

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer THE PALMS AT WAILA VENTURE
Address 841 Bishop Street, Suite 2300, Honolulu, Hawaii 96813

Project Name(*): THE PALMS AT WAILA
Address: 3200 Wailea Alanui Drive, Wailea, Maui, Hawaii 96753

Registration No. 1991 (Partial Conversion) Effective date: May 30, 1996
Expiration date: June 30, 1997

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other governmental agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

_____	PRELIMINARY: (yellow)	The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued when complete information is filed.
_____	FINAL: (white)	The developer has legally created a condominium and has filed complete information with the Commission.
		<input type="checkbox"/> No prior reports have been issued <input type="checkbox"/> Supersedes all prior public reports <input type="checkbox"/> Must be read together with _____
<u> X </u>	SUPPLEMENTARY: (pink)	Updates information contained in the <input type="checkbox"/> Prelim. Public Report dated _____ <input checked="" type="checkbox"/> Final Public Report dated <u>December 29, 1989</u> <input type="checkbox"/> Supp. Public Report dated _____
		And <input checked="" type="checkbox"/> Supersedes all prior public reports <input type="checkbox"/> Must be read together with _____ <input type="checkbox"/> This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[] Required [X] Not Required - disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

[] No prior reports have been issued by the Commission.

[X] Changes made are as follows:

1. Construction of the Project was completed in June 1991, and the Blanket Construction Loan has been paid off and released.
2. The provisions of the Sales Contract have been modified to reflect that construction of the Project was completed and the construction loan paid off.
3. The Real Estate Broker has been changed (see page 5).
4. The Condominium Managing Agent has been changed (see page 5).
5. A new exhibit on Construction Warranties has been added as Exhibit "H".
6. The Specimen Sales Contract has changed and a summary of it is attached as Exhibit "I".

TABLE OF CONTENTS

	page
Preparation of this Report	1
Expiration Date of Reports	1
Type of Report	1
Disclosure Abstract	2
Summary of Changes from Earlier Public Reports	2
Table of Contents	3
General Information on Condominiums	4
Operation of the Condominium Project	4
 I. PEOPLE CONNECTED WITH THE PROJECT	 6
Developer Attorney for Developer General Contractor	
Real Estate Broker Escrow Company Condominium Managing Agent	
 II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS	
A. Declaration	6
B. Condominium Map (File Plan)	6
C. Bylaws	6
D. House Rules	7
E. Changes to Condominium Documents	7
 III. THE CONDOMINIUM PROJECT	
A. Interest to be Conveyed to Buyer	8
B. Underlying Land	9
C. Buildings and Other Improvements	10
D. Common Elements, Limited Common Elements, Common Interest	13
E. Encumbrances Against Title	14
F. Construction Warranties	15
G. Status of Construction	16
H. Project Phases	16
 IV. CONDOMINIUM MANAGEMENT	
A. Management of the Common Elements	17
B. Estimate of Initial Maintenance Fees	17
C. Utility Charges for Apartments	17
 V. MISCELLANEOUS	
A. Sales Documents Filed with the Real Estate Commission	18
B. Buyer's Right to Cancel Sales Contract	18
C. Additional Information Not Covered Above	20
D. Signature of Developer	21
 EXHIBIT A: Apartment Description	
EXHIBIT B: Description of Buildings	
EXHIBIT C: Boundaries of each Apartment	
EXHIBIT D: Permitted Alterations to Apartments	
EXHIBIT E: Common Elements	
EXHIBIT F: Common Interest	
EXHIBIT G: Encumbrances Against Title	
EXHIBIT H: Construction Warranties	
EXHIBIT I: Summary of the Provisions of the Sales Contract	
EXHIBIT J: Summary of the Provisions of the Escrow Agreement	
EXHIBIT K: Wailea Restriction Covenant	
EXHIBIT L: Disclosure Abstract	

General Information on Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged, or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PEOPLE CONNECTED WITH THE PROJECT

Developer: The Palms at Wailea Venture
Name
841 Bishop St., Suite 2300
Business Address
Honolulu, Hawaii 96813

Phone: (808) 539-9600
(Business)

Names of officers or general partners of developers who are corporations or partnerships:

General Partner: The Beam Venture, a Hawaii general partnership of McCormack Properties, Ltd., a Hawaii corporation (Michael T. McCormack - President) and Bradley Holdings, Ltd., a Delaware corporation (Richard Bradley - President)

Real Estate
Broker: McCormack Real Estate, Inc.
Name
841 Bishop Street, Suite 2300
Business Address
Honolulu, Hawaii 96813

Phone: (808) 539-9600
(Business)

Escrow:
Name Title Guaranty Escrow Services, Inc.
235 Queen Street
Business Address
Honolulu, Hawaii

Phone: (808) 521-0211
(Business)

General
Contractor: N/A
Name

Business Address

Phone: _____
(Business)

Condominium
Managing
Agent: Management Consultants of Hawaii
Name
727 Wainee St., Suite 106
Business Address
Lahaina, Maui, Hawaii 96761

Phone: (808) 661-8795
(Business)

Attorney for
Developer: Jeffrey S. Grad
Name
841 Bishop Street, Suite 2001
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-4757
(Business)

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

- A. Declaration of Condominium Property Regime contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

☐ Proposed
☐ Recorded - Bureau of Conveyances - Document No. _____
Book _____ Page _____
☒ Filed - Land Court - Document No. 1649066

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]:

Amendment No. 1 dated September 18, 1989, filed as Document No. 1669456

- B. Condominium Map (File Plan) shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

☐ Proposed
☐ Recorded - Bureau of Conveyances Condo Map No. _____
☒ Filed - Land Court Condo Map No. 725

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

- C. Bylaws of the Association of Apartment Owners govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

☐ Proposed
☐ Recorded - Bureau of Conveyances - Document No. _____
☒ Filed - Land Court Condo Map No. 1649067

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]:

D. **House Rules.** The Board of Directors may adopt house rules to govern the use and operation of the common elements and individual apartments. House rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

☐ Proposed ☒ Adopted ☐ Developer does not plan to adopt house rules.

E. **Changes to Condominium Documents**

Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. Apartment Owners: Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75% *	<u>75%</u>
Bylaws	65%	<u>65%, except when a higher percentage required in specific provisions of Bylaws</u>
House Rules	--	<u>Majority Board of Directors</u>

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. Developer:

- ☐ No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- ☒ Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules.

The Developer may amend the Declaration, By-Laws and Condominium Map (a) at any time prior to the recording of the first apartment deed or other conveyance to a party not signatory to the Declaration; (b) to make any amendments required by law, by the Real Estate Commission of the State of Hawaii, by any title insurer issuing title insurance on the Project, or by any governmental agency of any other jurisdiction as a condition to marketing the Project in such jurisdiction, and (c) to file the "as built" verified statement required by Section 514-A-12, HRS.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

[X] Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.

[] Leasehold or Subleasehold: Individual apartments and the common elements, which includes the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: [] Monthly [] Quarterly
[] Semi-Annually [] Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per [] Month [] Year.

For Subleaseholds:

[] Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is [] Canceled [] Foreclosed

[] As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

[] Individual Apartment in Fee Simple; Common Interest in the Underlying Land in Leasehold or Subleasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____

Rent Renegotiation Date(s): _____

Lease Rent Payable: [] Monthly [] Quarterly
[] Semi-Annually [] Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per [] Month [] Year.

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. or more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 3200 Wailea Alanui Drive Tax Map Key: (2) 2-1-8-82
Wailea, Maui, Hawaii 96753 (TMK)

[] Address [] TMK is expected to change because _____

Land Area: 16.727 [] square feet [X] acre(s) Zoning: **A-1**

(Fee Owner): The Palms at Wailea Venture
Name

841 Bishop Street, Suite 2300
Address

Honolulu, Hawaii 96813

Sublessor: _____
Name

Address

C. Buildings and Other Improvements:

1. ☐ New Building(s) ☐ Conversion of Existing Building(s)
 ☒ Both New Building(s) and Conversion

2. Number of Buildings: 23 Residential Floors Per Building Various
 1 Maintenance Building
 1 Recreation Facility
 ☒ Exhibit B contains further explanations.

3. Principal Construction Material:

☒ Concrete ☐ Hollow Tile ☒ Wood

☒ Other tile roofs, exterior synthetic plaster finish, wood
 framed windows, glass, steel and aluminum

4. Permitted Uses by Zoning:

	<u>No. of</u> <u>Apts.</u>	<u>Use Permitted</u> <u>By Zoning</u>	<u>No. of</u> <u>Apts.</u>	<u>Use Determined</u> <u>By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>150</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Commercial	<u>2</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
☒ Yes ☐ No

5. Special Use Restrictions:

The Declaration, Bylaws, and House Rules may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

[X] Pets: Not allowed

[X] Number of Occupants: Two (2) per bedroom, except for immediate family members;
Four (4) per bedroom maximum

[X] Other: No Time Share Units as defined in Chapter 514E, H.R.S. are permitted

[] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators -0- Stairways Various Trash Chutes -0-

<u>Apt.</u> <u>Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net</u> <u>Living Area (sf)*</u>	<u>Lanai/Patio (sf)</u>
----------------------------	-----------------	----------------	--	-------------------------

SEE EXHIBIT "A" ATTACHED

Eleven (11) types of residential one and two bedroom units with one or two
bathrooms, all with lanais

Two (2) non-residential apartments

Total Apartments: 152

*Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See Exhibit "C" attached

Permitted Alterations to Apartments:

See Exhibit "D" attached

7. Parking Stalls:

Total Parking Stalls: 302

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		
	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>covered</u>	<u>open</u>	<u>TOTAL</u>
Assigned (for each units)	_____	<u>152</u>	_____	_____	_____	_____	<u>152</u>
Guest Unassigned	_____	<u>150</u>	_____	_____	_____	_____	<u>150</u>
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other:	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open	<u>302</u>	_____	_____	_____	_____	_____	_____

Each apartment will have the exclusive use of at least one(1) parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

[] Commercial parking garage permitted in condominium project.

[] Exhibit _____ contains additional information on parking stalls for this
condominium project.

8. Recreational and Other Common Facilities:

[] There are no recreational or common facilities.

[X] Swimming pool [] Storage Area [X] Recreation Area

[] Laundry Area [] Tennis Court [] Trash Chute

[X] Other: Recreation Facility; Maintenance Building

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

[X] There are no violations. [] Violations will not be cured.

[] Violations and cost to cure [] Violations will be cured by _____
are listed below.

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations

(For conversions of residential apartments in existence for at least five years):

With regard to Apartments 2001 and 2002, the present condition of all structural components and mechanical and electrical installation material to the use and enjoyment of the condominiums appear to be good.

11. Conformance to Present Zoning Code

a. ☒ No variances to zoning code have been granted.

☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> X </u>	<u> </u>	<u> </u>
Lot	<u> X </u>	<u> </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

☒ described in Exhibit E .

☐ as follows:

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

[] There are no limited common elements in this project.

[x] The limited common elements and the apartments which use them, as described in the Declaration, are:

[] described in Exhibit _____

[X] as follows:

Certain parts of the common elements, herein called and designated limited common elements, are hereby set aside and reserved for the exclusive use of certain apartments and such apartments shall have appurtenant thereto exclusive easements for the use of such limited common elements. The limited common elements so set aside and reserved are as follows:

(1) Any entrance, exit, gateway, entry, patio, yard, driveway or steps which would normally be used only for the purposes of ingress to and egress from a specific apartment shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment.

(2) Each of the one hundred fifty-two (152) regular-size uncovered parking stalls designated on the Condominium Map by the same numbers as those of each apartment shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment having the same number.

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

[X] described in Exhibit F.

[] as follows:

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit G describes the encumbrances against the title contained in the title report dated April 12, 1996 and issued by Title Guaranty of Hawaii, Inc..

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[X] There are no blanket liens affecting title to the individual apartments.

[] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The Buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

Type of Lien

Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance

Not Applicable

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

See Exhibit "H" attached

2. Appliances:

Developer warrants that at closing all major appliances and fixtures (plumbing, electric) included in the sale will be in working order and consistent with their age. No continuing warranty is expressed or implied.

G. Status of Construction and Estimated Completion Date:

Construction of the Project was completed in June, 1991.

H. Project Phases:

The developer [**X**] has [] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right for future development (such as additions, mergers or phasing):

Developer on Page 7 refers to reserved rights.

IV. CONDOMINIUM MANAGEMENT

A. Management of the Common Elements: The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial (present) condominium managing agent for this project, named on page five (5) of this report, is:

- [X] not affiliated with the Developer
- [] the developer or the Developer's affiliate
- [] self-managed by the Association of Apartment Owners
- [] other _____

B. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, your apartment may be liened and sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit L contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. Utility Charges for Apartments:

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

- [] None [] Electricity [] Gas [X] Water
- [X] Sewer [X] Television Cable [X] Other electricity for the
(basic service) the common areas, refuse collection

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

[] Notice to Owner Occupants

[X] Specimen Sales Contract

Exhibit I contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated October 21, 1988, and amended on March 9, 1989 and May 31, 1989

Exhibit J contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Exhibit "K" - Wailea Restriction Covenant

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the Developer may be binding on the developer unless the Developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report, Supplementary Report to a Final Report: Sales made by the Developer are binding if:

A) The Developer delivers to the buyer a copy of:

- 1) Either the Final Public Report OR the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission;

AND

- 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); AND

C) One of the following has occurred:

- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
- 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
- 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

- A) There is a material change in the condominium which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; AND
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. these include but are not limited to the:
- A) Condominium Public Reports issued by the Developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners.
 - D) House Rules.
 - E) Condominium Map.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Law (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other Wailea Declaration of Covenants and Restrictions, as amended.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer and are on file at the Department of Commerce and Consumer Affairs. Reprints of Hawaii's Condominium Property Act (Chapter 514A, HRS) and Hawaii Administrative Rules, Chapter 16-107) are available at the Cashier's Office, Department of Department of Commerce and Consumer Affairs, 1010 Richards Street, 3rd Floor, Honolulu, Hawaii, mailing address: P.O. Box 541 Honolulu, HI 96809, at a nominal cost.

This Public Report is a part of Registration No. 1991 filed with the Real Estate Commission on October 26, 1988.

Reproduction of Report. When reproduced, this report must be on:

[] yellow paper stock [] white paper stock [X] pink paper stock

C. Additional Information Not Covered Above

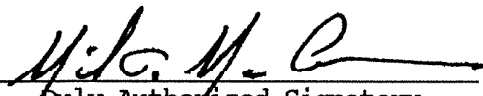
Pursuant to sections 16-99-3(g) and 16-99-11(d), Hawaii Administrative Rules ("HAR"), prospective purchasers are hereby advised that Developer/General partnership: McCormack Properties, Ltd., RB10301, whose President is Michael T. McCormack, RB4089, and officer, Leiona R. Tamura, RS25254, are current and active Hawaii-licensed real estate broker and salesperson. Further, that Signa Stampe-McCormack, RB15545, an officer of McCormack Properties, Ltd. is the principal broker for McCormack Real Estate, Inc., the project broker. Pursuant to section 16-99-11(c), HAR, "(n)o licensee shall be allowed to advertise 'For Sale by Owner', 'For Rent by Owner', 'For Lease by Owner', 'For Exchange by Owner'."

- D. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

THE PALMS AT WALLEA VENTURE

Name of Developer

By


Duly Authorized Signatory

Date

4/15/96

MICHAEL T. MCCORMACK

print name & title of person signing above

Distribution:

Department of Finance, County of Maui
Planning Department, County of Maui
Federal Housing Administration

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "A"

DESCRIPTION OF APARTMENTS

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (exclusive of lanai)</u>	<u>Lanai/Patio</u>
A-1	20	1/2	1022 sq.ft.	473 sq.ft.
A-2	20	1/2	1022 sq.ft.	289 sq.ft.
A-1a	5	1/2	1022 sq.ft.	480 sq.ft.
A-2a	5	1/2	1022 sq.ft.	339 sq.ft.
B-1	30	2/2	1194 sq.ft.	473 sq.ft.
B-2	33	2/2	1194 sq.ft.	289 sq.ft.
C-1	16	2/2	1242 sq.ft.	352 sq.ft.
C-2	16	2/2	1299 sq.ft.	219 sq.ft.
D	1	2/2-1/2	1515 sq.ft.	593 sq.ft.
E	1	3/3	1794 sq.ft.	642 sq.ft.
H-1	3	2/2	1194 sq.ft.	473 sq.ft.
NR-1	1	1/-	523 sq.ft.	-0- sq.ft.
NR-2	1	1/-	87 sq.ft.	-0- sq.ft.

NOTE: Square footages may vary slightly for A, B and C type floor plans to accommodate the various building type configurations on the site.
Square footages may vary in actual construction plans.

There are thirteen (13) different types of floor plans for the apartments in the Project, designated as Plans A-1, A-1a, A-2, A-2a, B-1, B-2, C-1, C-2, D, E, H-1, NR-1 and NR-2. Each apartment in the Project has the following type of floor plan.

<u>Unit No.</u>	<u>Plan</u>
201, 401, 801, 1209, 1905, 207, 405, 901, 1701, 2101, 301, 609, 1005, 1401, 1707, 2107, 307, 701, 1501, 2305	A-1
1103, 1303, 1603, 1803, 2203	A-1a
202, 406, 1006, 1502, 1906, 208, 610, 2102, 302, 702, 1210, 1702, 2108, 308, 802, 1708, 402, 902, 1402, 2306	A-2

<u>Unit No.</u>	<u>Plan</u>
1104, 1304, 1604, 1804, 2204	A-2a
101, 705, 1003, 1305, 1903, 103, 603, 1101, 1405, 1601, 2105, 203, 605, 805, 1203, 1503, 1705, 2205, 303, 607, 903, 1205, 1505, 1801, 2301 703, 905, 1207, 1507, 1901	B-1
102, 504, 706, 1004, 1306, 1602, 2106, 104, 604, 804, 1102, 1406, 1706, 2206, 204, 606, 806, 1204, 1504, 1802, 2302, 304, 608, 904, 1206, 1506, 1902, 502, 704, 906, 1208, 1508, 1904	B-2
205, 1105, 1703, 1509, 305, 1201, 1805, 403, 1301, 2103, 601, 1403, 2201, 1001, 1605, 2303	C-1
206, 1106, 1606, 306, 1202, 1704, 404, 1302, 1806, 602, 1404, 2104, 1002, 1510, 2202, 2304	C-2
2001	D
2002	E
501, 503, 803	H-1
1	NR-1
2	NR-2

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "B"

DESCRIPTION OF BUILDINGS

Residential Buildings:

The residential buildings in the Project are designated herein and on the Condominium Map as Buildings 1 through 23, inclusive. Buildings 1 and 5 each contain a total of four (4) apartments; Buildings 2, 3, 17, and 21 each contain a total of eight (8) apartments; Buildings 4, 7, 8, 9, 10, 11, 13, 14, 16, 18, 19, 22 and 23 each contain a total of six (6) apartments, Buildings 6, 12, and 15 each contain a total of ten (10) apartments; and Building 20 contains two (2) apartments.

Buildings 1 and 5 each has two (2) apartments on the first floor and two (2) apartments on the second floor. Buildings 2, 3, 17 and 21 each has four (4) apartments on the first floor and four (4) apartments on the second floor. Buildings 4, 7, 8, 9, 10, 11, 13, 14, 16, 18, 19, 22 and 23 each has three (3) apartments on the first floor and three (3) apartments on the second floor. Buildings 6, 12 and 15 each has five (5) apartments on the first floor and five (5) apartments on the second floor. Building 20 has two (2) apartments, each of which is located on two floors and each has an interior staircase. The entrance to each apartment is located on the first story of Building 20.

Several of the Buildings are connected to one another by non-structural components. The Buildings which are so connected are as follows: Buildings 5, 19 and 18; Buildings 15, 16 and 17; Buildings 7 and 8; and Buildings 9, 10 and 11.

Non-Residential Buildings:

The non-residential buildings are designated herein and on the Condominium Map as the Recreation Facility and the Maintenance Building. Apartment No. 1 and Apartment No. 2 are located in the Recreation Facility.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "C"

BOUNDARIES OF EACH APARTMENT

The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls or partitions, the foundations, columns, girders, beams, floor slabs, supports, roofs, skylights and ceilings located within or at the perimeter of or surrounding such apartment, any pipes, wires, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes, air exhaust or air conditioning running through or otherwise located within such apartment which are utilized for or serve more than one apartment and any mechanical, electrical and air conditioning equipment originally installed and located within such apartment utilized for or serving more than one apartment, all of which are deemed common elements as hereinafter provided. Each apartment shall be deemed to include all of the walls and partitions which are not load-bearing and which are within its perimeter walls, the inner decorated or finished surfaces of all walls, floors, roofs and ceilings (other than skylights); all glass windows (other than skylights), window frames (other than skylight frames), louvres, shutters (if any), panels, doors and door frames along its perimeter; any mechanical, electrical and air conditioning equipment originally installed and located within such apartment utilized for or serving only such apartment; the lanai shown on the Condominium Map to the inner decorated or finished surfaces of the exterior perimeter walls of such lanai and to the exterior edge of the exterior railings of such lanai; and all of the fixtures and appliances originally installed therein, including the carpets, refrigerator, dishwasher, range, oven, microwave oven, garbage disposal, washer, dryer, ceiling fan, sinks and bathroom fixtures originally installed therein.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "D"

PERMITTED ALTERATIONS TO APARTMENTS

Paragraph 19 of the Declaration states:

(a) Except as otherwise provided in the Declaration, repair, replacement or restoration of the Project or of any building, swimming pool, spa, Recreation Facility Building or other facility or construction of any additional building or structural alteration or addition to any structure, different in any material respect from said Condominium Map of the Project, shall be undertaken by the Association or any apartment owners only pursuant to an amendment of this Declaration, duly executed by or pursuant to the affirmative vote of seventy-five percent (75%) of the apartment owners and consented to in writing by the holders of all liens affecting any of the apartments, and in accordance with complete plans and specifications therefor first approved in writing by the Board of Directors of the Association and the Architectural Committee of the Wailea Community Association established pursuant to the Declaration of Covenants and Restrictions described in Section 20 of the Declaration, and promptly upon completion of such replacement, restoration or construction, the Association shall record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer; PROVIDED, HOWEVER, that notwithstanding any other provision in the Declaration to the contrary, the owner of any apartment may make any alterations or additions within any apartment and the owner of any two or more apartments separated by a common element which is a wall may alter or remove all or portions of the intervening wall, if the structural integrity of the building is not thereby affected and if the finish of the common element then remaining is then restored to a condition substantially comparable to that of the common element prior to such alterations. Such alterations or additions within any apartment or apartments shall require only the written approval thereof, including the apartment owner's plans therefor, by the holders of first mortgage liens affecting such apartments (if the lien holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Maui if such agencies so require, by the Board of Directors of the Association (which approval shall not be unreasonably or arbitrarily withheld or delayed), and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors of the Association), and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any such adjacent apartments, if the intervening wall shall have been altered or removed pursuant to the foregoing provisions and any entry to hallways sealed, the owner of such apartments shall be obligated to restore such intervening wall and hallway entries to

substantially the same condition in which the same existed prior to such alteration or removal.

(b) Notwithstanding any other provision in the Declaration or the By-Laws to the contrary, prior to (1) the time that all apartments in the Project have been sold and recorded, and (2) the filing by the Developer of the as-built verified statement (with plans, if applicable) required by Section 514A-12 of the Condominium Property Act (but in no event later than January 1, 2001), the Developer shall have the right to make alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which alterations (A) change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and any limited common elements appurtenant thereto) in the Project which is not sold and recorded; or (B) make minor changes in any apartment in the Project or in the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in paragraph (c) of Section 21 of the Declaration. As used herein, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and filing in the Office of the Assistant Registrar of the Land Court of the State of Hawaii, of apartment deeds or other conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "E"

COMMON ELEMENTS

The common elements consist of all portions of the Project other than the apartments, including specifically, but not limited to:

- (1) The Land in fee simple;
- (2) The foundations, columns, girders, beams, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, exterior skylights, stairways, elevators, walkways, corridors, ramps, fences (if any), trellises store rooms (which are not within or exclusively appurtenant to any apartment) and mail boxes (which are not within any apartment), mechanical rooms, entrances, entry ways and exits of all buildings of the Project;
- (3) All yards, grounds, planting areas, planters, walkways, walkway railings, landscaping, pond areas, refuse facilities, gardens, the swimming pool, the jacuzzi spa, the Recreation Building (other than the Non-Residential Apartment located therein), the Maintenance Building and all other recreational facilities and appurtenances;
- (4) All roads, driveways, driveway ramps and parking areas;
- (5) All ducts, vents, shafts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, pipes, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one apartment for services such as power, light, water, gas (if any), cablevision (if any), air conditioning, sewer, refuse, telephone, and radio and television signal distribution;
- (6) Any and all apparatus and installations existing for common use, such as tanks, pumps, motors, fans, compressors and, in general, all other installations and apparatus existing for common use;
- (7) All mechanical, electrical and air conditioning equipment originally installed and located within any apartment or located elsewhere in the Project utilized for or serving more than one apartment;

(8) The one hundred fifty-two (152) regular-size uncovered parking stalls, all as shown on the Condominium Map, which are hereinafter designated as limited common elements;

(9) The one hundred fifty (150) regular-size uncovered parking stalls, designated as unassigned parking, all as shown on the Condominium Map, for use of apartment owners, tenants and guests, the resident manager, Managing Agent and other employees of the Association;

(10) Any and all other apparatus and installation of common use and all other parts of the Project necessary or convenient to its existence, maintenance or safety, or normally in common use.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "F"

PERCENTAGE COMMON INTEREST APPURTENANT
TO APARTMENTS IN PROJECT

<u>Floor Plan Type</u>	<u>Common Interest Per Unit (%)</u>	<u>Total No.</u>	<u>Common Interest (Category) (%)</u>
A-1	0.651896	20	13.037923
A-2	0.571663	20	11.433256
A-1a	0.654949	5	3.274743
A-2a	0.593465	5	2.967327
B-1	0.726897	30	21.806908
B-2	0.646664	33	21.339897
C-1	0.695065	16	11.121043
C-2	0.661925	16	10.590805
D	0.919196	1	0.919196
E	1.062220	1	1.062220
H-1	0.726897	3	2.180691
NR-1	0.228055	1	0.228055
NR-2	0.037936	1	0.037936

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "G"

ENCUMBRANCES AGAINST TITLE

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

2. Grant of Easement in favor of the County of Maui for drainage purposes over, under and across Lot 98 adjoining Lot 5; "Said easements to be determined and designated after construction of the improvements in Lot 5 has been completed by the Grantors, and the Grantors agree to promptly file a petition to designate such easements and to execute grant of easement documents in favor of the Grantee in such form as shall be mutually agreed upon; Provided that Grantee shall execute a document cancelling this grant concurrently with the execution of grant of easement documents from the Grantors to Grantee"; as set forth in Deed dated April 18, 1973, filed as Land Court Document No. 626880.

"Reserving further unto the Grantors the right to designate utility and access easements in, over, under and through said lots as shall be first approved by the Director of Planning of the County of Maui; provided that the Grantee shall promptly execute grant of easement documents in favor of the Grantors in such form as shall be mutually agreed upon. Grantors agree to execute a document cancelling this reservation concurrently with the execution of the grant of easement documents from the Grantee to the Grantors"; as set forth in said Deed dated April 18, 1973, filed as Document No. 626880.

3. (A) EASEMENT "145"

SHOWN: On Map 26, as set forth by Land Court Order No. 54945, filed November 8, 1979

(B) Grant of Easements (in favor of Wailea Alanui Village - Lot 98, Map 26 - over Wailea Kai Homesites) in favor of Wailea Land Corporation, a Hawaii corporation, and the Northwestern Mutual Life Insurance Company, a Wisconsin corporation, doing business as Wailea Development Company, a joint venture registered to do business in the State of Hawaii, dated ---- (acknowledged March 18, 1981), filed as Document No. 1059806.

4. Easements "93", "94", "95" and "97" situate on Lot 98, as shown on Maps 21 and 26, as set forth by Land Court Order No. 50723, filed July 25, 1978.

5. (A) Covenants, conditions and restrictions set forth in Declaration dated December 19, 1986, filed as Document No. 1427923.

(B) "ADDITIONAL DECLARATION OF COVENANTS AND RESTRICTIONS" dated as of July 14, 1988, filed as Document No. 1564560.

(C) Amendment of Wailea Community Association Declaration of Covenants and Restrictions dated September 2, 1994, filed as Land Court Document No. 2180541.

6. Notice to All Owners/Developers/Authorized Agents Subject: Kihei Wastewater Treatment Capacity dated May 26, 1989, recorded in Liber 23514, Page 574.

7. Grant in favor of The Chronicle Publishing Company, a Nevada corporation, dba Chronicle Cablevision of Hawaii, dated August 24, 1990, filed as Land Court Document No. 1783514; granting non-exclusive revocable easements for the purpose of providing cable television and communications service.

8. Grant in favor of Maui Electric Company, Limited and GTE Hawaiian Telephone Company Incorporated, dated February 4, 1991, filed as Document No. 1805197; granting a perpetual right and easement to build, construct, reconstruct, rebuild, repair, maintain and operate pole and wire lines and underground power lines, and to use such poles, wires, guys, conduits and other appliances and equipment as may be necessary for the transmission of electricity.

9. Declaration submitting Project to the Condominium Property Regime dated June 29, 1989, filed as Document No. 1649066, as amended by Land Court Document Nos. 1669456 and 1859392. Condominium Map No. 725.

10. By-Laws of the Association of Apartment Owners dated June 29, 1989, filed as Document No. 1649067.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "H"

CONSTRUCTION WARRANTIES

(A) SELLER'S BUILDING AND APPLIANCE WARRANTIES. Seller warrants that, except as otherwise set forth herein, at closing all major appliances and fixtures (plumbing and electric) included in the sale will be in working order consistent with their age. Buyer understands no continuing warranty after closing is expressed or implied. Except as to the foregoing and as set forth in (b) below, the Seller is giving no warranties to Buyer with respect to the construction, materials, design or workmanship of the Apartment.

(B) WALL CRACKING. Apartments at The Palms at Wailea have experienced some cracks in the interior veneer plaster. Generally, most of the cracking is classified as hairline cracks, which vary in length and frequency. The crack locations within the apartments are reasonably consistent and appear predominantly at the intersections of the interior walls, ceilings and soffits, and where differing substrate materials such as concrete masonry units (CMU), concrete, wood and metal, abut each other.

The Developer of the Project has retained Eugene A. Erwin of Wall/Ceiling Consulting, Inc. as a consultant to analyze the problem and make recommendations to correct it. His report dated March 12, 1993 entitled "Veneer Plaster Wall, Ceiling and Drop Ceiling Assemblies Cracking - Phase I and Phase II, The Palms at Wailea" is available at the request of any prospective purchaser.

The findings and recommendations in the Report are summarized below:

1. The primary cause of most of the cracking is that there are no joints allowing for expansion and contraction at the intersections of the walls, ceilings and soffit areas.

2. The lack of control joints where the CMU and concrete walls meet is a primary cause of cracking on the perimeter walls.

3. The following corrective action has been suggested:

- (a) Generally, in the areas where the CMU and concrete walls abut each other and where the interior walls, ceilings, soffits and beams intersect with each other, some form of expansion joint should be installed to allow for movement between the two surfaces. In most areas, saw cutting a straight line in the intersection of

the two surfaces and filling the gap with a resilient sealant is the recommended solution.

(b) Changing the tape and joint treatment on the drywall may also be necessary in certain areas, and

(c) Adding venting to the space between the ceiling and the roof will help reduce stress.

Nothing in the report indicates that any of the plaster cracking problems stem from problems with the structural integrity of any of the buildings in the Project.

The Developer (Seller) is working with the contractor and architect to achieve a satisfactory solution to the plaster cracking concerns. The remedial work contemplated by the Developer (Seller) may cause some inconvenience to apartment owners, however, the cost of said remedial work will not be assessed against the Association of Apartment Owners or its members.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "I"

SUMMARY OF DEPOSIT RECEIPT OFFER AND ACCEPTANCE

A Specimen Deposit Receipt Offer and Acceptance ("DROA") has been submitted to the Real Estate Commission and is also available in the Sales Office of the Developer. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE DROA (including any supplements attached thereto and the Public Report(s) delivered with the DROA) IN FULL, since this summary is NOT A COMPLETE DESCRIPTION of its provisions. The DROA, among other things, covers in more detail the following items:

1. The Property to be conveyed to the Buyer includes the Apartment described in the DROA, together with an undivided interest (common interest) in the Project, which will be conveyed to the Buyer on the Closing Date by an Apartment Deed.

2. The Buyer's purchase may be subject to financing if Paragraphs C-24 and C-25 have been elected by Buyer, in which case Seller or Buyer may cancel the DROA if certain conditions have not been met.

3. The Seller makes only a limited warranty that all appliances, electrical and plumbing equipment and other items included in the sale will be in working order consistent with their age (Paragraph C-54).

4. The Scheduled Closing Date shall be a fixed date as stated in the DROA (Paragraph C-6), and time is considered to be of the essence (Paragraph C-8).

5. The Buyer must pay all of the escrow fees, its own notary fees, any appraisal fees, credit report, mortgage costs and closing fees, title insurance costs, and all document drafting costs, including the Apartment Deed, and all mail and other delivery charges. (Paragraph C-11).

6. In the event of default by the Buyer under the Sales Agreement, the Seller may cancel the Sales Agreement and retain all amounts theretofore paid by Buyer as LIQUIDATED DAMAGES or may also sue for damages, and may pursue any other remedy permitted (Paragraph C-28). If the Seller defaults, the Buyer is entitled to specific performance of the Agreement, bring an action for damages or to cancel and terminate the Agreement (Paragraph C-29). Any dispute arising under the DROA must be resolved through non-binding mediation and if still not resolved, must be resolved by binding arbitration (Paragraphs C-32 and C-33).

7. In addition to the purchase price for the apartemnt, the Buyer is to pay all closing costs of the sale, two months advance maintenance fees and an equal amount to two months maintenance fees as an Association start-up expense.

8. The Public Report(s) for the Project are also being delivered with DROA and the DROA is subject to the terms and conditions of the Public Report.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "J"

SUMMARY OF THE MATERIAL PROVISIONS OF THE ESCROW AGREEMENT

Summary of the Condominium Escrow Agreement between the Developer and Title Guaranty Escrow Services, Inc..

1. All deposits will be paid to Escrow. A copy of each Sales Contract and all payments made to purchase an Apartment shall be turned over to the Escrow Agent.

2. Refunds. A Buyer shall be entitled to a return of his funds, and Escrow shall pay such funds to such Buyer, without interest, in accordance with the Sales Contract if any of the following has occurred:

(a) Developer and the purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held hereunder by Escrow; or

(b) Developer shall have notified Escrow of Developer's exercise of the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Developer; or

(c) With respect to a purchaser whose funds were obtained prior to the issuance of the Final Report, the purchaser has exercised his right to cancel the contract pursuant to Section 514A-62, Hawaii Revised Statutes, as amended; or

(d) A purchaser has exercised his right to rescind the contract pursuant to Section 514A-63, Hawaii Revised Statutes, as amended.

Upon such refund, Escrow Agent shall be entitled to a reasonable fee not less than \$25 or a fee commensurate with the work done by Escrow prior to cancellation.

3. Requirements Prior to Disbursement of Buyer's Funds. Escrow Agent shall make no disbursements of Buyer's funds, pursuant to paragraph 5 of the Escrow Agreement until all of the following have occurred:

(a) the Real Estate Commission has issued a final public report (the "Final Report") on the Project;

(b) Seller or Seller's attorney has given a written opinion to Escrow stating that all of the requirements of Sections 514A-39, 514A-62 and 514A-63 of the Hawaii Revised

Statutes, then applicable to the Project, have been satisfied and if the project is a conversion project, that the requirement of Section 514A-38 have been met.

(c) Seller shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract;

(d) purchaser's Conveyance Document has been recorded or filed for record; and

(e) Escrow has received evidence (such as title insurance) satisfactory to Escrow that forty-six (46) days have elapsed since the filing of the affidavit of publication of the Notice of Completion, or all mechanics' and materialmen's liens have been cleared or there are sufficient funds available to cover any such liens that may be filed.

4. Purchaser's Default. Seller must notify Escrow in writing if Buyer defaults, and must certify that Seller has cancelled the Purchaser's Sales Contract. After such cancellation Escrow will treat the Purchaser's funds less Escrow's cancellation fees as belonging to the Seller.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "K"

Wailea Restriction Covenants

Title to the Apartment will be transferred to Buyer subject to that certain Wailea Community Association Declaration of Covenants and Restrictions dated December 19, 1986, filed as Land Court Document No. 1427923, as amended and supplemented (the "Wailea Declaration") and that certain "Additional Declaration of Covenants and Restrictions" ("Additional Declarations") dated as of July 14, 1988, and filed as aforesaid as Document No. 1564560. The Wailea Declaration provides, among other things, that the Buyer automatically and without further action on its part, becomes a member of the Wailea Community Association, a Hawaii non-profit corporation, upon issuance of the Apartment Deed to Buyer, and that the Buyer shall pay assessments to the Wailea Community Association for the operating costs, expenses and obligations of the Association, including without limitation, the costs of management, operation, control and maintenance of all "Common Property" described in the Wailea Declaration. Apartment owners in the Project shall also be entitled to votes in the Wailea Community Association, the number of votes being based on the number of bedrooms in an Apartment in the Project owned by them. The Additional Declaration provides, among other things, for use and development restrictions for the Project and reserves the right to Wailea Development Company, Inc. to grant certain easements without the consent of apartment owners in the Project.

Condominium Supplementary Public Report on
The Palms at Wailea

EXHIBIT "L"

DISCLOSURE ABSTRACT

1. (a) PROJECT: The Palms at Wailea
3200 Wailea Alanui Drive
Wailea, Maui, State of Hawaii
- (b) DEVELOPER: The Palms at Wailea Venture
841 Bishop Street, Suite 2300
Honolulu, Hawaii 96813
Telephone: (808) 539-9600
- (c) MANAGING AGENT: Management Consultants of Hawaii
2. Breakdown of annual maintenance fees and monthly estimate costs for each unit (revised and updated every twelve (12) months and certified to have been based on generally accepted accounting principles).
3. DESCRIPTION OF ALL WARRANTIES COVERING THE UNITS AND COMMON ELEMENTS:

Seller warrants that at closing all major appliances and fixtures (plumbing and electric) included in the sale will be in working order consistent with their age. Buyer understands no continuing warranty after closing is expressed or implied.
4. USE OF UNITS. The Palms at Wailea Condominium Project will consist of 152 units, of which 150 will be used for residential purposes, and two (2) will be used for commercial purposes. The apartments used for residential purposes shall be occupied and used only for permanent or temporary residential purposes and for transient vacation rental purposes. The residential apartments shall not be used as time share units as defined in Chapter 514E, Hawaii Revised Statutes, as amended. The commercial units shall be used for office, reception, storage and other ancillary uses in connection with the management and operation of the Project.
5. EXISTING STRUCTURES BEING CONVERTED. Based upon a report prepared by N. Norman Lacayo, Registered Professional Architect, the Developer states relating to Apartments 2001 and 2002):
 - a. The present condition of all structural components and mechanical and electrical installation material to the use and enjoyment of the two condominium apartments appear to be good.

b. The Developer makes no statement with respect to the expected useful life of each item set forth in paragraph (a); and

c. There are no outstanding notices of uncured violations of building code or other municipal regulations.

OPERATING EXPENSES BASED ON

Period From July 1, 1994 to June 30, 1995

Estimated Annual Expenses

EXPENSES	
Contract services	231,072
Utilities	159,885
Payroll and related costs	104,532
Insurance	40,223
Management services (Note 4)	36,000
Provision for bad debts	30,000
Legal and accounting	26,920
Wailea Community Association fees (Note 3)	26,492
Major improvements and repairs - telephone equipment	21,768
Telephone equipment lease (Note 5)	20,720
Repairs and maintenance	16,378
Manager's apartment rent	7,200
Miscellaneous	4,534
2001 settlement	4,500
Office and administration	4,364
Income taxes	<u>3,429</u>
 Total Expenses	 <u>738,027</u>

It is hereby certified that the maintenance fees and costs are based on generally accepted accounting principles.

MANAGEMENT CONSULTANTS OF HAWAII

By Tanya Evans
Its Assoc. Manager

Palm at Wailea Phase I Maintenance Fee Schedule

Unit Type	Individual Unit PCI	Bed/ Bath	# of Units	Living Area	Lanai Area	Total Area	Category PCI	Maint Fee	Maint Fee/ Unit
A-1	0.651896%	1/2	20	1,022	473	1,495	13.03792%	\$ 9,541.00	\$ 477.05
A-2	0.571663%	1/2	20	1,022	289	1,311	11.43326%	\$ 8,366.80	\$ 418.34
A-1a	0.654949%	1/2	5	1,022	480	1,502	3.27475%	\$ 2,396.40	\$ 479.28
A-2a	0.593465%	1/2	5	1,022	339	1,361	2.96733%	\$ 2,171.45	\$ 434.29
B-1	0.726897%	2/2	30	1,194	473	1,667	21.80691%	\$ 15,957.90	\$ 531.93
B-2	0.646664%	2/2	33	1,194	289	1,483	21.33991%	\$ 15,616.26	\$ 473.22
C-1	0.695065%	2/2	16	1,242	352	1,594	11.12104%	\$ 8,138.24	\$ 508.64
C-2	0.661925%	2/2	16	1,299	219	1,518	10.59080%	\$ 6,950.24	\$ 434.39
D	0.919196%	2/2.5	1	1,515	593	2,108	0.91920%	\$ 672.65	\$ 672.65
E	1.062220%	3/2	1	1,794	642	2,436	1.06222%	\$ 777.32	\$ 777.32
H-1	0.726897%	2/2	3	1,194	473	1,667	2.18069%	\$ 1,595.79	\$ 531.93
NR-1	0.228055%		1	523	0	523	0.22806%	\$ 166.89	\$ 166.89
NR-2	0.037936%		1	87	0	87	0.03794%	\$ 27.76	\$ 27.76
			152						
								\$ 72,378.70	

4/9/96