President of Operations, and Pamela Alexander, Rental Agent. The substance of this meeting was to determine if DMI was in compliance with certain EPA regulations regarding LBP notices to tenants on properties managed by DMI that were constructed prior to 1978. (Exhibit 1).
2. On 7/21/11, we received an undated certified letter from Mr. Weintraub requesting certain information, i.e. list of all properties constructed prior to 1978, number and ages of children, copies of leases, etc. (Exhibit 2).
3. On 7/26/11, Ms. Joanne Phillips, Vice-President of Administration, the person assigned to this matter, responded to Mr. Weintraub's letter on a point-by-point basis and included two (2) Exhibits, A & B, that listed certain properties managed by DMI. (Exhibit 3).

Mr. Max Weintraub  
Mr. Ivan Lieben  
U.S. EPA  
Page 2

4. On 12/19/12, we received an undated certified letter from Ms. Katherine Taylor, Associate Director of the Communities and Ecosystems Division that identified nine (9) properties that may have been in violation. Ms. Taylor stated in her letter that: *"...to the extent not already performed, Destination Maui, Inc. may test each of the above identified properties for the presence of lead-based paint and/or lead-based paint hazards. Penalties can reduced [sic] for the violations if the testing demonstrates that the properties contain no lead-based paint or that any lead-based paint existing at the properties little or no risk to the tenants..."* (Exhibit 4).
5. Unfortunately, we were unable to respond to Ms. Taylor's letter in a timely manner. The reason was that Ms. Phillips underwent an emergency operation at Maui Memorial Medical Center on 12/10/12, and did not return to work until 1/23/13. Ms. Taylor's letter was then forwarded to Ms. Price for follow-up in the absence of Ms. Phillips. Ms. Price was on vacation during the holidays and did not return to work on 1/3/13. On 1/4/13, she worked with Ms. Alexander to address the issues raised in Ms. Taylor's letter.
6. Our research indicated that 7 of the 9 properties did not contain the signed addendum. This was determined because the box for paragraph 13 (which deals with LBP) of the Standard Form Residential Rental Agreement (issued by the Hawaii Association of Realtors) was not checked.
7. On 1/15/13, we ordered a LBP test kit from *check4lead.com*, using 2<sup>nd</sup> day air shipment. Subsequently, we were advised by Mr. Weintraub that we could not do our own testing and that we had to use inspectors that were qualified to conduct LBP testing under EPA guidelines. Mr. Weintraub provided a list of qualified inspectors. However, only two companies on Maui were qualified to do the LBP testing: Hawaii Inspection Group ("HIG") and MEV, LLC dba Malama Environment. MEV advised us that they had recently lost their inspector. Because they had no qualified inspector, we had no choice but to select HIG to perform the LBP testing.
8. On 4/12/13, Ms. Phillips sent the HIG inspection reports on the 7 properties to Mr. Weintraub by email. As explained by HIG, they inspected the entire premises and took samples where there appeared to be exposed paint (i.e. chipping, flaking and similar exposed areas). In addition, they took samples of non-exposed areas. Of the 7 properties only 3 were found to have LBP levels above the regulation amount. None of the 3 reports indicated any substantial issues. (Exhibit 5). These 3 properties are identified as:
  - a. Pauoa Place, #757. HIG found some original paint under the bathroom sink.
  - b. Kaiiau Place, #4. The entire unit was recently painted; however some of the door trims and baseboard were missed.

Mr. Max Weintraub  
Mr. Ivan Lieben  
U.S. EPA  
Page 3

- c. Nakoa Drive, #342. The entire property was recently painted; however, the painter missed some exterior high and low areas of the home.
- 9. On 4/30/13, a telephone conference was held between myself, Mr. Weintraub, Mr. Ivan Lieben, Ms. Phillips and Ms. Price. We discussed the following matters:
  - a. HIG may not have done a sufficiently thorough testing and that they should have used the X-ray florescent analysis (XRF) method of testing. We pointed out that none of the two companies on Maui does this type of testing.
  - b. Understandably, our concern is the penalty that the EPA proposes to assess against DMI. We expressed our opinion that the severity of the violations was not significant. We explained that they were the result of anomalous clerical errors that does not represent the typical way that we deal with properties constructed prior to 1978.
  - c. You had indicated that the law allows the EPA to assess penalties of as much as \$200,000. We were very surprised to learn that the penalty is based on the company's ability to pay. You further stated that EPA would not assess a penalty if it would put the company out of business.
  - d. It seems to us that the penalties should be based on the severity of the violation and its demonstrated effect on public health, regardless of the size or financial standing of a company. In order to clarify matters, I provided an example, that if a company had no profits and as a result of the penalty would be put out of business, that you probably would not assess a penalty. On the other hand, if a company had substantial assets and operating income, that the penalty could be substantial for exactly the same violation. Quite frankly, this makes no sense to us.
  - e. In any event, we agreed to halt all further testing of the properties and discussions until your office had a chance to review our income tax returns for the last 3 years. You indicated that our financial data would be reviewed by an outside third party and kept confidential. We expressed our concern about providing our private and confidential information to a third party.

**DMI's Response**

Subsequent to our telephone conversation, our management staff has had several discussions about the negative effect that an EPA penalty would have on our reputation and financial well-being. We have worked extremely hard for more than 40 years to build up our reputation in our small community. In fact, nearly 20 full-time jobs may be at stake.

Mr. Max Weintraub  
Mr. Ivan Lieben  
U.S. EPA  
Page 4

Although you gave us assurances that the findings and penalties of the EPA would be kept confidential, we realize that as a practical matter negative issues will come to light at some point. An example of this is that two of our competitors have tried to conceal embezzlement of client funds. However, it became common knowledge among people in the industry. Since we are a service organization any negative publicity would put 20 full-time jobs at jeopardy.

In addition, and upon further consideration, we feel that it is inappropriate to disclose our private financial data to a third party. As a result, we do not give you permission to have our financial information reviewed by a third party. Surely, your office should be able to review the financial statements of a small entity that grosses only \$1.5 million. However, in the interests of cooperation, we have enclosed the requested financial information, with explanatory notes:

1. 2010 Form 1120, *U.S. Corporation Income Tax Return*. (Exhibit 6).
2. 2011 Form 1120, *U.S. Corporation Income Tax Return*. (Exhibit 7)
3. 2012 Financial Statement, with comparative figures for 2011. (Exhibit 8)
4. I hereby certify that the enclosed tax returns for 2010, 2011 and the financial statement as of 12/31/12 are true and correct to the best of my knowledge.
5. DMI has three separate operating divisions, listed in order of gross sales:
  - a. Property management of community associations and commercial properties ("Property Management Department" on the F/S). DMI was originally established to manage condominium associations. The 12/31/12, financial statement shows gross revenues of \$1,382,424. This constitutes 87.2% of DMI's total gross revenues.
  - b. Long-term rental management. ("Rental Department" on the F/S). This is the division that the EPA has cited for the LBP violations. We employ 3 full-time rental agents. The 12/31/12, financial statement shows gross revenues of \$176,603 and net profit of only \$258. This constitutes 11.1% of DMI's total gross revenues.
  - c. Real estate sales. DMI is not a real estate brokerage firm. However, we do on occasion have the opportunity to sell some of the properties under our management. The 12/31/12, financial statement shows gross revenues of \$26,157. For 2012, this constituted 1.7% of the DMI's total gross revenues.
  - d. Please note that we have a negative stockholder's equity of (\$367,644) for 2010; (\$328,345) for 2011 and (\$262,433) for 2012. The decrease in the negative equity

Mr. Max Weintraub  
Mr. Ivan Lieben  
U.S. EPA  
Page 5

is due to net operating profits derived solely from the property management of community associations which is not a part of the EPA notice.

- e. DMI still has a substantial negative equity that will take years to correct. Our concern is that in the event of a major catastrophe (i.e. hurricane, tidal wave, etc.) we would not have the financial resources to return all of the security deposits to the tenants until we have eliminated the negative equity.
- f. Although we have 3 divisions within DMI, it should be borne in mind that in the public's eye, there is only one company. As a result, the fortunes or misfortunes of any part of the company will affect the whole company.

#### **Mitigating Steps Taken by DMI to Eliminate or Reduce the EPA Penalty**

We have taken a number of steps to mitigate LBP violations in the future:

- The owners of the 7 properties inspected by HIG have been notified. We are working with the 3 found to be in violation to correct and mitigate any exposed paint surfaces;
- We have notified all the affected tenants and taken the appropriate corrective action, i.e. obtained the signed addendum. The LBP pamphlets were given to the tenants at the inception of the lease.
- All properties constructed prior to 1978, now have a color-coded folder to indicate that the property was constructed prior to 1978;
- We have revised our tenant checklist to emphasize any property that may have LBP;
- The checklist will now be reviewed by another Rental Agent to make certain that all items on the checklist are in compliance;
- All rental agents are licensed by the Real Estate Commission of the State of Hawaii and must undergo 20 hours of continuing education bi-annually; many of the courses deal with landlord-tenant issues;
- Ms. Phillips now conducts weekly meetings with the Rental Agents to discuss tenant issues and pose questions on Hawaii's Landlord-Tenant Code.
- Of course, we are open to any additional suggestions that you may have.

We are asking that you reconsider any proposed penalties, as it would not only harm our reputation but jeopardize our fragile financial position. We believe that this is consistent with

Exhibit D  
(Page 6 of 32)

Mr. Max Weintraub  
Mr. Ivan Lieben  
U.S. EPA  
Page 6

good governance as the law shouldn't be used to punish someone simply because it is the law.  
We hope you will agree that the violations were not willful, egregious or continuing.

We would be more than pleased to discuss this matter further at your convenience.

Sincerely,



Ronald A. Kawahara, CPA, CVA, CPM, PCAM  
President

pc: Joanne Phillips, VP Administration  
Nancy Price, VP Operations

Encl. Exhibits 1 thru 8



Exhibit D  
(Page 7 of 32)  
Exhibit 1



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street San Francisco, CA 94105**

Mr. Ronald Kawahara - President  
Destination Maui Inc.  
841 Alua Street, Suite 102  
Wailuku, HI 96793

**Subject: TSCA Lead-Based Paint Inspection  
Date of Inspection: May 10, 2011  
Certified Mail: 7007 3020 0000 9807 0258**

Dear Mr. Kawahara,

The U.S. Environmental Protection Agency (EPA) will perform an inspection at 841 Alua Street at 11 am on Tuesday, May 10, 2011. The purpose of the inspection is to determine compliance with i) Section 1018 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, 42 U.S.C. Section 4851 et seq. and regulations of 40 CFR Part 745, Subpart F, which constitute the Lead Disclosure Rule, and ii) Sections 406(b) and 402(c)(3) of the Residential Lead-Based Paint Hazard Reduction Act of 1992, 42 U.S.C. Section 4851 et seq. and regulations of 40 CFR Part 745, Subparts E and L, which constitute the Renovation, Repair, and Painting Rule.

The Lead Disclosure Rule requires the disclosure of information about the presence of lead-based paint and lead-based paint hazards to lessees and buyers before the lease or sale of housing built before 1978. The Renovation, Repair, and Painting Rule requires that individuals compensated to perform renovation, repair, or painting activities in pre-1978 housing be certified by EPA, provide notice to tenants, follow lead-safe practices, and maintain records. The Environmental Protection Agency (EPA) is authorized to enforce the Rules under Sections 1018, 406(b), 402(c)(3), as well as Sections 16 and 409 of the Toxic Substances Control Act (TSCA), 15 U.S.C. Sections 2615 and 2689.

The EPA inspector will review and copy apartment lease files signed within the past three years. The EPA inspector will review and copy renovation, repair, and painting work orders, and EPA certificates for staff that perform renovation, repair, and painting activities, for the past year. The EPA inspector will need to meet with the manager of your company and will require use of a table to review leases and work orders as well as a copy machine to duplicate these documents. The inspection will last several hours.

The EPA inspector will review documents and activities for residential properties built before 1978 including those at the following addresses:

Hono Kai at 280 Hauoli St  
Harbor Lights at 111 Kahului Beach Rd  
Kuau Plaza at 777 Hana Hwy

Any questions or correspondence relating to this matter should be directed to:

Max Weintraub

U.S. EPA Region 9  
75 Hawthorne Street (CED-4)  
San Francisco, CA 94105

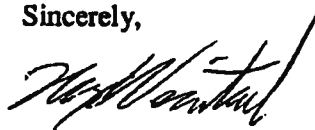
Phone: 415-947-4163

Fax: 415-947-3583

E-mail: [weintraub.max@epa.gov](mailto:weintraub.max@epa.gov)

Enclosed is a Small Business Regulatory Enforcement and Fairness Act (SBREFA) Information Sheet providing information on compliance assistance and informing small businesses of their right to comment to the SBREFA Ombudsman on EPA enforcement-related efforts. The SBREFA does not eliminate your responsibility to respond in a timely fashion to any complaint or information request that EPA may issue or any other enforcement action that EPA may undertake, nor create new rights or defenses under Federal law.

Sincerely,



Max Weintraub  
Lead Enforcement Coordinator

Encl. (1) U.S. EPA Small Business Resources Information Sheet

Exhibit D  
(page 9 Exhibit 2)  
(2 pages)



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street San Francisco, CA 94105

Ms. Joanne K. Phillips, Vice President  
Destination Maui, Inc.  
841 Alua Street Suite 102  
Wailuku, HI 96793

Certified Mail No: 7010 1060 0002 0242 9253

Dear Ms. Phillips,

The purpose of this information request letter is to follow-up on our May 10, 2011 meeting as part of an inspection to determine compliance with the federal lead-based paint regulations under the Toxic Substances Control Act. Please provide the following information within thirty (30) days of receipt of this letter:

1. The name, address(es), construction date(s), and owner name(s) of each residential rental property constructed before 1978 that Destination Maui, Inc. leased (either as the lessor or the agent for the lessor) to renters at any time between July 1, 2008 and July 1, 2011;
2. Copies of all documents pertaining to the presence of children with elevated blood lead levels residing in a residential rental property identified in response to Request #1 (e.g., notices from the local health department);
3. The number of rental units at each residential rental property identified in response to Request #1 that are not studio (i.e., zero-bedroom) units, including an identification of each unit's address and the number of bedrooms in each unit;
- ~~4. List the number and ages of children residing in each rental unit at the time the lessee(s) signed the lease for the rental units identified in response in Request #3;~~
5. A complete copy of all leases (including all lease addenda and reports pertaining to the presence of lead-based paint and/or lead-based paint hazards) signed and dated between July 1, 2008 and July 1, 2011 for rental units identified in response to Request #4;
6. A complete copy of all leases (including all lease addenda and reports pertaining to the presence of lead-based paint and/or lead-based paint hazards) for the first three non-studio units in the address sequence (e.g., unit A/#1, B/#2, C/#3, D/#4, etc.) for each property identified in response to Request #3 in effect between July 1, 2010 and July 1, 2011.

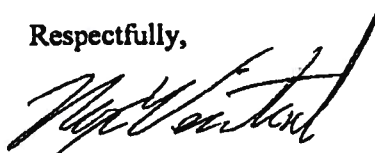
7. Copies of all documents, or references to such documents, that pertain to the presence or absence of lead-based paint and/or lead-based paint hazards, or the abatement of lead-based paint and/or lead-based paint hazards, at a residential rental property identified in response to Request #1;
8. Identify units from response to Request #1 where renovation, repair or painting activities were performed by Destination Maui, Inc. since October 1, 2010 and provide copies of all documents related to those activities, including building permits, contracts, work orders, lead-safe work practice records (e.g., recordkeeping checklist: [www.epa.gov/lead/pubs/samplechecklist.pdf](http://www.epa.gov/lead/pubs/samplechecklist.pdf)), reports, and receipts;
9. Copies of all individual renovator certificates for lead-based paint renovation, repair, and painting training received by Destination Maui, Inc. to perform an activity identified in Request #8;
10. Copies of all renovation firm certificates Destination Maui, Inc. has received for lead-based paint renovation, repair, and painting to perform an activity identified in Request #8; and
11. Copies of all pre-renovation disclosures Destination Maui, Inc. provided to tenants to perform an activity identified in Request #8.

Please mail the information to my attention at U.S. E.P.A., 75 Hawthorne Street (CED-4), San Francisco, CA 94105. Contact me at 415-947-4163 or [weintraub.max@epa.gov](mailto:weintraub.max@epa.gov) if you have any questions about this request.

Please be advised that failure to provide the information requested by the deadline provided may result in the issuance of a subpoena pursuant to Section 11(c) of the Toxic Substances Control Act, 15 U.S.C. § 2610(c), to obtain the requested information.

This request for information is not subject to review by the Office of Management and Budget ("OMB") under the Paperwork Reduction Act because it is not an "information collection request" within the meaning of 44 U.S.C. §§ 3502(4)&(11), 3507, 3512, and 3518. Furthermore, it is exempt from OMB review under the Paperwork Reduction Act because it is directed to fewer than ten persons. 44 U.S.C. § 3502(4),(11); 5 C.F.R. §1320.5(a).

Respectfully,



Max Weintraub  
Lead-based paint enforcement coordinator

10/21/2011

Exhibit 3  
(page 11 of 32)  
(5 pages)



*Destination Maui, Inc.*

July 26, 2011

Mr. Max Weintraub  
United States Environmental Protection Agency  
Region IX  
75 Hawthorne Street  
San Francisco, CA 94105

Dear Mr. Weintraub:

Pursuant to your letter which we received on Wednesday – July 20, 2011, pertaining specifically to individual residential rental properties that we manage, we wish to respond as follows:

- 1 – Attached as Exhibit A are those residential rental properties managed by Destination Maui, that were built prior to 1978 for which we managed between July 1, 2008 through July 1, 2011;
- 2 – We have never received any nor have knowledge with regards to documents pertaining to the presence of children with elevated blood lead levels residing in the residential rental properties so identified in Exhibit A of Request #1 above;
- 3 – The information regarding number of bedrooms and unit addresses requested is contained in attachment Exhibit A of Request #1 above;
- 4 – The information regarding number and ages of children for units in Request #3 is included on the attached Exhibit B;
- 5 – Copies of the leases and addendas pertaining to Request #4, is attached as part of Exhibit B. We are not aware of any reports filed pertaining to the presence of lead-based paint or hazards;
- 6 – The information requested for 3 lowest numerical non-studio units are contained in Exhibit B attached. We are not aware of any reports filed pertaining to the presence of lead-based paint or hazards.
- 7 – We are not aware of any documents or references to such documents at the residential rental properties identified in Request #1.
- 8 – Destination Maui Inc., did not perform renovation, repair or painting activities since October 1, 2010 to any units identified to Request #1 .
- 9 – As Destination Maui did not have work performed in reference to Request #8, with regards to Request #1, there are no individual certificates to provide.
- 10 – As Destination Maui did not have work performed in reference to Request #8, with regards to Request #1, there are no firm certificates to provide.



**Destination Maui, Inc.**  
841 Alua St., Suite 102 • Wailuku, Maui, Hawaii 96793  
(808) 244-9021 Fax (808) 243-9883  
[www.destinationmaui.net](http://www.destinationmaui.net) • e-mail: [dmi@destinationmaui.net](mailto:dmi@destinationmaui.net)



Exhibit D  
(Page 12 of 32)


July 26, 2011  
Mr. Max Weintraub  
Page Two

11 – As Destination Maui did not have work performed in reference to Request #8, with regards to Request #1, there are no copies of pre-renovation disclosures that Destination Maui provided to tenants.

Thank you for your assistance in helping me understand what was required and for your patience in dealing with all my telephone calls. Please let me know if there is anything further you require.

Sincerely,

DESTINATION MAUI, INC.

By   
\_\_\_\_\_  
Joanne K. Phillips, BIC, PCAM  
Vice President of Administration

/jkwp

Enclosures: Exhibit A  
Exhibit B with leases

Exhibit A

2  
3  
1  
1  
2

Property Address	TMK #	Year Built	Owner Name/Address	Year Management Started	Type # of Brm
249 Muliwai Drive Wailuku, HI 96793	2-3-4-16-18	1926	Ann R Bauer Hauptstr. 14 82319 Strnberg Germany	2009	SFD/3
342 Nako Drive Wailuku, HI 96793	2-3-4-40-12	1948	Doreen Pfaeltzer 4015 Maalaea Bay Place Wailuku, HI 96793	2010	SFD/3
579 Kawelo Road Haiku, HI 96708	2-2-8-2-70	1977	Joel & Carol Malinski 275 Bancroft Way Pacifica, CA 94044	2007	SFD/3
713 Kekona Place Makawao, HI 96768	2-2-4-28-92	1977	Dr. Marvin Tanaka P.O. Box 392 Wailuku, HI 96793	1998	SFD/3
757 Pauoa Street Lahaina HI 96761	2-4-6-27-13	1970	Ralph Yanagawa 335 N. Oakhurst Drive #5 Beverly Hills, CA 90210	2003	SFD/3
1838 Kaohu Street Wailuku, HI 96793	2-3-4-9-10	1951	Joan Smith 2264 N. Laurel Ave Upland CA 91784	2010	SFD/2
4145 Lower Kula RD Kula, HI 96790	2-2-3-37-23	1973	Daniel Koller 14292 A. Swallen Blvd Beaverton, OR 97005	2011	SFD/3
Hale Mahealani #4 7 Kaiiau Place Kihei, HI 96753	2-3-9-5-21-4	1976	Stephanie & Thomas Agnew 1220 S. Starr Lane Liberty Lake, WA 99019	2003	CON/1
Harbor Lights # A210 111 Kahuluui Beach Kahului, HI 96732	2-3-7-2-18-37	1974	Deborah Stenton 10 S. Maple Ave Marlton, NJ 08053	2003	CON/2
Harbor Lights # B310 111 Kahuluui Beach Kahului, HI 96732	2-3-7-2-18-153	1974	Deborah Stenton 10 S. Maple Ave Marlton, NJ 08053	2003	CON/2

13 leases  
violations  
12 ~~the~~ children  
7 properties

Exhibit B

Property Address	DMI Lease	Tenants Name	Lease Dates	Children	Number /Ages
249 Muliwai Drive Wailuku, HI 96793	No- Maui Real Estate Group	Cheryl Sterling	07-12-2009 to 01-31-2010	Yes	1/ 12 years
249 Muliwai Drive Wailuku, HI 96793	Yes	Cheryl Sterling	02-01-2010 to Current	Yes	1/ 13 years
342 Nakoia Drive Wailuku, HI 96793	Yes	Jim Beaton	05-13-2010 to 10-31-2010	NO	
342 Nakoia Drive Wailuku, HI 96793	Yes	Garrick Campbell	03-28-2011 to 05-31-2011 Current: Vacant	NO	
579 Kawelo Rd Haiku, HI 96708	Yes	Brian Eiseman	08-10-2007 to 07-31-2008 MTM 08-01-2008 to 01-15-2009	Yes	3/ 2 years, 5 years, 7 years
579 Kawelo Rd Haiku, HI 96708	Yes	Scott Nelson	02-15-2009 to 01-31-2010 MTM 02-01-2010 to current	Yes	2/ 10 years, 13 years
713 Kekona Place Makawao, HI 96768	Yes	Lisa Ann Oakley	02-01-2006 to 07-31-2006 08-01-2006 to 01-31-2007 02-01-2007 to 07-31-2007 08-01-2008 to 01-31-2008 02-01-2009 to 07-31-2009 MTM 08-01-2009 to 10-05-2009	Yes	2/ 2 years, 5 years
713 Kekona Place Makawao, HI 96768	Yes	Roxanne Silva	10-09-2009 to 04-30-2010 MTM 05-01-2010 to current	Yes	4/ 17 months, 20 mos x2, 3 years
757 Pauoa Street Lahaina, HI 96761	Yes	Steven Francois	07-01-2004 to 12-31-2004 01-01-2005 to 06-30-2005 07-01-2005 to 12-31-2005 01-01-2006 to 04-30-2006 05-01-02006 to 08-31-2006 MTM 09-01-2006 to 09-30-2008	NO	
757 Pauoa Street Lahaina, HI 96761	Yes	Joseph Licata	12-05-2008 to 05-31-2009	NO	
757 Pauoa Street Lahaina, HI 96761	Yes	William Bunkley	10-01-2009 to 03-31-2010 MTM 04-01-2010 to 06-30-2010	Yes	1/ 2 years
757 Pauoa Street Lahaina, HI 96761	Yes	Joseph Licata	07-16-2010 to 01-31-2012	Yes	2/ 10 years, 4 years
1838 Kaohu Str Wailuku, HI 96793	Yes	Jenna Felix	09-04-2010 to 02-28-2011 03-01-2011 to 02-29-2012	Yes	1/ 2 years
4145 Lower Kula Kula, HI 96790	Yes	Jody Green	02-02-2011 to 6-30-2011 Management Contract Canc.	NO	
4145 Lower Kula Kula, HI 96790	Yes	Alan Gorg	05-15-2011 to 6-30-2011 Management Contract Canc.	NO	
Hale Mahealani #4 7 Kaiuu Place Kihei, HI 96753	Yes	Jaanette Zouabi	05-01-2088 to 10-31-2008 01-2088 to 04-30-2009	11- NO	



Exhibit B

Property Address	DMI Lease	Tenants Name	Lease Dates	Children	Number /Ages
Hale Manealani #4 7 Kaiu Place Kihei, HI 96753	Yes	Mandie Diep	11-01-2009 to 04-30-2010	NO	
Hale Manealani #4 7 Kaiu Place Kihei, HI 96753	Yes	Alana Mansfield	07-01-2011 to 12-31-2011	NO	
Harbor Lights # A210 111 Kahuluui Beach Kahului, HI 96732	Yes	Ynez Reyes	04-01-2005 to 09-30-2005 MTM 10-01-2005 to 03-04-2010	NO	
Harbor Lights # A210 111 Kahuluui Beach Kahului, HI 96732	Yes	Daniel Merritt	05-01-2010 to 10-31-2010	NO	
Harbor Lights # A210 111 Kahuluui Beach Kahului, HI 96732	Yes	Patrick Janosko	03-28-2011 to 09-30-2011	NO	
Harbor Lights # B310 111 Kahuluui Beach Kahului, HI 96732	Yes	Oceanic Cable	12-17-2007 to 06-30-2008 MTM 07-01-2008 to 05-12-2009	NO	
Harbor Lights # B310 111 Kahuluui Beach Kahului, HI 96732	Yes	Mitchell Tuotte	12-15-2009 to 06-27-2010	NO	
Harbor Lights # B310 111 Kahuluui Beach Kahului, HI 96732	Yes	Janalyn Okudara	11-12-2010 to 10-31-2011	Yes	2/ 3 years, 4 years

Exhibit D  
Exhibit (Page 16 of 32)  
(3 pages)



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, California 94105-3103

Via Certified Mail No. 7010 1060 0002 0242 9437

Mr. Ronald Kawahara  
President  
Destination Maui, Inc.  
841 Alua Street, Suite 102  
Wailuku, HI 96793

**Re: Proposed Enforcement Action Regarding Lead-Based Paint Disclosure Violations**

Dear Mr. Kawahara:

This letter is to notify you that the United States Environmental Protection Agency, Region IX (EPA) is preparing to issue a civil administrative complaint against Destination Maui, Inc. for violations of the Real Estate Notification and Disclosure Rule (Disclosure Rule) for lead-based paint codified at 40 Code of Federal Regulations (C.F.R.) Part 745, Subpart F. The complaint will allege that between February 2008 and July 2011 Destination Maui, Inc. violated the Disclosure Rule during the leasing of pre-1978 rental property by:

- failing to provide lessee an EPA-approved lead hazard information/pamphlet;
- failing to include in the leases a statement disclosing the presence of any known lead-based paint and/or lead-based paint hazards or indicating no knowledge of the presence of lead-based paint and/or lead-based paint hazards;
- failing to include in the leases a list of any records or reports available to the lessor pertaining to lead based-paint and/or lead-based paint hazards in the rental units or indicate that no such records or reports are available;
- failing to include as an attachment or within the leases a lead warning statement;
- failing to include in the leases a statement by the lessee affirming receipt of the information set forth in 40 C.F.R. §§ 745.113(b)(2) and (3) and the lead hazard information pamphlet;
- failing to include in the leases the signatures of lessor and lessee certifying to the accuracy of their statements, to the best of their knowledge, along with the dates of signature; and

- failing to include a statement in leases indicating agent has informed lessor of responsibilities and agent will ensure compliance.

Specifically, Destination Maui, Inc. committed one or more of the above-described violations at leasing events of the following properties:

- ✓ 757 Pauoa Street, Lahaina
- 7 Kaiu Place, Kihei ✓
- 713 Kekona Place, Makawao ✓
- 1838 Kaohu Street, Wailuku ✓ 7.010 mg/m<sup>2</sup>
- ✓ 249 Muliwai Drive, Wailuku
- 579 Kawelo Road, Haiku ✓
- 342 Nakoa Drive, Wailuku ✓
- 4145 Lower Kula Road, Kula ✓
- ✓ 111 Kahului Beach Road, Kahului

EPA intends to seek civil penalties for these violations. Before filing the complaint, however, we are extending to you the opportunity to advise us of any factors that you believe EPA should consider before issuing the complaint. Relevant factors may include misidentification of the proper party; reliance on compliance assistance provided by EPA, HUD or State agencies; misunderstanding of pertinent facts or financial factors bearing on the companies' ability to pay a civil penalty; or negative results for lead in tests of paint at the lease properties (if such tests comply with standards issued by the U.S. Department of Housing and Urban Development).

In addition, to the extent not already performed, Destination Maui, Inc. may test each of the above identified properties for the presence of lead-based paint and/or lead-based paint hazards. Penalties can be reduced for the violations if the testing demonstrates that the properties contain no lead-based paint or that any lead-based paint existing at the properties poses little or no risk to tenants.

Even if you are unaware of any mitigating or exculpatory factors, you may take this letter as an opportunity to initiate settlement discussions concerning the alleged violations. We are enclosing a copy of the EPA Section 1018 Disclosure Rule Enforcement Response Policy and EPA Supplemental Environmental Project Policy to facilitate settlement discussions.

It is our intention to file the civil complaint 45 days after your receipt of this letter unless you first advise us of relevant and substantial reasons not to proceed as planned.

In addition, we would like to take this opportunity to advise you that your company may qualify as a small business under the Small Business Regulatory Enforcement and Fairness Act (SBREFA). Please review the enclosed Small Business Resources Information Sheet, which is designed to provide information on compliance assistance to entities that may qualify as small businesses as well as to inform them of their right to comment to the SBREFA Ombudsman concerning EPA enforcement activities. Please be aware that SBREFA does not eliminate your responsibility to respond in a timely fashion to any complaint or information request that EPA

may issue or other enforcement action that EPA may take, nor does SBREFA create any new rights or defenses under the law other than the right to comment to the SBREFA Ombudsman.

Please feel free to contact Max Weintraub in the lead-based paint program at (415) 947-4163 or have your attorney contact Ivan Lieben in the Office of Regional Counsel at (415) 972-3914 to discuss this matter further. We look forward to your cooperation in the resolution of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Katherine Taylor". The signature is fluid and cursive, with a large initial "K" and a long, sweeping tail.

Katherine Taylor  
Associate Director  
Communities and Ecosystems Division

Enclosures

**Ronald Kawahara**

---

**From:** Joanne Phillips  
**Sent:** Friday, April 12, 2013 10:19 AM  
**To:** Weintraub, Max  
**Cc:** Nancy Price; Ronald Kawahara  
**Subject:** RE: Testing update  
**Attachments:** Kahului Beach Rd., 111, #A-210, Report to EPA.pdf; Pages from Kahului Beach Rd., 111, #B310, Report to EPA.pdf; Kaiu PI 7 #4 Report to EPA.pdf; Kawelo Rd., 579 Report to EPA.pdf; Kekona Pl., 713, Report to EPA.pdf; Nakoa Dr., 342 Report to EPA.pdf; Pauoa St., 757, Report to EPA.pdf

Aloha Mr. Weintraub:

Attached are the reports for the 7 properties.

Of the 7 properties ... only 3 were found to have limited areas with LBP above the EPA acceptance. We will be working with the owners to get these mitigated.

- 1 - Pauoa Place #757 – original home paint under the sink in the bathroom;
- 2 – Kalau PI 7 #4 – although apartment was recently painted, the door and trims and baseboard apparently were not done;
- 3 – Nakoa Drive #342 – although the owner had the entire home recently painted – it appears that the painters missed some of the exterior very low or very high areas.

Please let me know if you have any questions on the enclosures

*Joanne K. Phillips*

Joanne K. Phillips, PCAM, R(B), BIC  
Vice President of Administration  
DESTINATION MAUI, INC.  
841 Alua Street, Suite #102  
Wailuku, HI 96793  
(808) 244-9021 (main office)  
(808) 243-0086 (fax line)  
email: [joanne@mauicpa.net](mailto:joanne@mauicpa.net)

**From:** Weintraub, Max [<mailto:Weintraub.Max@epa.gov>]  
**Sent:** Friday, April 05, 2013 8:43 AM  
**To:** Joanne Phillips; Nancy Price  
**Cc:** Ronald Kawahara; Lieben, Ivan  
**Subject:** RE: Testing update

Ms. Phillips,

I appreciate the update and will look forward to the reports.

Max

Max Weintraub  
Lead-Based Paint Enforcement Coordinator  
US EPA - Region 9  
75 Hawthorne Street (CED-4)  
San Francisco, CA 94105  
Phone: 415-947-4163  
Tips and Complaints: [www.epa.gov/region9/toxic/lead/tips-complaints.html](http://www.epa.gov/region9/toxic/lead/tips-complaints.html)

**From:** Joanne Phillips [<mailto:joanne@mauicpa.net>]  
**Sent:** Friday, April 05, 2013 10:49 AM  
**To:** Weintraub, Max; Nancy Price  
**Cc:** Ronald Kawahara  
**Subject:** RE: Testing update

Aloha Mr. Weintraub:

Yes, the testing has been done, and we are now receiving the reports from Hawaii Inspection Group. We have received two so far, and are waiting to receive the rest from them. Hopefully we will have all the reports in hand by next week .... And they will be sent to you immediately.

*Joanne K. Phillips*

Joanne K. Phillips, PCAM, R(B), BIC  
Vice President of Administration  
DESTINATION MAUI, INC.  
841 Alua Street, Suite #102  
Wailuku, HI 96793  
(808) 244-9021 (main office)  
(808) 243-0086 (fax line)  
email: [joanne@mauicpa.net](mailto:joanne@mauicpa.net)

**From:** Weintraub, Max [<mailto:Weintraub.Max@epa.gov>]  
**Sent:** Friday, April 05, 2013 7:29 AM  
**To:** Joanne Phillips; Nancy Price  
**Subject:** Testing update

Ms. Price and Ms. Phillips,

During the call on January 28, you indicated that testing of the residential units would be performed. Can you tell me the status of that activity? If such information is going to be incorporated into our discussions, we would like to receive it as soon as possible.

Thank you,

Max Weintraub

Max Weintraub  
Lead-Based Paint Enforcement Coordinator  
US EPA - Region 9  
75 Hawthorne Street (CED-4)  
San Francisco, CA 94105  
Phone: 415-947-4163  
Tips and Complaints: [www.epa.gov/region9/toxic/lead/tips-complaints.html](http://www.epa.gov/region9/toxic/lead/tips-complaints.html)

Exhibit D  
 Exhibit of Page 21 of 32  
 (12 pages)

**Destination Maui, Inc.**  
**Statement of Assets, Liabilities, and Stockholder's Equity**  
**Unaudited - Income Tax Basis**  
**As of December 31, 2012 and 2011**

	<b>Assets</b>	
	<u>2012</u>	<u>2011</u>
<b>Cash:</b>		
Cash, BOH Chk #62-34181	\$ 2,448.73	\$ 21,678.55
Cash - MOO Chk #281503235	92,636.06	66,012.98
Cash, MOO KBC Activity	8,697.47	1,956.36
Cash, BoH Trust Checking	6,163.77	17,905.30
Cash, CAB Reserve Deposit	51,304.73	50,102.27
Cash, CAB Tenant Security Deposits	<u>222,807.24</u>	<u>218,905.91</u>
<b>Total Cash</b>	<b>384,058.00</b>	<b>376,561.37</b>
<b>Accounts Receivables:</b>		
A/R - Clientele	17,346.98	10,778.93
A/R - Employee	19,195.20	0.00
A/R - STC GET Refund	<u>632.40</u>	<u>0.00</u>
<b>Total Receivables</b>	<b>37,174.58</b>	<b>10,778.93</b>
<b>Prepaid Assets:</b>		
Prepaid Employee Bnfts	373.93	0.00
Prepaid Neopost Meter	466.67	3,707.86
Prepaid Est Federal Taxes	4,000.00	3,736.00
Prepaid Estimated State Taxes	4,227.00	2,483.00
Unexpired Insurance	<u>5,954.89</u>	<u>6,643.83</u>
<b>Total Prepaid Assets</b>	<b>15,022.49</b>	<b>16,570.69</b>
<b>Total Current Assets</b>	<b>436,255.07</b>	<b>403,910.99</b>
<b>Fixed Assets:</b>		
Equipment	16,162.45	16,162.45
A/D - Equipment	<u>(16,162.45)</u>	<u>(16,162.45)</u>
<b>Other Assets:</b>		
Loan Closing Costs	17,167.31	17,167.31
A/A - Loan Costs	<u>(17,024.14)</u>	<u>(15,307.42)</u>
<b>Total Other Assets</b>	<b>143.17</b>	<b>1,859.89</b>
<b>TOTAL ASSETS</b>	<b>\$ 436,398.24</b>	<b>\$ 405,770.88</b>

**Destination Maui, Inc.**  
**Statement of Assets, Liabilities, and Stockholder's Equity**  
**Unaudited - Income Tax Basis**  
**As of December 31, 2012 and 2011**

**Liabilities and Stockholder's Equity**

	<u>2012</u>	<u>2011</u>
<b>Current Liabilities:</b>		
A/P - Trade	\$ 34,398.92	\$ 42,114.71
A/P - AMEX DMI	155.17	1,000.55
A/P - Condo/Cilentele/ACH	0.00	854.37
Accrued GET	5,706.67	5,164.22
Accrued TAT	234.44	0.87
Accrued Federal Income Taxes	40,916.36	7,416.36
Accrued State Income Taxes	8,808.04	2,558.04
State Tax Withheld	1.19	1.19
401(k) Withheld	0.00	0.07
AFLAC/MUW	<u>255.48</u>	<u>0.00</u>
<b>Total Current Liabilities</b>	<b>90,476.27</b>	<b>59,110.38</b>
<b>Other Liabilities:</b>		
DMI Security Deposits	379,628.52	385,501.56
RAK Advances	<u>228,726.32</u>	<u>289,504.35</u>
<b>Total Other Liabilities</b>	<b>608,354.84</b>	<b>675,005.91</b>
<b>Total Liabilities</b>	<b>698,831.11</b>	<b>734,116.29</b>
<b>Stockholder's Equity:</b>		
Common Stock, Authorized Issued & Outstanding 1,000 shares @ \$1.00 par	1,000.00	1,000.00
Retained Earnings	(329,345.41)	(369,083.54)
Net Income	<u>65,912.54</u>	<u>39,738.13</u>
<b>Total Stockholders' Equity</b>	<b>(262,432.87)</b>	<b>(328,345.41)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>436,398.24</u></b>	<b>\$ <u>405,770.88</u></b>



**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
<b>Revenues</b>										
Property Management	\$ 102,793.84	72.74	\$ 90,430.45	68.3	\$ 12,363	\$ 1,175,945.87	73.5	\$ 1,043,859.14	71.8	\$132,086.73
Prop. Mgmt. Y/E Taxe	3,960.00	2.80	0.00	0.00	3,960	25,792.00	1.61	26,530.00	1.83	(738.00)
Room Rental	0.00	0.00	0.00	0.00	0	8,500.00	0.53	11,025.00	0.76	(2,525.00)
RR - 4% GET	0.00	0.00	0.00	0.00	0	354.25	0.02	459.26	0.03	(105.01)
RR - TAT	0.00	0.00	0.00	0.00	0	786.36	0.05	1,019.71	0.07	(233.35)
Mgmt Fees - Bookkee	2,260.50	1.60	2,235.50	1.69	25	33,137.02	2.07	28,856.99	1.99	4,280.03
Interest Income	200.00	0.14	200.00	0.15	0	1,850.00	0.12	2,038.12	0.14	(188.12)
Commissions - KSHS	5,738.84	4.06	4,788.39	3.62	950	59,293.56	3.71	62,374.38	4.29	(3,080.82)
Commissions - Other	8,056.59	5.70	7,308.86	5.53	748	94,139.43	5.89	86,513.93	5.95	7,625.50
Other	75.00	0.05	0.00	0.00	75	1,140.00	0.07	0.00	0.00	1,140.00
Condo Documents	1,468.00	1.04	883.00	0.67	585	15,588.00	0.98	14,680.00	1.01	908.00
Transfer Fees	5,150.00	3.64	4,500.00	3.40	650	58,533.00	3.66	58,385.00	4.02	148.00
Reimbursed Expense	<u>7,586.47</u>	<u>5.37</u>	<u>7,945.49</u>	<u>6.01</u>	<u>359.02</u>	<u>101,720.67</u>	<u>6.36</u>	<u>78,917.36</u>	<u>5.43</u>	<u>(22,803.31)</u>
<b>Total Revenues</b>	<u>137,289.24</u>	<u>97.15</u>	<u>118,291.71</u>	<u>89.4</u>	<u>18,997.53</u>	<u>1,576,780.16</u>	<u>98.6</u>	<u>1,414,658.89</u>	<u>97.3</u>	<u>162,121.27</u>
Russell Adkins - rec'd	0.00	0.00	11,250.00	8.51	(11,250.00)	0.00	0.00	19,197.00	1.32	(19,197.00)
Russell Adkins - paid ou	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(5,562.90)</u>	<u>0.38</u>	<u>(5,562.90)</u>
Net Sales from Russel	0.00	0.00	11,250.00	8.51	(11,250.00)	0.00	0.00	13,634.10	0.94	(13,634.10)
Commissions Pd - RR -	0.00	0.00	0.00	0.00	0.00	(3,995.09)	0.25	(5,244.63)	0.36	(1,249.54)
Commissions Pd - RR -	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(259.90)</u>	<u>0.02</u>	<u>(598.50)</u>	<u>0.04</u>	<u>(338.60)</u>
Net Sales KBC Room	0.00	0.00	0.00	0.00	0.00	(4,254.99)	-0.2	(5,843.13)	-0.4	1,588.14
Pamela Alexander - rec'	3,750.00	2.65	0.00	0.00	3,750.00	3,750.00	0.23	0.00	0.00	3,750.00
Pamela Alexander - pal	<u>(2,088.25)</u>	<u>1.48</u>	<u>(926.00)</u>	<u>0.70</u>	<u>1,162.25</u>	<u>(3,111.65)</u>	<u>0.19</u>	<u>(2,057.75)</u>	<u>0.14</u>	<u>1,053.90</u>
Net Sales from Pam	1,661.75	1.18	(926.00)	-0.7	2,587.75	638.35	0.04	(2,057.75)	-0.1	2,696.10
Cheryl Johnson - rec'd	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,000.00	0.21	(3,000.00)
Cheryl Johnson - paid o	<u>0.00</u>	<u>0.00</u>	<u>(160.00)</u>	<u>0.12</u>	<u>(160.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(3,626.66)</u>	<u>0.25</u>	<u>(3,626.66)</u>
Net Sales from Cheryl	0.00	0.00	(160.00)	-0.1	160.00	0.00	0.00	(626.66)	-0.0	626.66
Commissions Rec'd - A	273.54	0.19	467.14	0.35	(193.60)	3,468.22	0.22	3,275.87	0.23	192.35
Commissions Pd - AD -	<u>(78.78)</u>	<u>0.06</u>	<u>(134.54)</u>	<u>0.10</u>	<u>(55.76)</u>	<u>(988.22)</u>	<u>0.06</u>	<u>(971.69)</u>	<u>0.07</u>	<u>16.53</u>
Commissions Pd - AD -	<u>(78.78)</u>	<u>0.06</u>	<u>(134.53)</u>	<u>0.10</u>	<u>(55.75)</u>	<u>(1,238.34)</u>	<u>0.08</u>	<u>(971.68)</u>	<u>0.07</u>	<u>266.66</u>
Net Sales KBC Activit	115.98	0.08	198.07	0.15	(82.09)	1,241.66	0.08	1,332.50	0.09	(90.84)
KBC Timeshare - rec'd	0.00	0.00	2,250.00	1.70	(2,250.00)	14,295.00	0.89	12,750.00	0.88	1,545.00
KBC Timeshare - paid o	<u>0.00</u>	<u>0.00</u>	<u>(500.00)</u>	<u>0.38</u>	<u>(500.00)</u>	<u>(11,120.00)</u>	<u>0.70</u>	<u>(10,200.00)</u>	<u>0.70</u>	<u>920.00</u>
Net Sales from KBC T	0.00	0.00	1,750.00	1.32	(1,750.00)	3,175.00	0.20	2,550.00	0.18	625.00
Commissions Other Ag	0.00	0.00	0.00	0.00	0.00	(125.00)	0.01	(115.00)	0.01	10.00
Net Sales	0.00	0.00	0.00	0.00	0.00	(125.00)	-0.0	(115.00)	-0.0	(10.00)
<b>Total Cost of Reve</b>	<u>1,777.73</u>	<u>1.26</u>	<u>12,112.07</u>	<u>9.16</u>	<u>(10,334.34)</u>	<u>675.02</u>	<u>0.04</u>	<u>8,874.06</u>	<u>0.81</u>	<u>(8,199.04)</u>
<b>Gross Profit</b>	<u>139,066.97</u>	<u>98.41</u>	<u>130,403.78</u>	<u>96.6</u>	<u>8,663.19</u>	<u>1,577,455.18</u>	<u>98.7</u>	<u>1,423,532.95</u>	<u>97.9</u>	<u>153,922.23</u>
Advertising/Promotion	8.54	0.01	46.90	0.04	(40.36)	3,645.48	0.23	577.82	0.04	3,067.66

See Accountant's Compilation Report

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
Advertising Yellow Pa	112.18	0.08	(1,200.32)	-0.9	1,312.50	1,346.15	0.08	2,494.14	0.17	(1,147.99)
Auto	1,277.74	0.90	7,471.55	5.85	(6,193.81)	23,800.62	1.49	28,986.55	2.00	(5,185.93)
Auto - Parking Fees	0.00	0.00	325.00	0.25	(325.00)	3,756.00	0.24	3,925.00	0.27	(169.00)
Bank Charges	366.92	0.26	(824.27)	-0.6	1,191.19	4,371.36	0.27	2,108.34	0.15	2,263.02
Continuing Prof. Ed.	200.00	0.14	445.00	0.34	(245.00)	5,539.26	0.35	4,091.09	0.28	1,448.17
Contributions	100.00	0.07	50.00	0.04	50.00	2,736.50	0.17	700.00	0.05	2,036.50
Dues & Licenses	1,062.15	0.75	927.15	0.70	135.00	12,693.45	0.79	11,927.55	0.82	765.90
Empl. Bnf. - 401k Mat	7,214.89	5.11	0.00	0.00	7,214.89	26,430.86	1.65	703.12	0.05	25,727.74
Empl. Bnf. - Health/Sp	53.41	0.04	0.00	0.00	53.41	531.56	0.03	516.00	0.04	15.56
Empl. Bnf. - Bonuses	14,012.00	9.92	10,312.00	7.80	3,700.00	23,612.00	1.48	10,638.88	0.73	12,973.12
Empl. Bnf. - Insurance	577.77	0.41	366.10	0.28	211.67	5,735.78	0.36	4,482.32	0.31	1,253.46
Empl. Bnf. - Medical	19,388.21	13.72	16,050.73	12.1	3,337.48	107,598.56	6.73	99,973.09	6.88	7,625.47
Entertainment	59.57	0.04	(2,018.84)	-1.5	2,078.41	4,212.90	0.26	6,545.29	0.45	(2,332.39)
Employee Meals - 10	133.07	0.09	68.40	0.05	64.67	4,428.75	0.28	241.83	0.02	4,186.92
Employee Services (A	3,235.91	2.29	2,958.86	2.24	277.05	5,448.94	0.34	2,958.86	0.20	2,490.08
Equip. Lease - Xerox	178.07	0.13	(737.76)	-0.5	915.83	2,365.29	0.15	1,848.59	0.13	516.70
Equip. Lease - Neopo	96.49	0.07	0.00	0.00	96.49	1,157.91	0.07	1,093.86	0.08	64.05
Computer/Equipment	2,277.85	1.61	(9,892.61)	-7.4	12,170.46	26,063.12	1.63	32,069.52	2.21	(6,006.40)
Insurance	1,255.96	0.89	(4,275.96)	-3.2	5,531.92	16,173.90	1.01	10,074.03	0.69	6,099.87
MLS / TMK Service	167.54	0.12	167.54	0.13	0.00	2,010.48	0.13	2,010.48	0.14	0.00
Meetings	0.00	0.00	0.00	0.00	0.00	344.11	0.02	193.27	0.01	150.84
Office/Administration	1,695.73	1.20	(3,890.31)	-2.9	5,586.04	21,608.32	1.35	17,604.69	1.21	4,003.63
Outside Services-Lab	261.35	0.18	2,217.45	1.68	(1,956.10)	20,876.83	1.31	5,643.43	0.39	15,233.40
Outside Services-Oth	49.50	0.04	0.00	0.00	49.50	1,083.56	0.07	5,901.03	0.41	(4,817.47)
Postage	2,000.00	1.42	(500.00)	-0.3	2,500.00	24,000.00	1.50	23,357.73	1.61	642.27
Rent - Base	2,662.50	1.88	(3,437.50)	-2.6	6,100.00	31,450.00	1.97	24,849.98	1.71	6,600.02
Rent - CAM	390.08	0.28	(702.37)	-0.5	1,092.45	4,775.86	0.30	3,849.98	0.26	925.88
Rent - R.P. Taxes	167.23	0.12	(382.77)	-0.2	550.00	2,256.76	0.14	1,953.17	0.13	303.59
R/M - Buildings	186.87	0.13	25.07	0.02	161.80	2,969.75	0.19	3,108.99	0.21	(139.24)
R/M - Computer & Su	0.00	0.00	151.04	0.11	(151.04)	1,536.40	0.10	1,388.79	0.10	147.61
R/M - Equipment	7.68	0.01	(2,500.00)	-1.8	2,507.68	3,797.81	0.24	1,878.29	0.13	1,919.52
R/M - Neopost (AMS)	242.39	0.17	175.72	0.13	66.67	509.07	0.03	2,225.11	0.15	(1,716.04)
R/M - Xerox	0.00	0.00	0.00	0.00	0.00	2,417.52	0.15	2,127.32	0.15	290.20
R/M - Janitorial	500.00	0.35	500.00	0.38	0.00	6,000.00	0.38	6,000.00	0.41	0.00
Salaries & Wages	55,375.15	39.19	74,034.70	55.9	(18,659.55)	836,803.01	52.3	846,337.69	58.2	(9,534.68)
Taxes - G.E.T.	5,562.68	3.94	4,978.86	3.76	583.82	63,517.71	3.97	57,360.42	3.95	6,157.29
Taxes - T.A.T.	(0.01)	0.00	(0.01)	0.00	0.00	786.26	0.05	1,019.68	0.07	(233.42)
Taxes - Payroll	5,786.55	4.09	6,103.92	4.62	(317.37)	97,692.27	6.11	96,426.33	6.64	1,265.94
Travel	0.00	0.00	(1,000.00)	-0.7	1,000.00	10,721.43	0.67	8,290.14	0.57	2,431.29
Util. - Electricity	1,368.17	0.97	(4,976.45)	-3.7	6,344.62	17,227.76	1.08	9,822.98	0.68	7,404.78
Util. - Email Security	132.09	0.09	(1,000.00)	-0.7	1,132.09	656.87	0.04	1,151.81	0.08	(494.94)
Util. - Cellular	902.08	0.64	530.62	0.40	371.46	7,759.91	0.49	7,168.86	0.49	591.05
Util. - Modem	40.80	0.03	390.39	0.30	(349.59)	486.27	0.03	736.46	0.05	(250.19)
Util. - Telephone Base	667.51	0.47	741.49	0.56	(73.98)	8,599.09	0.54	8,917.37	0.61	(318.28)
Util. - Telephone FAX	40.50	0.03	50.47	0.04	(9.97)	482.87	0.03	405.85	0.03	77.02
Util. - Telephone L/D	121.07	0.09	162.48	0.12	(41.41)	1,445.79	0.09	986.75	0.07	459.04
Util. - Hi-Speed Intern	290.20	0.21	0.00	0.00	290.20	2,592.26	0.16	0.00	0.00	2,592.26
Util. - DSL Line	297.23	0.21	(50.99)	-0.0	348.22	3,583.43	0.22	1,999.62	0.14	1,583.81
<b>Total Operating Ex</b>	<b>130,525.42</b>	<b>92.37</b>	<b>91,863.28</b>	<b>69.4</b>	<b>38,662.14</b>	<b>1,459,619.79</b>	<b>91.3</b>	<b>1,368,672.10</b>	<b>94.2</b>	<b>90,947.69</b>
<b>Operating Incom</b>	<b>8,541.55</b>	<b>6.04</b>	<b>38,540.50</b>	<b>29.1</b>	<b>(29,998.95)</b>	<b>117,835.39</b>	<b>7.37</b>	<b>54,860.85</b>	<b>3.78</b>	<b>62,974.54</b>

See Accountant's Compilation Report

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
Amortization	143.06	0.10	143.06	0.11	0.00	1,716.72	0.11	1,716.72	0.12	0.00
Interest	0.00	0.00	0.00	0.00	0.00	452.94	0.03	1,431.60	0.10	(978.66)
Federal Income Tax	34,118.03	24.14	618.03	0.47	33,500.00	41,047.19	2.57	7,416.36	0.51	33,830.83
State Income Tax	<u>6,463.17</u>	<u>4.57</u>	<u>213.17</u>	<u>0.16</u>	<u>6,250.00</u>	<u>8,706.00</u>	<u>0.54</u>	<u>4,558.04</u>	<u>0.31</u>	<u>4,147.96</u>
<b>Total Other Income</b>	<u>40,724.26</u>	<u>28.82</u>	<u>974.26</u>	<u>0.74</u>	<u>39,750.00</u>	<u>51,922.85</u>	<u>3.25</u>	<u>15,122.72</u>	<u>1.04</u>	<u>36,800.13</u>
<b>Net Income (Loss)</b>	<u>(32,182.71)</u>	<u>-22.7</u>	<u>37,566.24</u>	<u>28.4</u>	<u>(69,748.95)</u>	<u>65,912.54</u>	<u>4.12</u>	<u>39,738.13</u>	<u>2.74</u>	<u>26,174.41</u>
<b>Net Income (Loss)</b>	<u>\$ (32,182.71)</u>	<u>-22.7</u>	<u>\$ 37,566.24</u>	<u>28.4</u>	<u>\$ (69,748.95)</u>	<u>\$ 65,912.54</u>	<u>4.12</u>	<u>\$ 39,738.13</u>	<u>2.74</u>	<u>\$ 26,174.41</u>

See Accountant's Compilation Report

**Destination Maui, Inc.**  
**Statement of Cash Flows**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months Ended December 31, 2012**

	<b>Current</b>	<b>Year to Date</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:		
Net Income (Loss)	\$32,182.71)	\$ 65,912.54
Losses (Gains) on sales of Fixed Assets	0.00	0.00
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(27,317.07)	(26,395.65)
Prepaid Employee Bnfts	53.41	(373.93)
Prepaid Neopost Meter	163.16	3,241.19
Prepaid Est Federal Taxes	0.00	(264.00)
Prepaid Estimated State Taxes	0.00	(1,744.00)
Unexpired Insurance	1,314.14	688.94
A/A - Loan Costs	143.06	1,716.72
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	101,032.62	25,492.85
Accrued Liabilities - RAK	(30,915.03)	(60,778.03)
Long-Term Liabilities	41,136.00	(5,873.04)
<b>Total Adjustments</b>	<b>85,610.29</b>	<b>(64,288.95)</b>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>53,427.58</b>	<b>1,623.59</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,291.58</b>	<b>1,623.59</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>371,766.42</b>	<b>376,561.37</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 384,058.00</b>	<b>\$ 384,058.00</b>

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

**Property Management Department**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
<b>Revenues</b>										
Property Management	\$ 102,793.84	84.67	\$ 90,430.45	86.8	\$ 12,363	\$ 1,175,945.87	85.0	\$ 1,043,442.50	85.0	\$ 132,503.37
Prop. Mgmt. Y/E Tax	3,960.00	3.26	0.00	0.00	3,960	25,792.00	1.87	26,530.00	2.16	(738.00)
Mgmt Fees - Bookkee	440.00	0.36	415.00	0.40	25	4,815.00	0.35	4,540.00	0.37	275.00
Condo Documents	1,468.00	1.21	883.00	0.85	585	15,588.00	1.13	14,680.00	1.20	908.00
Transfer Fees	5,150.00	4.24	4,500.00	4.32	650	58,533.00	4.23	58,385.00	4.76	148.00
Reimbursed Expense	7,586.47	6.25	7,945.49	7.63	359.02	101,750.56	7.36	78,917.36	6.43	(22,833.20)
<b>Total Revenues</b>	<u>121,398.31</u>	<u>100.0</u>	<u>104,173.94</u>	<u>100.</u>	<u>17,224.37</u>	<u>1,382,424.43</u>	<u>100.</u>	<u>1,226,494.86</u>	<u>100.</u>	<u>155,929.57</u>
<b>Gross Profit</b>										
	<u>121,398.31</u>	<u>100.0</u>	<u>104,173.94</u>	<u>100.</u>	<u>17,224.37</u>	<u>1,382,424.43</u>	<u>100.</u>	<u>1,226,494.86</u>	<u>100.</u>	<u>155,929.57</u>
Advertising/Promotion	0.00	0.00	0.00	0.00	0.00	2,847.46	0.21	1,300.03	0.11	1,547.43
Advertising Yellow Pa	112.18	0.09	(1,200.32)	-1.1	1,312.50	1,346.15	0.10	2,494.14	0.20	(1,147.99)
Auto	685.14	0.56	6,682.41	6.41	(5,997.27)	14,344.85	1.04	19,617.24	1.60	(5,272.39)
Auto - Parking Fees	0.00	0.00	325.00	0.31	(325.00)	3,756.00	0.27	3,925.00	0.32	(169.00)
Bank Charges	214.10	0.18	(997.01)	-0.9	1,211.11	2,234.63	0.16	500.12	0.04	1,734.51
Continuing Prof. Ed.	200.00	0.16	445.00	0.43	(245.00)	5,058.24	0.37	3,843.58	0.31	1,214.66
Contributions	100.00	0.08	50.00	0.05	50.00	2,736.50	0.20	700.00	0.06	2,036.50
Dues & Licenses	1,062.15	0.87	927.15	0.89	135.00	9,150.95	0.66	8,730.05	0.71	420.90
Empl. Bnf. - 401k Mat	6,564.69	5.41	0.00	0.00	6,564.69	24,369.75	1.76	703.12	0.06	23,666.63
Empl. Bnf. - Health/Sp	53.41	0.04	0.00	0.00	53.41	531.56	0.04	516.00	0.04	15.56
Empl. Bnf. - Bonuses	12,012.00	9.89	8,156.00	7.83	3,856.00	21,612.00	1.56	8,482.88	0.69	13,129.12
Empl. Bnf. - Insurance	517.77	0.43	331.10	0.32	186.67	5,319.07	0.38	4,121.91	0.34	1,197.16
Empl. Bnf. - Medical	17,623.61	14.52	14,571.19	13.9	3,052.42	88,133.72	6.38	87,067.69	7.10	1,066.03
Entertainment	59.57	0.05	(2,018.84)	-1.9	2,078.41	3,817.51	0.28	6,024.64	0.49	(2,207.13)
Employee Meals - 100	133.07	0.11	68.40	0.07	64.67	3,985.70	0.29	241.83	0.02	3,743.87
Employee Services (A	3,235.91	2.67	2,916.65	2.80	319.26	5,448.94	0.39	2,916.65	0.24	2,532.29
Equip. Lease - Xerox	178.07	0.15	(737.76)	-0.7	915.83	2,365.29	0.17	1,848.59	0.15	516.70
Equip. Lease - Neopo	96.49	0.08	0.00	0.00	96.49	1,157.91	0.08	1,073.86	0.09	84.05
Computer/Equipment	2,277.85	1.88	(9,892.61)	-9.5	12,170.46	26,063.12	1.89	32,069.52	2.61	(6,006.40)
Insurance	1,255.96	1.03	(4,275.96)	-4.1	5,531.92	16,173.90	1.17	9,889.51	0.81	6,284.39
Meetings	0.00	0.00	0.00	0.00	0.00	344.11	0.02	193.27	0.02	150.84
Office/Administration	1,635.73	1.35	(4,036.31)	-3.8	5,672.04	20,101.29	1.45	15,943.31	1.30	4,157.98
Outside Services-Lab	171.80	0.14	2,382.05	2.29	(2,210.25)	16,899.33	1.22	5,934.88	0.48	10,964.45
Outside Services-Oth	49.50	0.04	0.00	0.00	49.50	1,031.48	0.07	5,901.03	0.48	(4,869.55)
Postage	1,950.00	1.61	(550.00)	-0.5	2,500.00	23,400.00	1.69	22,664.68	1.85	735.32
Rent - Base	2,089.58	1.72	(4,010.42)	-3.8	6,100.00	24,574.96	1.78	17,974.95	1.47	6,600.01
Rent - CAM	228.33	0.19	(887.28)	-0.8	1,115.61	2,905.36	0.21	1,961.40	0.16	943.96
Rent - R.P. Taxes	99.96	0.08	(450.04)	-0.4	550.00	1,449.52	0.10	1,148.88	0.09	300.64
R/M - Buildings	186.87	0.15	25.07	0.02	161.80	2,969.75	0.21	2,812.75	0.23	157.00
R/M - Computer & Su	0.00	0.00	151.04	0.14	(151.04)	1,536.40	0.11	1,348.79	0.11	187.61

See Accountant's Compilation Report

Exhibit D  
(Page 28 of 32)

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

**Property Management Department**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
R/M - Equipment	7.68	0.01	(2,500.00)	-2.4	2,507.68	2,758.97	0.20	(241.50)	-0.0	3,000.47
R/M - Neopost (AMS)	242.39	0.20	175.72	0.17	66.67	509.07	0.04	2,225.11	0.18	(1,716.04)
R/M - Xerox	0.00	0.00	0.00	0.00	0.00	2,417.52	0.17	2,127.32	0.17	290.20
R/M - Janitorial	500.00	0.41	500.00	0.48	0.00	6,000.00	0.43	6,000.00	0.49	0.00
Salaries & Wages	45,357.67	37.36	65,221.33	62.6	(19,863.66)	729,876.32	52.8	738,026.98	60.1	(8,150.66)
Taxes - G.E.T.	4,855.94	4.00	4,166.95	4.00	688.99	55,296.97	4.00	49,059.78	4.00	6,237.19
Taxes - Payroll	5,286.55	4.35	5,603.92	5.38	(317.37)	91,492.27	6.62	90,426.33	7.37	1,065.94
Travel	0.00	0.00	(1,000.00)	-0.9	1,000.00	10,721.43	0.78	8,290.14	0.68	2,431.29
Util. - Electricity	1,010.36	0.83	(5,286.24)	-5.0	6,296.60	12,709.19	0.92	5,736.50	0.47	6,972.69
Util. - Email Security	132.09	0.11	(1,000.00)	-0.9	1,132.09	656.87	0.05	1,151.81	0.09	(494.94)
Util. - Cellular	636.80	0.52	380.62	0.37	256.18	5,419.52	0.39	5,743.86	0.47	(324.34)
Util. - Modem	40.80	0.03	390.39	0.37	(349.59)	486.27	0.04	736.46	0.06	(250.19)
Util. - Telephone Base	617.51	0.51	691.49	0.66	(73.98)	7,999.09	0.58	8,317.37	0.68	(318.28)
Util. - Telephone FAX	40.50	0.03	50.47	0.05	(9.97)	482.87	0.03	405.85	0.03	77.02
Util. - Telephone L/D	121.07	0.10	162.48	0.16	(41.41)	1,445.79	0.10	986.75	0.08	459.04
Util. - Hi-Speed Intern	290.20	0.24	0.00	0.00	290.20	2,592.26	0.19	0.00	0.00	2,592.26
Util. - DSL Line	297.23	0.24	(50.99)	-0.0	348.22	3,563.43	0.26	1,999.62	0.16	1,563.81
<b>Total Operating Ex</b>	<b>112,230.53</b>	<b>92.45</b>	<b>75,480.65</b>	<b>72.4</b>	<b>36,749.88</b>	<b>1,270,093.29</b>	<b>91.8</b>	<b>1,192,942.68</b>	<b>97.2</b>	<b>77,150.61</b>
<b>Operating Incom</b>	<b>9,167.78</b>	<b>7.55</b>	<b>28,693.29</b>	<b>27.5</b>	<b>(19,525.51)</b>	<b>112,331.14</b>	<b>8.13</b>	<b>33,552.18</b>	<b>2.74</b>	<b>78,778.96</b>
Amortization	143.06	0.12	143.06	0.14	0.00	1,716.72	0.12	1,716.72	0.14	0.00
Interest	0.00	0.00	0.00	0.00	0.00	452.94	0.03	1,431.60	0.12	(978.66)
Federal Income Tax	34,118.03	28.10	618.03	0.59	33,500.00	41,047.19	2.97	7,416.36	0.60	33,630.83
State Income Tax	6,463.17	5.32	213.17	0.20	6,250.00	8,706.00	0.63	4,558.04	0.37	4,147.96
<b>Total Other Incom</b>	<b>40,724.26</b>	<b>33.55</b>	<b>974.26</b>	<b>0.94</b>	<b>39,750.00</b>	<b>51,922.85</b>	<b>3.76</b>	<b>15,122.72</b>	<b>1.23</b>	<b>36,800.13</b>
<b>Net Income (Loss)</b>	<b>(31,556.48)</b>	<b>-25.9</b>	<b>27,719.03</b>	<b>26.6</b>	<b>(59,275.51)</b>	<b>60,408.29</b>	<b>4.37</b>	<b>18,429.46</b>	<b>1.50</b>	<b>41,978.83</b>
<b>Net Income (Los</b>	<b>\$ (31,556.48)</b>	<b>-25.9</b>	<b>\$ 27,719.03</b>	<b>26.6</b>	<b>\$(59,275.51)</b>	<b>\$ 60,408.29</b>	<b>4.37</b>	<b>\$ 18,429.46</b>	<b>1.50</b>	<b>\$ 41,978.83</b>

See Accountant's Compilation Report

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

**Rental Department**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
<b>Revenues</b>										
Property Management	\$ 0.00	0.00	\$ 0.00	0.00	\$ 0	\$ 0.00	0.00	\$ 416.64	0.25	\$ (416.64)
Mgmt Fees - Bookkee	1,144.50	7.52	1,144.50	8.51	0	20,210.02	11.4	16,204.99	9.87	4,005.03
Interest Income	200.00	1.31	200.00	1.49	0	1,850.00	1.05	2,038.12	1.22	(188.12)
Commissions - KSHS	5,738.84	37.72	4,788.39	35.6	950	59,293.56	33.5	62,374.38	37.2	(3,080.82)
Commissions - Other	8,056.59	52.95	7,308.88	54.3	748	94,139.43	53.3	86,513.93	51.6	7,625.50
Other	75.00	0.49	0.00	0.00	75	1,140.00	0.65	0.00	0.00	1,140.00
Reimbursed Expense	0.00	0.00	0.00	0.00	0.00	(29.89)	-0.0	0.00	0.00	29.89
<b>Total Revenues</b>	<b>15,214.93</b>	<b>100.0</b>	<b>13,441.77</b>	<b>100.</b>	<b>1,773.16</b>	<b>176,603.12</b>	<b>100.</b>	<b>167,548.06</b>	<b>100.</b>	<b>9,055.06</b>
<b>Expenses</b>										
Pamela Alexander - paid o	(213.25)	1.40	(926.00)	6.89	(712.75)	(1,236.65)	0.70	(2,057.75)	1.23	(821.10)
Net Sales from Pam	(213.25)	-1.40	(926.00)	-6.8	712.75	(1,236.65)	-0.7	(2,057.75)	-1.2	821.10
Cheryl Johnson - paid o	0.00	0.00	(160.00)	1.19	(160.00)	0.00	0.00	(2,026.66)	1.21	(2,026.66)
Net Sales from Cheryl	0.00	0.00	(160.00)	-1.1	160.00	0.00	0.00	(2,026.66)	-1.2	2,026.66
Commissions Other Age	0.00	0.00	0.00	0.00	0.00	(125.00)	0.07	(115.00)	0.07	10.00
Net Sales	0.00	0.00	0.00	0.00	0.00	(125.00)	-0.0	(115.00)	-0.0	(10.00)
<b>Total Cost of Reve</b>	<b>(213.25)</b>	<b>-1.40</b>	<b>(1,086.00)</b>	<b>-8.0</b>	<b>872.75</b>	<b>(1,361.65)</b>	<b>-0.7</b>	<b>(4,199.41)</b>	<b>-2.5</b>	<b>2,837.76</b>
<b>Gross Profit</b>	<b>15,001.68</b>	<b>98.60</b>	<b>12,355.77</b>	<b>91.9</b>	<b>2,645.91</b>	<b>175,241.47</b>	<b>99.2</b>	<b>163,348.65</b>	<b>97.4</b>	<b>11,892.82</b>
<b>Operating Expenses</b>										
Advertising/Promotion	8.54	0.06	48.90	0.36	(40.36)	749.18	0.42	(722.21)	-0.4	1,471.39
Auto	492.60	3.24	689.14	5.13	(196.54)	8,255.77	4.67	8,169.31	4.88	86.46
Bank Charges	152.82	1.00	172.74	1.29	(19.92)	2,136.73	1.21	1,608.22	0.96	528.51
Continuing Prof. Ed.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	112.51	0.07	(112.51)
Dues & Licenses	0.00	0.00	0.00	0.00	0.00	75.00	0.04	280.00	0.17	(205.00)
Empl. Bnf. - 401k Mat	650.00	4.27	0.00	0.00	650.00	2,061.11	1.17	0.00	0.00	2,061.11
Empl. Bnf. - Bonuses	2,000.00	13.14	2,156.00	16.0	(156.00)	2,000.00	1.13	2,156.00	1.29	(156.00)
Empl. Bnf. - Insurance	60.00	0.39	35.00	0.26	25.00	416.71	0.24	360.41	0.22	56.30
Empl. Bnf. - Medical	1,764.60	11.60	1,479.54	11.0	285.06	19,464.84	11.0	12,905.40	7.70	6,559.44
Entertainment	0.00	0.00	0.00	0.00	0.00	308.94	0.17	520.65	0.31	(211.71)
Employee Meals - 100	0.00	0.00	0.00	0.00	0.00	443.05	0.25	0.00	0.00	443.05
Employee Services (A	0.00	0.00	42.21	0.31	(42.21)	0.00	0.00	42.21	0.03	(42.21)
Equip. Lease - Neopo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	0.01	(20.00)
Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	184.52	0.11	(184.52)
Office/Administration	60.00	0.39	146.00	1.09	(86.00)	1,480.28	0.84	1,593.93	0.95	(113.65)
Outside Services-Lab	89.55	0.59	(164.60)	-1.2	254.15	2,117.50	1.20	(291.45)	-0.1	2,408.95
Outside Services-Oth	0.00	0.00	0.00	0.00	0.00	52.08	0.03	0.00	0.00	52.08
Postage	50.00	0.33	50.00	0.37	0.00	600.00	0.34	641.47	0.38	(41.47)
Rent - Base	572.92	3.77	572.92	4.26	0.00	6,875.04	3.89	6,875.03	4.10	0.01
Rent - CAM	161.75	1.06	184.91	1.38	(23.16)	1,870.50	1.06	1,888.58	1.13	(18.08)
Rent - R.P. Taxes	67.27	0.44	67.27	0.50	0.00	807.24	0.46	804.29	0.48	2.95
R/M - Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	228.53	0.14	(228.53)

See Accountant's Compilation Report

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

**Rental Department**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
R/M - Equipment	0.00	0.00	0.00	0.00	0.00	817.78	0.46	1,859.79	1.11	(1,042.01)
Salaries & Wages	9,767.48	64.20	8,513.37	63.3	1,254.11	103,776.69	58.7	103,260.71	61.6	515.98
Taxes - G.E.T.	600.06	3.94	494.23	3.68	105.83	7,015.84	3.97	6,538.54	3.90	477.30
Taxes - Payroll	500.00	3.29	500.00	3.72	0.00	6,200.00	3.51	6,000.00	3.58	200.00
Util. - Electricity	357.81	2.35	309.79	2.30	48.02	4,518.57	2.56	4,086.48	2.44	432.09
Util. - Cellular	265.28	1.74	150.00	1.12	115.28	2,340.39	1.33	1,425.00	0.85	915.39
Util. - Telephone Base	50.00	0.33	50.00	0.37	0.00	600.00	0.34	600.00	0.36	0.00
<b>Total Operating Ex</b>	<u>17,670.68</u>	<u>116.1</u>	<u>15,497.42</u>	<u>115.</u>	<u>2,173.26</u>	<u>174,983.24</u>	<u>99.0</u>	<u>161,147.92</u>	<u>96.1</u>	<u>13,835.32</u>
<b>Operating Incom</b>	<u>(2,669.00)</u>	<u>-17.5</u>	<u>(3,141.65)</u>	<u>-23.</u>	<u>472.65</u>	<u>258.23</u>	<u>0.15</u>	<u>2,200.73</u>	<u>1.31</u>	<u>(1,942.50)</u>
<b>Net Income (Loss)</b>	<u>(2,669.00)</u>	<u>-17.5</u>	<u>(3,141.65)</u>	<u>-23.</u>	<u>472.65</u>	<u>258.23</u>	<u>0.15</u>	<u>2,200.73</u>	<u>1.31</u>	<u>(1,942.50)</u>
<b>Net Income (Los</b>	<u>\$ (2,669.00)</u>	<u>-17.5</u>	<u>\$ (3,141.65)</u>	<u>-23.</u>	<u>\$ 472.65</u>	<u>\$ 258.23</u>	<u>0.15</u>	<u>\$ 2,200.73</u>	<u>1.31</u>	<u>\$ (1,942.50)</u>



**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

**Real Estate Sales**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
<b>Revenues</b>										
Mgmt Fees - Bookkee	\$ 676.00	15.27	\$ 676.00	4.77	\$ 0	\$ 8,112.00	31.0	\$ 8,112.00	18.8	\$ 0.00
Reimbursed Expense	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Revenues</b>	<u>676.00</u>	<u>15.27</u>	<u>676.00</u>	<u>4.77</u>	<u>0.00</u>	<u>8,112.00</u>	<u>31.0</u>	<u>8,112.00</u>	<u>18.8</u>	<u>0.00</u>
Russell Adkins - rec'd	0.00	0.00	11,250.00	79.3	(11,250.00)	0.00	0.00	19,197.00	44.5	(19,197.00)
Russell Adkins - paid o	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(5,562.90)</u>	<u>12.9</u>	<u>(5,562.90)</u>
Net Sales from Russel	0.00	0.00	11,250.00	79.3	(11,250.00)	0.00	0.00	13,634.10	31.6	(13,634.10)
Pamela Alexander - rec'	3,750.00	84.73	0.00	0.00	3,750.00	3,750.00	14.3	0.00	0.00	3,750.00
Pamela Alexander - pai	<u>(1,875.00)</u>	<u>42.36</u>	<u>0.00</u>	<u>0.00</u>	<u>1,875.00</u>	<u>(1,875.00)</u>	<u>7.17</u>	<u>0.00</u>	<u>0.00</u>	<u>1,875.00</u>
Net Sales from Pam	1,875.00	42.36	0.00	0.00	1,875.00	1,875.00	7.17	0.00	0.00	1,875.00
Cheryl Johnson - rec'd	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,000.00	6.97	(3,000.00)
Cheryl Johnson - paid o	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,600.00)</u>	<u>3.72</u>	<u>(1,600.00)</u>
Net Sales from Cheryl	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,400.00	3.25	(1,400.00)
KBC Timeshare - rec'd	0.00	0.00	2,250.00	15.8	(2,250.00)	14,295.00	54.6	12,750.00	29.6	1,545.00
KBC Timeshare - paid o	<u>0.00</u>	<u>0.00</u>	<u>(500.00)</u>	<u>3.53</u>	<u>(500.00)</u>	<u>(11,120.00)</u>	<u>42.5</u>	<u>(10,200.00)</u>	<u>23.6</u>	<u>920.00</u>
Net Sales from KBC T	0.00	0.00	1,750.00	12.3	(1,750.00)	3,175.00	12.1	2,550.00	5.92	625.00
<b>Total Cost of Reve</b>	<u>1,875.00</u>	<u>42.36</u>	<u>13,000.00</u>	<u>91.7</u>	<u>(11,125.00)</u>	<u>5,050.00</u>	<u>19.3</u>	<u>17,584.10</u>	<u>40.8</u>	<u>(12,534.10)</u>
<b>Gross Profit</b>	<u>2,551.00</u>	<u>57.64</u>	<u>13,676.00</u>	<u>96.4</u>	<u>(11,125.00)</u>	<u>13,162.00</u>	<u>50.3</u>	<u>25,696.10</u>	<u>59.6</u>	<u>(12,534.10)</u>
Advertising/Promotion	0.00	0.00	0.00	0.00	0.00	48.84	0.19	0.00	0.00	48.84
Auto	100.00	2.26	100.00	0.71	0.00	1,200.00	4.59	1,200.00	2.79	0.00
Continuing Prof. Ed.	0.00	0.00	0.00	0.00	0.00	481.02	1.84	135.00	0.31	346.02
Dues & Licenses	0.00	0.00	0.00	0.00	0.00	3,467.50	13.2	2,917.50	6.78	550.00
Entertainment	0.00	0.00	0.00	0.00	0.00	86.45	0.33	0.00	0.00	86.45
MLS / TMK Service	167.54	3.79	167.54	1.18	0.00	2,010.48	7.69	2,010.48	4.67	0.00
Office/Administration	0.00	0.00	0.00	0.00	0.00	26.75	0.10	67.45	0.16	(40.70)
Outside Services-Lab	0.00	0.00	0.00	0.00	0.00	1,860.00	7.11	0.00	0.00	1,860.00
Postage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	51.58	0.12	(51.58)
R/M - Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	67.71	0.16	(67.71)
R/M - Computer & Su	0.00	0.00	0.00	0.00	0.00	0.00	0.00	40.00	0.09	(40.00)
R/M - Equipment	0.00	0.00	0.00	0.00	0.00	221.06	0.85	260.00	0.60	(38.94)
Salaries & Wages	250.00	5.65	300.00	2.12	(50.00)	3,150.00	12.0	5,050.00	11.7	(1,900.00)
Taxes - G.E.T.	<u>102.04</u>	<u>2.31</u>	<u>567.04</u>	<u>4.00</u>	<u>(465.00)</u>	<u>971.27</u>	<u>3.71</u>	<u>1,435.83</u>	<u>3.33</u>	<u>(464.56)</u>
<b>Total Operating Ex</b>	<u>619.58</u>	<u>14.00</u>	<u>1,134.58</u>	<u>8.00</u>	<u>(515.00)</u>	<u>13,523.37</u>	<u>51.7</u>	<u>13,235.55</u>	<u>30.7</u>	<u>287.82</u>
<b>Operating Income</b>	<u>1,931.42</u>	<u>43.64</u>	<u>12,541.42</u>	<u>88.4</u>	<u>(10,610.00)</u>	<u>(361.37)</u>	<u>-1.3</u>	<u>12,460.55</u>	<u>28.9</u>	<u>(12,821.92)</u>
<b>Net Income (Loss)</b>	<u>1,931.42</u>	<u>43.64</u>	<u>12,541.42</u>	<u>88.4</u>	<u>(10,610.00)</u>	<u>(361.37)</u>	<u>-1.3</u>	<u>12,460.55</u>	<u>28.9</u>	<u>(12,821.92)</u>

See Accountant's Compilation Report

**Destination Maui, Inc.**  
**Income Statement**  
**Unaudited - Income Tax Basis**  
**For the 1 Month and 12 Months ended December 31, 2012 and 2011**

**Real Estate Sales**

	CURRENT PERIOD					YEAR-TO-DATE				
	This Year	%	Last Year	%	Variance	This Year	%	Last Year	%	Variance
Net Income (Loss)	<u>\$ 1,931.42</u>	<u>43.64</u>	<u>\$ 12,541.42</u>	<u>88.4</u>	<u>\$(10,610.00)</u>	<u>\$ (361.37)</u>	<u>-1.3</u>	<u>\$ 12,460.55</u>	<u>28.9</u>	<u>\$(12,821.92)</u>