CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer The Palms at Wailea Venture II
Address 841 Bishop Street, Suite 2300, Honolulu, HI 96813

Project Name(*): THE PALMS AT WAILEA-PHASE 2
Address: 3150 Wailea Alanui Drive, Wailea, Maui, Hawaii

Registration No. 2454

Effective date: October 17, 1996
Expiration date: November 17, 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.

[ ] No prior reports have been issued
[ ] Supersedes all prior public reports
[ ] Must be read together with _____

X **SECOND SUPPLEMENTARY:** (pink) Updates information contained in the

[ ] Prelim. Public Report dated _____
[ ] Final Public Report dated _____
[X] Supp. Public Report dated January 24, 1995

And [X] Supersedes all prior public reports
[ ] Must be read together with _____
[ ] This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration

FORM: RECO-30 286/986/189/1190/892

F:\HCC\PALMSII\CPR\SUPP.PU2 9/27/96

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[X] Required [ ] Not Required - disclosures covered in this report.
as shown in Exhibit "M"

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:

An updated Exhibit "1" (Estimated Operating Expenses) to Exhibit M is attached hereto.

Exhibit H to the Final Public Report disclaims all construction warranties. Exhibit H also discloses certain construction and/or design defects regarding the Project and the steps being taken to remedy such defects.

As of the date hereof, approximately thirty-two (32) apartments have been sold and forty-five (45) apartments are being occupied by long term tenants, but are being offered for sale.

Although the Blanket Mortgage referred to in Exhibit E of the Public Report is presently in default, the Lender has agreed to sell the Loan, and the new holder of the Loan has agreed subject to the closing of its acquisition to modify the Mortgage to permit sales of the apartments so long as the net proceeds from sale are paid to the Lender. (Please refer to disclosure at Page 20 of this Public Report.)

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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 II
Name
841 Bishop Street, Suite 2300
Business Address
Honolulu, Hawaii 96813

Phone: 539-9600
(Business)

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

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

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

Phone: (808) 539-9600
(Business)

Escrow: Title Guaranty Escrow Services, Inc.
Name
235 Queen Street
Business Address
Honolulu, Hawaii 96813

Phone: (808) 521-0211
(Business)

General Contractor: N/A
Name

Business Address

Phone:
(Business)

Condominium Managing Agent: Hawaiiana Management Company
Name
1270 Ala Moana Boulevard
Business Address
Honolulu, Hawaii

Phone: (808) 523-7785
(Business)

Attorney for Developer: Jeffrey S. Grad, Esq.
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 _____
[X] Filed - Land Court - Document No. 185194

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 May 22, 1991, recorded as Document No. 1826377
Amendment No. 2 dated November 7, 1991, recorded as Document No. 1864388
Amendment No. 3 dated February 4, 1994, recorded as Document No. 2121264

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. _____
[X] Filed - Land Court Condo Map No. 841

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. _____
[X] Filed - Land Court Condo Map No. 1815195

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 [X] Adopted [ ] Developer does not plan to adopt house rules.
(Revised since prior Public Report)

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:

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

* 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.

[x] Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules.

The Developer may amend the Declaration, Bylaws and Condominium Map at any time to effect the changes provided in Section 22 of the Declaration, including the right to merge Phases 1 and 3 into the Project, as described in Exhibit "I". Although Developer has reserved these rights, the Developer does not intend to exercise any of these rights.

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. For 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: **3150 Wailea Alanui Drive**
Wailea, Maui, Hawaii

Tax Map Key: **(2) 2-1-8-83** (TMK)

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

Land Area: **14.5** [ ] square feet [**X**] acre(s) Zoning: **A-1**

Lessor
(Fee Owner): The Palms at Wai Venture II
Name

841 Bishop Street, Suite 2300
Address

Honolulu, Hawaii 96813

Sublessor: _____
Name

_____
Address

_____

C. **Buildings and Other Improvements:**

1. [X] New Building(s) at time of original registration
   [ ] Conversion of Existing Building(s)
   [ ] Both New Building(s) and Conversion

2. Number of Buildings: 15 Residential Floors Per Building 2
   1 Recreation/Maintenance Building

   [X] Exhibit B contains further explanations.

3. Principal Construction Material:

   [X] Concrete [X] Hollow Tile [ ] Wood

   [X] Other tile roofs, exterior synthetic plaster finish, wood framed windows, glass, steel and aluminum

4. Permitted Uses by Zoning:

	No. of Apts.	Use Permitted By Zoning	No. of Apts.	Use Determined By Zoning
[X] Residential	120	[X] Yes [ ] No [ ] Ohana		[ ] Yes [ ] No
[ ] Commercial		[ ] Yes [ ] No [ ] Industrial		[ ] Yes [ ] No
[ ] Mix Res/Comm		[ ] Yes [ ] No [ ] Agricultural		[ ] Yes [ ] No
[ ] Hotel		[ ] Yes [ ] No [ ] Recreational		[ ] Yes [ ] No
[ ] Timeshare		[ ] Yes [ ] No [ ] Other		[ ] Yes [ ] No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
[x] 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 except for guide dogs, signal dogs or animals assisting handicapped people**

[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, HRS, are permitted. Residential uses in accordance with county zoning ordinances and rules.**

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators **None** Stairways **Various** Trash Chutes **None**

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Lanai/Patio (sf)
		SEE EXHIBIT "A" ATTACHED		
Thirteen (13) types of residential one and two bedroom units with one or two bathrooms, all with lanais				

Total Apartments: **120**

*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 attached Exhibit "C"

Permitted Alterations to Apartments:

See attached Exhibit "D"

7. Parking Stalls:

Total Parking Stalls: 240

	Regular		Compact		Tandem		
	covered	open	covered	open	covered	open	TOTAL
Assigned (for each units)		78		42			120
Guest							
Unassigned		102		18			120
Extra for Purchase							
Other:							
Total Covered & Open	180		60				

Each apartment will have the exclusive use of at least -0- 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 [ ] Recreation Area

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

[X] Other: **jacuzzi, Recreation/Maintenance Building, putting green, two ponds; and Leased Telephone System**

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 are listed below. [ ] Violations will be cured by _____

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):

N/A

11. Conformance to Present Zoning Code

a. [X] 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.

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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:

[x] described in Exhibit E.

[ ] as follows:

2. Limited Common Elemen' Limited Common Elements are t^se common elements which are reserved for the excl ve use of the owners of certai artments.

[ ] 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 twenty (120) 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 **August 19**, 19**96** 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.

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

[x] 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
Mortgage dated October 23, 1989, filed as Document No. 1684382	**If the Developer defaults after the apartment is conveyed to Buyer, the Buyer's interest will not be affected. At the date of this report, the Mortgage is in default. However, the Mortgagee has agreed that so long as a certain minimum amount of net proceeds from sale are paid to Mortgagee, sales of an apartment may close, and the apartment will be released from the Mortgage. (SEE ADDITIONAL INFORMATION ON PAGE 20)**

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:

All warranties have expired.

2. Appliances:

Seller will assign to a buyer for the unexpired term, if any, any manufacturer's or dealer's warranties covering such fixtures or appliances in the apartment. By such assignment, the Developer will be merely passing through to buyers any such manufacturer's or dealer's warranties or acting as co-warrantor. Purchaser acknowledges and agrees that the DEVELOPER IS NOT ADOPTING ANY SUCH CONTRACTOR'S, MANUFACTURER'S OR DEALER'S WARRANTIES, OR ACTING AS CO-WARRANTOR, BUT IS MERELY ATTEMPTING TO PASS THROUGH TO PURCHASER THE BENEFIT OF ANY SUCH WARRANTIES. Seller will represent that such fixtures and appliances will be in working order consistent with their age.

G. Status of Construction and Estimated Completion Date:

Construction of the Project completed in December, 1992.
See Exhibit "H" hereto relating to plaster cracking problem.

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):

See attached Exhibit "I"

Although the Developer has reserved the right to add to, merge or phase this condominium project, the Developer does not intend to exercise this right.

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

See attached Disclosure Abstract (Exhibit M)

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 common areas, refuse collection and leased telephone system ***

*** Leased Telephone System. On November 21, 1991, the Developer entered into a Master Lease Agreement with GECC Financial for the telephone system in the Project. The lease period is sixty (60) months. The monthly lease payment is approximately $1,670. A portion of the actual equipment is located in the clubhouse building at The Palms at Wailea Phase 1, which adjoins the Project. The actual wiring is single pair wiring allowing one phone per apartment.**

When the Association of Apartment Owners takes over the responsibility of operating the development, at that time the Developer will assign the lease to the Association, which will be financially responsible for the obligations under the lease.

At the expiration of the lease period, it is anticipated that the Association may negotiate the lease, or purchase the leased equipment.

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:

[X] Notice to Owner Occupants

[X] Specimen Sales Contract
Exhibit J contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated April 3, 1991
Exhibit G contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Exhibit L - 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 form 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 Sal[illegible] Contract: Before signing the sa[illegible] contract, prospective buyers should ask to [illegible]e and carefully review all doc[illegible]ts 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 _____

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. **2454** filed with the Real Estate Commission on **March 12, 1990**.

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**

1. LONG TERM RESIDENTIAL USE The County of Maui has completed improvements to expand the capacity of the Kihei Sewage Treatment Plant by at least 1.2 million gallons per day. The County of Maui has also enacted Ordinance 1787 which sets aside 1.2 million gallons per day of capacity in the Kihei Sewage Treatment Plant for "long term residential use". The Project has connected into the Kihei System on the basis that the Project will be used by Apartment Owners for "long term residential" use. Thus, the parties acknowledge the importance of restricting use of the Apartment for long term use.

2. LOAN MODIFICATION. The Palms at Wailea-Phase 2 ("Project") is subject to a $30 million blanket mortgage ("Mortgage") referred to in Exhibit E of this Public Report. The Mortgage is currently in default since the developer has not repaid the Mortgage as was required. The original Lender under the Mortgage has entered into an agreement to sell the Mortgage to WPLP, a Hawaii limited partnership. The closing of purchase and sale of the Mortgage to WPLP is subject to several conditions, but is expected to close on or about November 1, 1996. Assuming that WPLP's purchase of the Mortgage is closed, then WPLP has agreed with the Developer, subject to certain conditions, to allow sales to continue, to give partial releases from the Mortgage and to permit the Developer to retain a portion of the sales proceeds to pay budgeted operating expenses for the Project. This agreement ("Loan Modification Agreement") expires at the end of 1998. If the Loan Modification Agreement terminates, then the Developer may terminate any Sales Contract and Escrow will be instructed to return to Buyer all of the Buyer's deposits previously made. Upon closing of an apartment sale, the apartment will be released from the Mortgage. The Loan Modification Agreement with the Lender will be effective simultaneously with the purchase of the Mortgage by WPLP. Among other things, the Agreement provides that Developer ("Borrower") be permitted to use a portion of the "Sales Proceeds" from the sale of Project apartments for the purposes of (i) making payments to the Lenders, and (ii) paying for certain operating costs of the Project, and (iii) continuing the sales of Project apartments. The Agreement also provides for delivery by the Lenders of partial releases of apartments as they are sold so long as sales prices and terms are made in accordance with the Agreement.

3. MAINTENANCE FEES. Under Chapter 514A-15(b), Hawaii Revised Statutes, the Developer has the obligation to pay for either all of the operating costs of the Project or the common expenses allocable to those apartments in the Project which remain unsold. The Developer's sources of funds to pay common expenses and debt service are from rents collected from leases on certain unsold apartments and from a portion of the sales proceeds (see discussion in paragraph 2). As of the date hereof, the Developer has been paying the operating costs of the Project (which does not include any reserves for repairs and replacement of capital items). It is expected that whithin 60 days of the date hereof, the Apartment Owners will be required to pay maintenance fees which will include reserves for repairs and replacements. (See Exhibit M).

4. CONSTRUCTION DEFECTS. A prospective buyer should review the disclosure contained in Exhibit H relating to certain construction and/or design defects in the Project.

D. The developer hereby certi s that all the information cont ed 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 WAILEA VENTURE II
Name of Developer

By Leiona R. Tamura — 9/27/96
Duly Authorized Signatory — Date

Leiona R. Tamura, Treasurer - McCormack Palms II, Ltd.
print name & title of person signing above

Distribution:

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

Supplementary Public Report
The Palms at Wailea-Phase 2

EXHIBIT "A"

DESCRIPTION OF APARTMENTS

Apt. Type	Quantity	BR/Bath	Net Living Area (exclusive of lanai)	Lanai/Patio
A-1	4	1/2	1022 sq.ft.	473 sq.ft.
AA-1	6	1/2	1032 sq.ft.	473 sq.ft.
A-2	4	1/2	1022 sq.ft.	289 sq.ft.
AA-2	6	1/2	1032 sq.ft.	289 sq.ft.
B-1	20	2/2	1194 sq.ft.	473 sq.ft.
B-2	23	2/2	1194 sq.ft.	289 sq.ft.
C-1	7	2/2	1242 sq.ft.	352 sq.ft.
C-2	7	2/2	1299 sq.ft.	219 sq.ft.
D-1	15	2/3	1559 sq.ft.	430 sq.ft.
D-2	15	2/3	1559 sq.ft.	314 sq.ft.
E-1	5	2/3	1692 sq.ft.	614 sq.ft.
E-2	5	2/3	1699 sq.ft.	479 sq.ft.
H-1	3	2/2	1194 sq.ft.	473 sq.ft.

NOTE: Square footages may vary slightly for A, B, C, D, E and H 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, AA-1, A-2, AA-2, B-1, B-2, C-1, C-2, D-1, D-2, E-1, E-2 and H-1. Each apartment in the Project has the following type of floor plan.

Unit No.	Plan
2601, 2701, 3007, 3301	A-1
2401, 2501, 3501, 3607, 3707, 3807	AA-1
2602, 2702, 3008, 3302	A-2
2402, 2502, 3502, 3608 3708, 3808	AA-2
2403, 2405, 2407, 2503, 2507, 2603, 2605, 2607, 2703, 2705, 2707, 3003, 3005, 3303, 3503, 3507, 3605, 3705, 3801, 3805	B-1

Unit No.	Plan
2404, 2406, 2408, 2504, 2508, 2604, 2606, 2608, 2704, 2706, 2708, 3004, 3006, 3304, 3306, 3504, 3508, 3604, 3606, 3704, 3706, 3802, 3806	B-2
2505, 3001, 3307, 3505, 3601, 3701, 3803	C-1
2506, 3002, 3308, 3506, 3602, 3702, 3804	C-2
2801, 2805, 2807, 2901, 2905, 2907, 3101, 3103, 3107, 3201, 3205, 3207, 3401, 3403, 3407	D-1
2802, 2806, 2808, 2902, 2906, 2908, 3102, 3104, 3108, 3202, 3206, 3208, 3402, 3404, 3408	D-2
2803, 2903, 3105, 3203, 3405	E-1
2804, 2904, 3106, 3204, 3406	E-2
3305, 3603, 3703	H-1

Supplementary Public Report
The Palms at Wailea-Phase 2

EXHIBIT "B"

DESCRIPTION OF BUILDINGS

Residential Buildings:

The residential buildings in the Project are designated herein and on the Condominium Map as Buildings 24 through 38, inclusive. Each building contains a total of eight apartments, four (4) apartments on the first floor and four (4) apartments on the second floor.

Non-Residential Building:

The non-residential building is designated herein and on the Condominium Map as the Recreation/Maintenance Building.

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The Palms at Wailea-Phase 2

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), louvers, 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.

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The Palms at Wailea-Phase 2

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, 2003), 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.

Supplementary Public Report
The Palms at Wailea-Phase 2

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/Maintenance Building, the putting green 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, telephone 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 seventy-eight (78) regular-size and forty-two (42) compact-size uncovered parking stalls, all as shown on the Condominium Map, which are hereinafter designated as limited common elements;

(9) The eighteen (18) compact-size and one hundred two (102) regular-size uncovered parking stalls, which are unassigned parking stalls, 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.

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EXHIBIT "F"

PERCENTAGE COMMON INTEREST APPURTENANT
TO APARTMENTS IN PROJECT

Floor Plan Type	Common Interest Per Unit	Total No.	Common Interest (Category)
A-1	0.737748	4	2.950992
AA-1	0.737747	6	4.426482
A-2	0.646947	4	2.587788
AA-2	0.646947	6	3.881682
B-1	0.822625	20	16.452500
B-2	0.731825	23	16.831975
C-1	0.786601	7	5.506207
C-2	0.749097	7	5.243679
D-1	0.981524	15	14.722860
D-2	0.924281	15	13.864215
E-1	1.137957	5	5.689785
E-2	1.074792	5	5.373960
H-1	0.822625	3	2.467875

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EXHIBIT "G"

ENCUMBRANCES AGAINST TITLE

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

2. Easements "91", "92" and "93" as shown on Maps 21 and 26, as set forth by Land Court Order No. 50723, filed July 25, 1978.

3. Easement "145" (1.716 acres), for drainage, landscaping and pedestrian access and walkway purposes, as shown on Map 26, as set forth by Land Court Order No. 54945, filed November 8, 1979, subject to surface water drainage in favor of Lot 98, as set forth in Grant of Easements, filed as Land Court Document No. 1059806.

4. Easement "146" (1.222 acres), for drainage, landscaping, pedestrian access and walkway purposes, as shown on Map 26, as set forth by Land Court Order No. 54945, filed November 8, 1979.

5. Easement "224", for electrical purposes, as shown on Map 39, as set forth by Land Court Order No. 63306, filed July 26, 1982.

6. Restrictions, limitations and conditions as set forth by Grant of Easements dated ---, (acknowledged March 18, 1981), filed as Land Court Document No. 1059806.

7. Grant dated February 10, 1983, filed as Document No. 1155589, in favor of Maui Electric Company, Limited; granting an easement over said Easement "224".

8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration dated December 19, 1986, filed as Land Court Document No. 1427923.

Additional Declaration of Covenants and Restrictions dated as of September 15, 1989, filed as Land Court Document No. 1669325. Consent thereto given by instrument dated September 15, 1989, filed as Land Court Document No. 1669327.

9. Designation of Easement "306" for sewer purposes, as shown on Map 55, as set forth by Land Court Order No. 90592.

10. Certification of Long-Term Residential Use dated December 29, 1990, recorded as Document No. 91-001765, by The Palms at Wailea II, a Hawaii Limited Partnership.

11. NOTICE dated November 7, 1990, recorded as Document No. 91-001768; re: Kihei Wastewater Treatment Capacity.

12. Certification of Long Term Residential Use dated December 29, 1990, filed as Document No. 91-004301.

13. Grant to Maui Electric Company, Limited and GTE Hawaiian Telephone Company Incorporated dated February 4, 1991, filed as Document No. 1805194.

14. Agreement dated August 7, 1991, recorded as Document No. 91-135281, by and between The Palms at Wailea Venture II, "Developer", and the County of Maui, through its Department of Public Works, "Department"; re Developer agrees to participate in the upgrading of Wastewater Pump Station(s) 6, 7 and 8, which are presently inadequate, etc.

15. Mortgage, Security Agreement and Financing Statement dated October 23, 1989, filed as Land Court Document No. 1684382, made by THE PALMS AT WAILEA VENTURE II, a Hawaii limited partnership, to (a) THE MITSUI TRUST & BANKING COMPANY, a corporation formed under the laws of Japan and acting through its Los Angeles Agency, and (b) SANSHIN (U.S.A.) INC., a Delaware corporation.

Consent to Mortgage dated of September 15, 1989, filed as Document No. 1684383, by and among Wailea Resort Company, Ltd., a Hawaii corporation, The Mitsui Trust & Banking Co., Ltd., a corporation formed under the laws of Japan and acting through its Los Angeles Agency, Sanchin (U.S.A.) Inc., a Delaware corporation, and The Palms at Wailea Venture II, a Hawaii limited partnership.

By Agreement dated March 26, 1993, filed as Land Court Document No. 2011542, recorded as Document No. 93-051981, The Palms at Wailea Venture II assigns to The Mitsui Trust & Banking Co., Ltd., and Sanshin (U.S.A.) Inc., all of the right, title and interest in and to that certain Escrow Account Agreement dated April 30, 1991, etc., to secure the payment of said Mortgage filed as Land Court Document No. 1684382.

16. Assignment of Landlord's interest dated October 23, 1989, recorded in Liber 23899, Page 766, made by The Palms at Wailea Venture II, a Hawaii limited partnership, assigning to The Mitsui Trust & Banking Co., Ltd. and Sanshin (U.S.A.) Inc., all of the right, title and interest under any and all tenant leases now or hereafter made covering all or any part of the property described herein, etc., as security for the payment of that certain Promissory Note of even date herewith to (a) The Mitsui Trust & Banking Co., Ltd., Los Angeles Agency, and (b) Sanshin (U.S.A.) Inc..

17. Sales Proceeds Agreement dated --- (acknowledged February 4, 1994, February 4, 1994, November 22, 1993, November 22, 1993, November 4, 1993, November 12, 1993 and February 4, 1994), recorded as Document No. 94-020543, re disbursement of 20% of funds from escrow account.

18. Second Sales Proceeds Agreement dated --- (acknowledged June 9, 1994, June 9, 1994, June 9, 1994, June 9, 1994, June 14, 1994, June 14, 1994 and June 13, 1994), recorded as Document No. 94-102933, re disbursement of 20% of funds from escrow account.

19. Any liens (or claim of lien) for services, labor or material arising from an improvement or work related to the land described herein.

20. Declaration submitting Project to the Condominium Property Regime dated April 18, 1991, filed as Document No. 1815194, as amended (Condominium Map No. 841).

21. By-Laws of the Association of Apartment Owners dated April 18, 1991, filed as Document No. 1815195.

22. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in THIRD SALES PROCEEDS AGREEMENT dated and effective as of October 1, 1994, filed as Document No. 2219412, recorded as Document No. 95-022868, by and among THE MITSUI TRUST & BANKING CO., LTD., a Japan corporation acting through its Los Angeles Agency, SANCHIN (U.S.A.) INC., a Delaware corporation, THE PALMS AT WAILEA VENTURE II, a registered Hawaii limited partnership, FSSK CORPORATION, a Nevada corporation, JCW CONDO INC., a Hawaii corporation, and TITLE GUARANTY ESCROW SERVICES, INC., a Hawaii corporation; re disbursement of 20% funds from escrow account.

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The Palms at Wailea-Phase 2

EXHIBIT "H"

DISCLOSURE REGARDING CONSTRUCTION/DESIGN PROBLEMS

Certain construction and/or design problems have been discovered in the buildings at The Palns at Wailea Phase II. These problems include cracks in the interior plaster, binding of some of the interior wooden louver doors, delamination of portions of the stucco finish on certain exterior garden walls, failure of some of the retractable door sweeps under the exterior entry door and dry rot in some of the wooden window frames. The developer has asserted claims against the project architect and general contractor through both arbitration and litigation seeking repair of the problems. The claims initiated by the developer are identified by Case No. 78-110-0085-94 before the American Arbitration Association and Civil No. 95-4491-12 in the Circuit Court of the First Circuit, State of Hawaii. Additional information concerning the claims being pursued may be reviewed at the offices of the developer. The developer makes no representations or warranties concerning the merits of the claims being pursued or the likely outcome of them. In the event that the claims are favorably resolved, the developer will assign any proceeds to the Project's Association of Apartment Owners. If the Association of Apartment Owners elects to use the proceeds to make repairs, there may be some inconvenience to owners during the time that repairs are made. In the event the claims are not favorably resolved, the Association of Apartment Owners must decide whether to make repairs to the Project, in which case it is possible that the costs of such repairs could be assessed against each of the apartment owners according to their common interest.

Supplementary Public Report
The Palms at Wailea-Phase 2

EXHIBIT "I"

SUMMARY OF DEVELOPER'S PLANS FOR FUTURE DEVELOPMENT

The rights of Developer are set forth in Section 22 of the Declaration and are generally to merge the Project with (i) "Phase 1", consisting of up to approximately one hundred fifty-one (151) apartments (and common elements appurtenant thereto) and located on Lot 98 as shown on Map 26 of Land Court Application No. 1804 (Phase 1 has been created by Declaration of Condominium Property Regime dated June 29, 1989, filed as Document No. 1649066 and is known as "The Palms at Wailea"; and

(ii) "Phase 3", consisting of up to approximately one hundred (100) apartments (and common elements appurtenant thereto) and located or to be located on Lot 100 as shown on Map 26 of Land Court Application No. 1804;

Notwithstanding the foregoing, the Developer has waived any right to effect such mergers.

Supplementary Public Report on
The Palms at Wailea-Phase 2

EXHIBIT "J"

SUMMARY OF DEPOSIT RECEIPT AND SALES CONTRACT

A Specimen Deposit Receipt and Sales Contract (the "Sales Agreement") 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 SALES AGREEMENT IN FULL, since this summary is NOT A COMPLETE DESCRIPTION of its provisions. The Sales Agreement, 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 Sales Agreement, together with an undivided interest (common interest) in the Project, one parking stall and certain listed furnishings. These will be conveyed to the Buyer on the Closing Date by an Apartment Deed. (See subparagraph E.6(c).)

2. The Buyer agrees that all of the rights of Buyer under the Sales Agreement are subject and subordinate to the lien of any mortgages securing loans made to finance the cost of construction and other costs of the Project, until the final closing and delivery of an Apartment Deed to the Buyer. THE PURCHASER INTENTIONALLY WAIVES, RELINQUISHES AND SUBORDINATES THE PRIORITY OF ANY INTEREST ARISING OUT OF THE SALES AGREEMENT TO THE LIENS AND SECURITY INTERESTS OF THE LOANS MADE TO FINANCE THE COST OF CONSTRUCTION AND OTHER COSTS OF THE PROJECT. (See subparagraph E.2(f)).

3. The Buyer represents that he is financially capable of making the payments required by the Sales Agreement. If Buyer requires financing then within seven (7) days of Seller acceptance of the Sales Agreement, the Buyer must apply for a mortgage loan if the Buyer has not obtained and delivered to Seller a mortgage loan commitment acceptable to Seller within thirty (30) days after the effective date of the Sales Agreement or such longer period of time permitted by the Seller (see Subpar. E.3 (d)), then either Buyer or Seller may terminate the Sales Contract. Seller may also cancel (but does not have to) the Sales Agreement if the Buyer should die. (See paragraph E.12).

4. The Buyer acknowledges having had the opportunity to read and review and approves all documents, plans and specifications relating to the Project (see Subpar. E 2(a), (b) and (c)). These include the Declaration of Condominium Property Regime, the By Laws, the Condominium Map and the form of Apartment Deed.

5. The Seller MAKES NO WARRANTIES OF ANY KIND with respect to construction, materials, designs or workmanship of the Project or the Apartment. However, the Seller does represent that all major appliances and fixtures will be in working order consistant

with their age at closing.

6. Seller also discloses that certain construction and/or design problems have been discovered in the Project. Subpar E.5.(b) of the Sales Agreement discloses the following:

> Construction/Design Problems. Certain construction and/or design problems have been discovered in the buildings at The Palns at Wailea Phase II. These problems include cracks in the interior plaster, binding of some of the interior wooden louver doors, delamination of portions of the stucco finish on certain exterior garden walls, failure of some of the retractable door sweeps under the exterior entry door and dry rot in some of the wooden window frames. The developer has asserted claims against the project architect and general contractor through both arbitration and litigation seeking repair of the problems. The claims initiated by the developer are identified by Case No. 78-110-0085-94 before the American Arbitration Association and Civil No. 95-4491-12 in the Circuit Court of the First Circuit, State of Hawaii. Additional information cencerning the claims being pursued may be reviewed at the offices of the developer. The developer makes no representations or warranties concerning the merits of the claims being pursued or the likely outcome of them. In the event that the claims are favorably resolved, the developer will assign any proceeds to the Project's Association of Apartment Owners. If the Association of Apartment Owners elects to use the proceeds to make repairs, there may be some inconvenience to owners during the time that repairs are made. In the event the claims are not favorably resolved, the Association of Apartment Owners must decide whether to make repairs to the Project, in which case it is possible that the costs of such repairs could be assessed against each of the apartment owners according to their common interest.

7. Closing is scheduled on a fixed date with 90 days of the effective date of the Sales Agreement. At closing, Buyer is to pay the Purchase Price, a project start-up fee equal to two (2) months maintenance fee, one month's maintenance fee and closing costs and prorations set forth in Subpar.E.6(b). Such funds shall be paid in cash or by certified check drawn on a financial institution having its principal office in Honolulu, Hawaii. A late charge of one percent (1%) per month is payable on all sums not paid by Buyer when due. 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. (See subparagraphs E.6 (a), (b) and (c)).

8. 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. Seller may also sue for damages, specific performance, and may pursue any other remedy permitted. If the Seller defaults, the Buyer is entitled to specific performance of the Agreement, or may cancel and terminate the Agreement. The sole and exclusive remedy of the Buyer is against the Seller and its assets, and not against any of the constituent partners of the Seller. (See paragraph E.10).

9. Buyer is being asked to acknowledge certain conditions including (a) construction activity within the Project may continue after Buyer occupies the Apartment, and (b) the Project is located within a resort area in which there may be continuing and ongoing development, all of which may result in noise, dust and other annoyances. Buyer agrees to suffer and permit all such activities. (See subparagraph E.2(d)) and (c) that certain apartments in the Project (including possibly the Apartment that is the subject of the Sales Agreement) may have been previously occupied during the developer's leasing program (See subpar A.5).

Supplementary Public Report on
The Palms at Wailea-Phase 2

EXHIBIT "K"

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.

Supplementary Public Report on
The Palms at Wailea-Phase 2

EXHIBIT "L"

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 September 15, 1989, and filed as aforesaid as Document No. 1669325. 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.

Supplementary Public Report
The Palms at Wailea-Phase 2

EXHIBIT "M"

DISCLOSURE ABSTRACT

1. (a) PROJECT: The Palms at Wailea-Phase 2
3150 Wailea Alanui Drive
Wailea, Maui, State of Hawaii

(b) DEVELOPER: The Palms at Wailea Venture II
841 Bishop Street, Suite 2300
Honolulu, Hawaii 96813
Telephone: (808) 539-9600

(c) MANAGING AGENT: Hawaiiana Management Company

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: All warranties have expired.

4. USE OF UNITS. The Palms at Wailea-Phase 2 Condominium Project will consist of 120 residential units. The apartments shall be occupied and used only for permanent or temporary residential purposes but subject to the zoning ordinances of the County of Maui (which as of the date hereof require "long term residential use" which is defined as occupancy by either the apartment owner or his lessee for a term of six (6) months or more). The residential apartments shall not be used as time share units as defined in Chapter 514E, Hawaii Revised Statutes, as amended. The Recreation/Maintenance Building may be used for recreational, office (including the sale of "Logo" and other sundry items) and for storage in connection with the management and operation of the Project. Seller has entered into a Certification of Long Term Residential Use which is binding on all apartment owners. A copy of such Certification is attached as Exhibit "2" hereto.

An apartment owner shall otherwise have the absolute right to sell, rent, lease or otherwise transfer his respective apartment in connection with any such occupancy or use for any length of time subject to the provisions of this Declaration and any applicable covenant, restriction or house rule and the zoning ordinance of the County of Maui. The Developer will not sponsor, promote or establish any rental pool within the

Project in which there is a "pooling" or sharing of expenses and income among owners of apartments in the Project. If an apartment owner desires to make an arrangement for rental or occupancy of his apartment, then the owner must make such arrangement without the involvement or participation of the Developer. THE DEVELOPER HAS NOT AUTHORIZED ANY AGENT, SALESMAN OR BROKER TO MAKE ANY REPRESENTATIONS AS TO RENTAL OR OTHER INCOME FROM ANY APARTMENT OR AS TO ANY OTHER ECONOMIC BENEFIT, INCLUDING POSSIBLE ADVANTAGES FROM THE OWNERSHIP OF AN APARTMENT UNDER FEDERAL OR STATE TAX LAWS TO BE DERIVED FROM THE PURCHASE OF AN APARTMENT IN THE PROJECT. Until the Developer closes the sales of all the apartments in the Project, no apartment owner shall enter into any agreement with any apartment owner, purchaser, or lessee of another apartment in the Project or any other third party in which an apartment owner agrees to share rental income from apartments in the Project.

ESTIMATED OPERATING EXPENSES

For Period July 1, 1996 to June 30, 1997
As Prepared by Developer

Estimated Annual Expenses

SEE ATTACHED EXHIBIT "1"

Note: Although the Developer has reserved the rights to merge this Project with one or more condominium projects located or to be located on land (or a portion or portions thereof) adjacent to the land of the Project, the Developer has surrendered these rights.

Also note that in addition to the maintenance fees payable by and Apartment owner, all apartment owners must also pay the Wailea Community Association dues schedule $157.50/year for a 1 bedroom or $189.00/year for a 2 bedroom, collected in two installments (Feb & Aug).

The Developer certifies that the maintenance fees and costs as estimated by the Developer are based on generally accepted accounting principles.

THE PALMS AT WAILEA VENTURE II, a
Hawaii Limited Partnership

By Its General Partner

THE BEAM PALMS II VENTURE,
a Hawaii general partnership

By Its General Partner

McCORMACK PALMS II, LTD.,
a Hawaii corporation

By Lynne R. Tamura
Its Treasurer

"Developer"

Exhibit 1

The Palms at Wailea Phase II

Estimated Common Expenses

	Monthly	Annually
RECEIPTS		
Maintenance Fees	58,568	702,816
Interest from Investments	100	1,200
Other Taxable Receipts	100	1,200
TOTAL RECEIPTS	$58,768	$705,216
DISBURSEMENTS		
Utilities		
Electricity	2,400	28,800
Water	4,800	57,600
Sewer	1,050	12,600
Telephone	100	1,200
Cable TV	2,000	24,000
SUBTOTAL	10,350	124,200
Building Maintenance		
Building	800	9,600
Contract Security	3,850	46,200
Equipment	200	2,400
Landscaping	15,000	180,000
Lighting	300	3,600
Pool/Rec Center	1,300	15,600
Pest Control	400	4,800
Pump and Ventilation	750	9,000
Refuse	1,500	18,000
SUBTOTAL	24,100	289,200
Administration		
Vehicle Expense	50	600
Supplies & Services	360	4,320
Legal & Audit	250	3,000
Management Services	2,400	28,800
SUBTOTAL	3,060	36,720

Payroll and Benefits		
Payroll - Manager	2,000	24,000
Payroll - Maintenance	2,000	24,000
Payroll - Maintenance/ Cleaning	1,500	18,000
Workers Compensation	495	5,940
TDI	33	396
Health Care	825	9,900
Payroll - Taxes	765	9,180
Rent - Apartment	1,200	14,400
SUBTOTAL	8,818	105,816
Other		
Telephone Lease	1,670	20,040
Miscellaneous	350	4,200
Office Supplies	200	2,400
Taxes: Gross Income	20	240
Insurance	5,000	60,000
	7,240	86,880
Reserve Fund	5,000	60,000
TOTAL DISURSEMENTS	$58,568	$702,816

Palm at Wailea Phase II
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	0.737748%	1/2	4	1,022	473	1,495	2.95099%	$ 1,728.34	$ 432.08
AA-1	0.737747%	1/2	6	1,032	473	1,505	4.42648%	$ 2,592.50	$ 432.08
A-2	0.646947%	1/2	4	1,022	289	1,311	2.58779%	$ 1,515.62	$ 378.90
AA-2	0.646947%	1/2	6	1,032	289	1,321	3.88168%	$ 2,273.42	$ 378.90
B-1	0.822625%	2/2	20	1,194	473	1,667	16.45250%	$ 9,635.90	$ 481.80
B-2	0.731825%	2/2	23	1,194	289	1,483	16.83198%	$ 9,858.15	$ 428.62
C-1	0.786601%	2/2	7	1,242	352	1,594	5.50621%	$ 3,224.88	$ 460.70
C-2	0.749097%	2/2	7	1,299	219	1,518	5.24368%	$ 3,071.12	$ 438.73
D-1	0.981524%	3/2	15	1,559	430	1,989	14.72286%	$ 8,622.88	$ 574.86
D-2	0.924281%	3/2	15	1,559	314	1,873	13.86422%	$ 8,119.99	$ 541.33
E-1	1.137957%	3/2	5	1,692	614	2,306	5.68979%	$ 3,332.39	$ 666.48
E-2	1.074792%	3/2	5	1,699	479	2,178	5.37396%	$ 3,147.42	$ 629.48
H-1	0.822625%	2/2	3	1,194	473	1,667	2.46788%	$ 1,445.39	$ 481.80
			120				100.00000%	$ 58,568.00	

8/7/96

EXHIBIT "N"

RECEIVED
FEB 1 .. 1991
PALMS AT WAILEA

JAN 1 1 1991 8.04
91-004301

LAND COURT | REGULAR SYSTEM

AFTER RECORDATION, RETURN BY: MAIL (x) PICK UP ( )
Land Use and Codes Administration
Department of Public Works
County of Maui
250 South High Street
Wailuku, Maui, Hawaii 96793

TMK NO. 2-1-8:83

CERTIFICATION OF LONG-TERM RESIDENTIAL USE

1. The undersigned hereby certifies that he/she/it they will:

a. ☐ be the owner-occupant(s) of the residential structure for which Building Permit No. _____ is issued for a term of six months or more.

b. ☐ lease ☐ rent ☒ sell

the residential unit for which Building Permit No. 91/0016 - 0017 is issued to persons(s) who will be owner/occupant(s) or lessee(s)/renter(s) under a lease or rental agreement with a term of six months or more.

2. The undersigned further certifies the same shall furnish a copy of this certification to each lessee/renter/purchaser.

DATED: Honolulu (city), Hawaii, December 29, 1990 (date).

OWNER-OCCUPANT(S):

By _____
name:
Its

By _____
name:

OWNER/DEVELOPER:
THE PALMS AT WAILEA II
A Hawaii Limited Partnership

By Its General Partner:
THE BEAM PALMS II VENTURE
A Hawaii General Partnership

By Its Managing Partner
McCORMACK PALMS II, LTD., a Hawaii Corporation

BY: [signature]

b20cert/agreements/c(...)

STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

On this 29th day of December, 1990, before me appeared Michael T. McCormack, to me personally known, who being by me duly sworn, did say that he is the President of McCORMACK PALMS II, LTD., a Hawaii corporation, one of the general partners of BEAM PALMS II VENTURE, a Hawaii general partnership, the general partner of THE PALMS AT WAILEA II, a Hawaii limited partnership; that said instrument was signed in behalf of said corporation by authority of its Board of Directors as general partner of BEAM PALMS II VENTURE, as general partner of THE PALMS AT WAILEA II, and said Michael T. McCormack acknowledged said instrument to be the free act and deed of said corporation and said partnerships.

Denise Jean S. Inouye
Notary Public,
State of Hawaii
My Commission expires: 9-12-93