

The County of Maui consists of the inhabited islands of Maui, Molokai, and Lanai and the uninhabited island of Kaho’olawe.

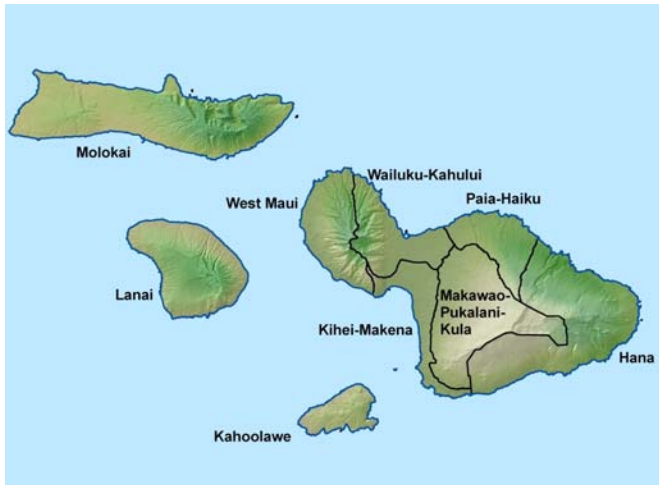


Figure 11

Geography

The county is the second largest of the four counties in the State of Hawaii. The county has a total area of 2,398.74 square miles, of which, 1,161.52 square miles is land and 1,237.22 square miles is water. The land area is approximately the size of Rhode Island.

The island of Maui, known as the “Valley Isle”, is the second largest in the Hawaiian archipelago. It has a land area of 735 square miles, is 48 miles long and 26 miles wide.

The island of Maui is the center of trade, commerce and county government. It is also the largest island of the four islands making up the county.

Historically, pineapple and sugar have been the major industries. Today, however, tourism and construction are the leading components of the Maui County economy, which continues to include agriculture as well as technology, renewable energy and scientific and research facilities.

The 264 square-mile island of Molokai is the second largest in the county. Molokai is known as the “Friendly Isle” and has a reputation for its aloha. The population is largely Hawaiian or part-Hawaiian and traditional pursuits like fishing and farming have contributed to preserving its cultural heritage.

The island of Lanai has historically been called the “Pineapple Isle” because for many years most of its 141 square miles were devoted to pineapple production; cultivation of the crop has since been phased out. Larry Ellison, the new owner of approximately 98% of the land on Lanai, has expressed his intentions to refurbish Lanai’s existing luxury resorts, water and electric utilities. Mr. Ellison has also stated he plans to create a variety of sustainable enterprises such as a solar-powered eco lab, organic farms, a desalinization facility and a fleet of electric cars.

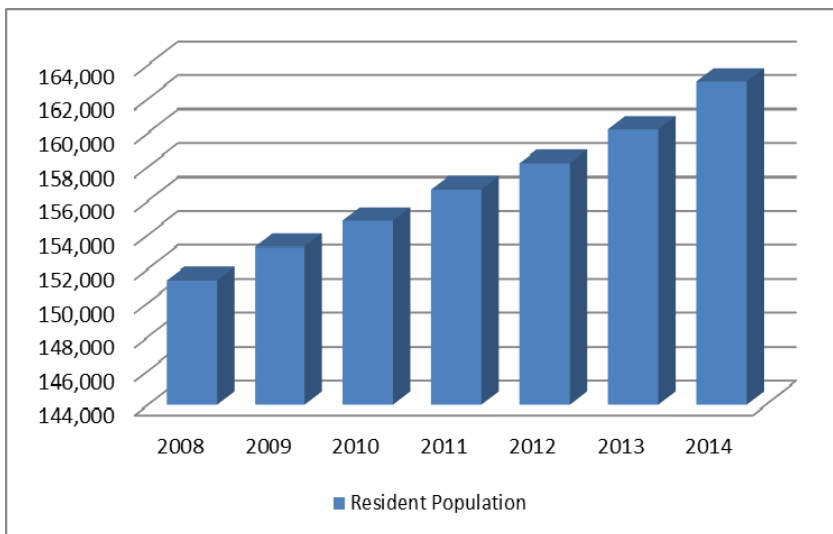


Figure 12

General Statistics

According to the U.S. Census Bureau, there are an estimated 163,019 people residing in Maui County. There are 71,467 housing units and 53,131 total households of which 14,686 (27.6%) have children under the age of 18 living in them; 26,882 (50.6%) are married couples living together; 6,581 (12.4%) have a female householder with no husband present; and 16,975 (31.9%) are non-family households. The average family size is 3.48 and median household income is \$64,567.

General Statistics (Cont'd)

Like the rest of the state, Maui County is home to people of many different ethnic groups and nationalities. Residents represent a multitude of ethnic heritages including Hawaiian, Japanese, Caucasian, Filipino, Chinese, Korean, Tongan, Samoan and many others. Of the estimated county residents, 54,749 (33.6%) are White; 939 (0.6%) are Black or African American; 259 (0.2%) are American Indian and Alaska Natives; 42,569 (26.1%) are Asian; 16,564 (10.2%) are Native Hawaiian and Other Pacific Islander; 16,805 (10.3%) of the population are Hispanic or Latino of any race; and 42,375 (26.0%) consider themselves from two or more races.

28,168 (17.3%) Maui County residents are foreign-born. A considerable majority of foreign-born residents, 18,281 (64.9%), are of Asian origin; and 15,614 (55.4%) are naturalized US citizens and 12,554 (44.6%) are non-US citizens. Of county residents 5 years and older, 31,367 (21.1%) speak a language other than English at home.

The age of Maui County residents range from 40,429 (24.8%) under the age of 20; 52,492 (32.2%) between the ages of 20 to 44; 47,439 (29.1%) between the ages of 45 to 64; to 22,823 (14%) 65 years of age or older. The median age is 40 years.

Of residents 25 years and older, 4,431 (4.0%) have less than a 9th grade education; 5,982 (5.4%) have some high school education, but no diploma; 34,892 (31.5%) are high school graduates or equivalent; 27,249 (24.6%) have some college, but no degree; 9,858 (8.9%) have an associate's degree; 19,385 (17.5%) have a bachelor's degree; and 8,972 (8.1%) have a graduate or professional degree.

Figure 13

Period July 1	No. of Residents	% Change Annual
2008	151,325	2.2%
2009	153,300	1.3%
2010	154,834	1.0%
2011	156,666	1.2%
2012	158,226	1.0%
2013	160,202	1.2%
2014	163,019	1.8%

Government

In Maui County, as well as in the three other counties within the state, there are no subordinate or separate municipal entities. The state government administers the school system, airports, harbors, hospitals, judicial system and the state highway system.

Most non-federal taxes are administered and collected by the state under Hawaii's highly centralized tax system. The major sources of state revenue are the general excise tax and corporate and personal income taxes. There are no state personal or property taxes, no local levies for school districts nor special assessments. The County of Maui provides a broad range of municipal services including public safety, highways and streets, water and sanitation, human services, public infrastructure improvements, parks and recreation, public transportation, planning, zoning, and general administrative services.

Maui County is governed by the County Charter, originally adopted by the electorate in September, 1967. On January 1, 1983, a new charter became effective. The 2015 edition takes into account amendments between 1983 and 2014 as amendments were passed by the voters.

The executive power of the county is vested in and exercised by the executive branch, which is headed by the popularly elected Mayor. The Mayor serves a four-year term and is limited to two consecutive full terms. Mayor Alan M. Arakawa was re-elected in November 2014 to serve his second consecutive term

Government (Cont'd)

starting on January 2, 2015. Mayor Arakawa made Maui County history back in 2006 when he lost a re-election bid for Mayor, but four years later won a second non-consecutive term as Mayor.

The Mayor establishes and directs basic management guidelines for all 17 executive departments of the county and serves as a liaison between the County Council and executive departments and agencies.

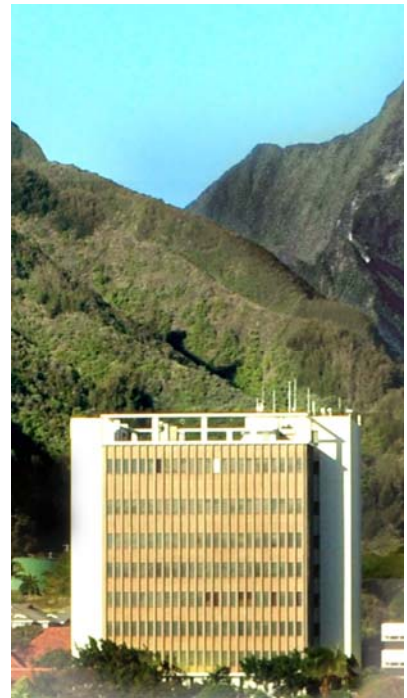
The Mayor's Office and Managing Director are responsible to prepare and oversee the county's operating and capital improvement program budgets, provide support services to county boards and commissions, respond to citizen concerns, and coordinate internal county communications and the dissemination of information to the public.

The Maui County Council is a nine-member legislative body of officials who are elected on an at-large basis (i.e., all county voters can cast votes for all nine seats), one each from nine residency areas. Each Council member is elected for a two-year term.

The Council is the legislative and policy-making body of the Maui County government, as provided by Section 2-2 of the Charter of the County of Maui: "All powers of the county shall be carried into execution as provided by this charter, or, if the charter makes no provisions, as provided by ordinance or resolution of the county council."

As provided in Section 3-6 of the County Charter, the Council is specifically empowered to:

- Legislate taxes, rates, fees, assessments and special assessments, and to borrow money, subject to the limitations provided by law and the Charter of the County of Maui;
- Legislate appropriations for county purposes subject to the limitations provided by the Charter of the County of Maui;
- Conduct investigations of (a) the operation of any department or function of the county and (b) any subject upon which the Council may legislate;
- Fix the salaries of such employees and officers as may be necessary;
- Require periodic and special reports from all county departments concerning their functions and operations. Such reports shall be requested and submitted by and through the mayor; and
- Retain or employ, by a vote of two-thirds of its entire membership, special counsel (private attorneys) for any special matter presenting a real necessity for such employment. Any such employment shall specify the compensation, if any, to be paid for said services.



General Economic Overview

Maui’s economy has fully recovered from the recent recession according to the State’s chief economist. Labor force, employment and job count have all exceeded previous highs. By the end of 2014, Maui County had recovered and new records were created in 2015. The next two years are expected to continue to see a steady growth in Maui County’s economy.

Tourism

The visitor industry remains the largest sector of Maui County’s economy accounting for approximately 40% of its overall GDP. Visitor arrivals were up 5.7% from about 610,000 to 644,000 for the third quarter of 2015 as compared to 2014. The number of days visitors stay on island is up 6.5%, going from about 4.7 million to 5 million.

The County of Maui, in collaboration with the Maui Visitors Bureau, will continue to aggressively market “Maui” in the greater Pacific Basin, with emphasis on Korea and Japan. The administration and visitors’ bureau are working hard to make Maui’s airport able to accept more direct international flights. This coupled with the recent addition of room inventory and the increase in flights from both Honolulu and direct flights from the mainland U.S., give reason to be optimistic for the balance of 2016 and into 2017.

Construction

Private building permit values in the county increased from approximately \$80.3 million to \$107.5 million (a 34% increase) for the third quarter of 2015, in large part because of a 270% increase in permits for additions and alterations. Commercial and industrial, as well as residential permit valuations were down for the quarter but are substantially up for the year.

Residential permits are up from \$90.1 million to \$155.5 million (73%) compared with the first three quarters of last year and commercial and industrial permits are up \$401.8 million compared with last year’s \$115.8 million (247%). Total permit valuations through October 2015 rose to about \$724 million, significantly higher than 2014’s \$327 million and 2011’s \$263 million.

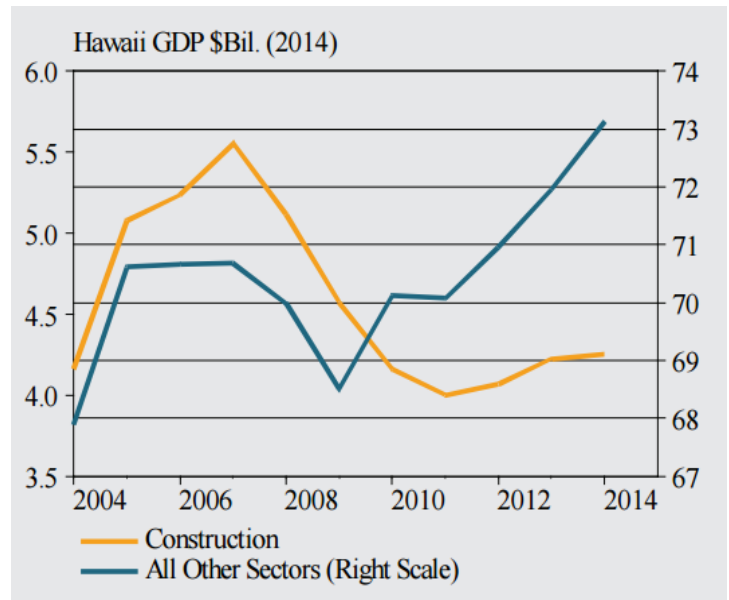


Figure 14

The hotel and time-share industries lead the increase in construction with the following projects scheduled to be completed in 2016 and 2017:

- Piilani Suites/Residence Inn by Marriott in Wailea. Opening second quarter of 2016, 200 rooms.
- Westin Kaanapali Ocean Resort Villas-Nanea Tower. Opening 2017, 390 villas.
- Hilton Grand Vacations Kihei. Opening 2017, 388 time-share units.
- Maui Palms in Kahului. Construction to begin in second quarter of 2016, 150 rooms.
- Downtown Kihei Center hotel. 150 rooms.

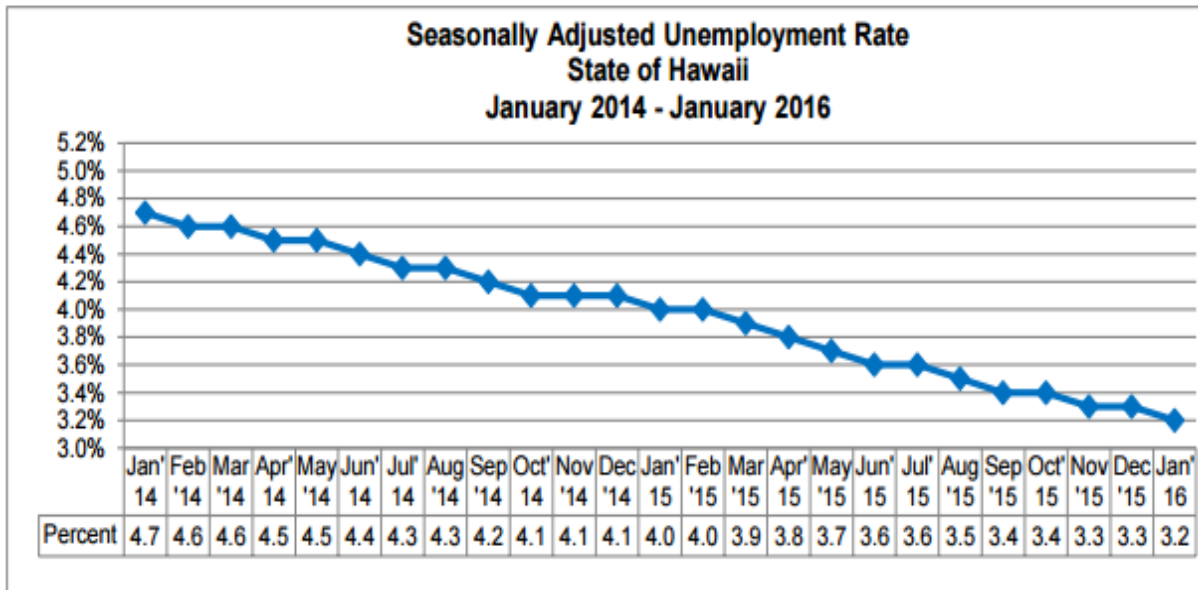
General Economic Overview (Cont'd)

Labor

Maui County's unemployment figure stood at 3.3% in January, a percentage point less than the same month last year, according to jobless statistics released Friday by the state Department of Labor and Industrial Relations. January 2016 unemployment rates as compared to January 2015 for Maui was 3.3% down from 4.2%; Molokai, 6.3%, down from 8.5% and Lanai, 2.8% down from 3.5%.

Hawaii's labor force in January was 684,250, an increase of 10,750, or 1.6%, from the state's labor force of 673,500 in the same month last year. Within major industry sectors, there were job gains in leisure and hospitality (up 1,300); trade, transportation and utilities (up 1,200); construction (up 600); professional and business services (up 500); financial activities (up 500); educational and health services (up 500); manufacturing (up 400); and other services (up 200). Most of the rise in the leisure and hospitality category occurred in food services and drinking places, while the majority of the expansion in trade, transportation and utilities took place in retail trade, followed by wholesale trade. The only major sector to see a reduction of 2,800 jobs was government, mostly in the Department of Education and University of Hawaii system.

Figure 15



Real Estate

In general, the Maui real estate market has rebounded and is strong, as reflected in the real property valuations year over year increases of 13.5% and 8.5% for 2015 and 2016 respectively. Condo sales recovered to their 2007 levels back in 2012 and have increased since then. Single-family unit sales continue to grow while not yet returning to 2007 levels, the increases have been steady and solid.

Maui has major real estate projects in various stages of development. New Maui Lani residential properties are building out and selling off of waitlists. The Tradition project by D. R. Horton is almost sold out. The Parkways Phase I sold all 40 units, and Phase II has 45 units of which a third have been sold. Maui Lani has started grading another 45 acres for 500 units that are 51% affordable. A&B's residential project in Kīhei will start with an increment of about 170 affordable units to reach market in 2018. This

Real Estate (Cont'd)

project will build out to over 600 units. On the high end, A&B will commence sales later this year for their Keala O Wailea project, 70 condominiums priced in the high \$800,000 to low \$1 million range. Commercial real estate is also doing well with brisk sales at strong prices in the Maui Business Park South project near the newly built Target and future County of Maui Service Center. Other Central Maui properties are finding strong demand for its office and warehouse properties.

Figure 16

HAWAII ECONOMIC INDICATORS YEAR-OVER-YEAR PERCENT CHANGE						
	2013	2014	2015	2016	2017	2018
Visitor Arrivals	1.7	2.3	4.3	1.3	1.0	1.2
U.S. Visitor Arrivals	0.7	2.2	5.7	1.5	1.2	1.1
Japan Visitor Arrivals	3.6	-0.4	-0.8	-0.5	0.1	1.2
Other Visitor Arrivals	3.2	5.0	4.7	2.1	1.1	1.5
Non-farm Payrolls	2.0	1.3	1.4	1.3	1.1	0.9
Unemployment Rate (%)	4.9	4.4	3.7	3.0	2.8	2.9
Inflation Rate, Honolulu MSA (%)	1.8	1.4	1.0	1.7	2.6	2.8
Real Personal Income	-1.0	3.2	3.9	2.3	1.7	1.4
Real GDP	0.8	1.3	4.0	3.2	2.1	1.6

Note: Source is UHERO. Figures for income and GDP for 2015 are UHERO estimates. Figures for 2016-2018 are forecasts.
Non-farm Payrolls for 2014 and 2015 are UHERO estimates of the forthcoming benchmark revision.