

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer LANAI COMPANY, INC.
Address 1233 Fraser Avenue, P.O. Box 630310, Lanai City, Hawaii 96763
Project Name (\*): THE VILLAS AT KOELE - PHASE II
Address: Kauna O'a Drive, Lanai City, Hawaii

Registration No. 3682 Effective date: November 28, 2000
Expiration date: December 28, 2001

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 government 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.
CONTINGENT FINAL: (green) The developer has legally created a condominium and has filed information with the Commission for this report which EXPIRES NINE (9) MONTHS after the above effective date.
FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
[X] SUPPLEMENTARY: (pink) This report updates information contained in the: [X] Final Public Report dated: January 31, 1997.
And [X] Must be read together with Final Public Report dated January 31, 1997.

(\* Exactly as named in the Declaration

**Disclosure Abstract:** Separate Disclosure Abstract on this condominium project:

Required and attached to this report as Exhibit H                       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 developer.

Changes made are as follows:

1. That certain Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated September 19, 2000, was filed against the Project in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2652427, and also recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2000-132865 (the "Mortgage"). That certain Financing Statement also was recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2000-132866. That certain Assignment of Leases and Rents dated September 19, 2000, also was filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Document No. 2655490 and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2000-139600. The Mortgage is disclosed on page 15, and the Mortgage, the Financing Statement, and the Assignment of Leases and Rents are disclosed in Exhibit G of this Supplementary Public Report. In addition, the encumbrances against title have been updated in Exhibit G of this Supplementary Public Report. New pages 14 and 15 and a new Exhibit G replace pages 14 and 15 and Exhibit G that are included in the Final Public Report.

2. The post office address of the Developer, the name, address and phone number of the real estate broker for the Project, the address and phone number of the condominium managing agent for the Project, and the list of officers of the Developer have been updated on the new pages 1, 5, 5a and 10 that are included in this Supplementary Public Report which replace pages 1, 5, 5a and 10 that are included in the Final Public Report.

**I. PERSONS CONNECTED WITH THE PROJECT**

Developer: Lanai Company, Inc. Phone: (808) 565-3000  
 Name (Business)  
1233 Fraser Avenue, P.O. Box 630310  
 Business Address  
Lanai City, Hawaii 96763

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

See Page 5a  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Real Estate Broker\*: Okamoto Realty LLC Phone: (808) 565-7519  
 Name (Business)  
730 Lanai Avenue  
 Business Address  
Lanai City, Hawaii 96763

Escrow: Title Guaranty Escrow Services, Inc. Phone: (808) 521-0211  
 Name (Business)  
235 Queen Street  
 Business Address  
Honolulu, Hawaii 96813

General Contractor\*: U.S. Pacific Builders, Inc. Phone: (808) 523-8554  
 Name (Business)  
1001 Bishop Street, Suite 1500  
 Business Address  
Honolulu, Hawaii 96813

Lanai Company, Inc. Phone: (808) 565-3000  
 Name (Business)  
1233 Fraser Avenue, P.O. Box 630310  
 Business Address  
Lanai City, Hawaii 96763

Condominium Managing Agent\*: Chaney Brooks & Company Phone: (808) 244-4500  
 Name (Business)  
One Main Plaza, 2200 Main Street, Suite 640  
 Business Address  
Wailuku, Hawaii 96793

Attorney for Developer: Goodsill Anderson Quinn & Stifel Phone: (808) 547-5600  
 Name (Business)  
(Gail O. Ayabe)  
1099 Alakea Street, 18<sup>th</sup> Floor  
 Business Address  
Honolulu, Hawaii 96813

\* For Entities – Name of corporation, partnership, Limited Liability Partnership (LLP), Limited Liability Company (LLC)

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

Patrick J. Birmingham	President and Chief Executive Officer
Harry A. Saunders	Executive Vice President and Chief Operating Officer
Lynne Scott Safrit	Executive Vice President
Richard Mirikitani	Vice President and Secretary
Melinda K. Beckner	Vice President and Assistant Secretary
Bonnie E. Freitas	Vice President and Assistant Secretary
Edward C. Roohan	Vice President and Assistant Secretary
Richard S. Toppe	Vice President and Assistant Secretary
Thomas J. Selby	Vice President, Finance & Accounting and Treasurer
Kurt K. Matsumoto	Vice President, Resorts & Administration
Vince G. Bagoyo, Jr.	Vice President, Utilities & Community Relations
Fritz Walter	Vice President, Construction & Development
Ralph N. Masuda	Vice President
Barbara Dianne S. Moon	Assistant Secretary
Rosalinda V. Oasay	Assistant Treasurer

Fee Owner: Lanai Company, Inc.  
 Name  
1233 Fraser Avenue, P.O. Box 630310  
 Address  
Lanai City, Hawaii 96763

Lessor: \_\_\_\_\_  
 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: 2 Floors Per Building 1 and 2

Exhibit \_\_\_\_\_ contains further explanations.

3. Principal Construction Material:

Concrete  Hollow Tile  Wood

Other copper roofing, concrete slabs

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>7</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<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"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<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

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.

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

described in Exhibit E\*.

as follows:

\*Note: Land areas referenced herein are not legally subdivided lots.

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:

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 October 31, 2000,

and issued by Title Guaranty of Hawaii, Incorporated.

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.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed <b>Prior to Conveyance</b></u>
Mortgage lien(s) of Developers lender(s)	Buyer's interest is specifically made subject and subordinate to such liens.

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 SECTION 3 OF EXHIBIT H (THE DISCLOSURE ABSTRACT)

2. Appliances:

SEE SECTION 3 OF EXHIBIT H (THE DISCLOSURE ABSTRACT)

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

- A) There is a material change in the project 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 issued 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, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other Koele Covenants; Declaration of Merger of Condominium Phases

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 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. 3682 filed with the Real Estate Commission on January 7, 1997.

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

- YELLOW paper stock       WHITE paper stock       PINK paper stock       GREEN paper stock



CONDOMINIUM PUBLIC REPORT ON  
THE VILLAS AT KOELE – PHASE II

EXHIBIT G

ENCUMBRANCES AGAINST TITLE

1. For any real property taxes that may be due and owing, reference is made to the Office of the Tax Assessor of the County of Maui.
2. Subdivision Agreement (Large Lots) dated June 9, 1988, by and between Castle & Cooke, Inc. and County of Maui, filed as Document No. 1558116.
3. Private Water System Agreement dated November 12, 1993, by and between Dole Food Company, Inc. and Department of Water Supply of the County of Maui, filed as Document No. 2094094.
4. Private Water System Agreement dated January 21, 1994, by and between Dole Food Company, Inc. and Department of Water Supply of the County of Maui, filed as Document No. 2131648.
5. Hold Harmless Agreement dated May 24, 1994, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 94-118691.
6. Designation of Easement 30, for drainage purposes, as shown on Map 8, as set forth by Land Court Order No. 118636, filed November 9, 1994.
7. Designation of Easement 40, for lake maintenance purposes, as shown on Map 8, as set forth by Land Court Order No. 118636, filed November 9, 1994.
8. Declaration of Covenants, Conditions, and Restrictions for Koele dated December 22, 1994, filed as Document No. 2206277, as supplemented by Notice of Supplemental Declaration to Annex Phase 3 to Koele Community dated August 27, 1998, filed as Document No. 2483591, as further amended and supplemented from time to time.
9. Declaration of Merger of Condominium Phases dated May 8, 1995, filed as Document No. 2238336, as amended by instrument dated August 19, 1998, filed as Document No. 2493980, as further amended from time to time.
10. Grant dated December 13, 1995, filed as Document No. 2285749, in favor of Maui Electric Company, Limited and GTE Hawaiian Telephone Company Incorporated, granting a perpetual right and easement for utility purposes.

11. Declaration of Condominium Property Regime of The Villas at Koele – Phase II dated December 17, 1996, filed as Document No. 2357570, as amended by instrument dated April 15, 1999, filed as Document No. 2536667, as further amended from time to time.
12. Condominium Map No. 1177.
13. By-Laws of the Association of Apartment Owners of The Villas at Koele – Phase II dated December 17, 1996, filed as Document No. 2357571, as amended from time to time.
14. Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement dated September 19, 2000, filed as Document No. 2652427, and also recorded as Document No. 2000-132865.
15. Financing Statement recorded as Document No. 2000-132866.
16. Assignment of Leases and Rents dated September 19, 2000, filed as Document No. 2655490, and also recorded as Document No. 2000-139600.

CONDOMINIUM PUBLIC REPORT ON  
THE VILLAS AT KOELE - PHASE II

EXHIBIT H

DISCLOSURE ABSTRACT

1. (a) PROJECT: The Villas at Koele - Phase II  
Lanai City, Lanai, Hawaii
  - (b) DEVELOPER: Lanai Company, Inc.  
1233 Fraser Avenue  
Lanai City, Hawaii 96763  
Telephone: (808) 565-3000
  - (c) REAL ESTATE BROKER: Okamoto Realty LLC  
730 Lanai Avenue  
Lanai City, Hawaii 96763  
Telephone: (808) 565-7519
  - (d) PROJECT MANAGER: Chaney Brooks & Company  
One Main Plaza  
2200 Main Street, Suite 640  
Wailuku, Hawaii 96793  
Telephone: (808) 244-4500
2. USE OF APARTMENTS:
    - (a) Number of Apartments in Project for Residential Use: 7
    - (b) Proposed Number of Apartments in Project for Hotel Use: -0-
    - (c) Extent of Commercial or Other Nonresidential Development in Project:  
None

UPDATED: NOVEMBER 2000

### 3. WARRANTIES:

(a) Developer warrants that the Apartment is constructed in substantial conformity with the plans and specifications (including any amendments thereof, or changes and variations therein) and against any defects in equipment, material, or workmanship and materials of the Apartment resulting in noncompliance with standards of quality as measured by acceptable trade practices. This warranty shall continue for a period of one (1) year from the date of recordation of the conveyance of title to the original buyer of the Apartment. The Developer shall remedy, at the Developer's expense, any substantial nonconformity or such defects and shall restore any work damaged in fulfilling the terms and conditions of this warranty. Notwithstanding the generality of the foregoing, Developer's warranty shall not cover defects in any appliances within the Apartment. All appliances within the Apartment shall be covered solely by the warranties of the respective manufacturers thereof and the warranty periods of such warranties may vary.

(b) Developer has contracted or will contract with a licensed soil treatment applicator (the "Applicator") for the pre-construction soil treatment process for the control of subterranean termites and the Developer will require the Applicator to warrant that if termite infestation should occur within three (3) years from the date of treatment of the building in which the Apartment is located, the Applicator will re-treat the soil under the building in which the Apartment is located using the standards in effect at the time of re-treatment. The Applicator shall further agree to repair all construction damage by subterranean termites within the one-year warranty period. Developer will transfer to Buyer any warranty from the Applicator. Developer further agrees without incurring any legal liability, to cooperate with Buyer to have the Applicator perform all warranties for which the Applicator is responsible. Buyer understands that the Developer does not promise that the Applicator will honor his warranties.

(c) Developer's obligations under the foregoing warranties are expressly conditioned on written notification by Buyer to Developer of substantial non-conformity, defects or ground termite infestation within the warranty periods set forth above.

(d) Developer warrants against defects in equipment, material, or workmanship and materials of the common elements of the Project resulting in noncompliance with standards of quality as measured by acceptable trade practices for a period of one (1) year from the date of original conveyance of title for the first apartment in the Project that is conveyed by Developer to one or more third parties other than the Developer and shall apply only to such instances of defects as to which the Association shall have given written notice to the Developer within said period of one (1) year.

4. BREAKDOWN OF ANNUAL MAINTENANCE CHARGES AND ESTIMATED COSTS FOR EACH APARTMENT:

Attached to this Disclosure Abstract as Exhibit "A" is a breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, prepared by the Developer for the one-year period commencing January 1, 2001 and certified to have been based on generally accepted accounting principles. The attached breakdown of annual maintenance charges and the estimated cost for each apartment are subject to change based on actual costs of the items listed. The Developer can make no assurances regarding the estimated maintenance assessments. Variables such as inflation, uninsured casualty loss or damage, increased or decreased services from those contemplated by the Developer, apartment owner delinquencies and other factors may cause the maintenance assessments to be greater or less than the estimated maintenance assessments. The breakdown of the estimated cost for each apartment contained in this Disclosure Abstract does not include the Buyer's obligation for the payment of the Koele Homeowners Association initiation assessment or the Koele Homeowners Association dues or real property taxes and does not include or otherwise take into account the one-time "start-up" fee required to be paid in addition to the normal maintenance charges. Estimates of the real property taxes will be provided by the Developer upon request.

NOTE: THE DEVELOPER ADVISES THAT COSTS AND EXPENSES OF MAINTENANCE AND OPERATION OF A CONDOMINIUM PROJECT ARE VERY DIFFICULT TO ESTIMATE INITIALLY AND EVEN IF SUCH MAINTENANCE CHARGES HAVE BEEN ACCURATELY ESTIMATED, SUCH CHARGES WILL TEND TO INCREASE IN AN INFLATIONARY ECONOMY AND AS THE IMPROVEMENTS AGE. MAINTENANCE CHARGES CAN VARY DEPENDING ON SERVICES DESIRED BY APARTMENT OWNERS. THE BUYER SHOULD EXAMINE THE MAINTENANCE CHARGE SCHEDULE TO SEE WHAT SERVICES ARE INCLUDED IN THE SCHEDULE.

5. TERMINATION OF DEVELOPER'S TEMPORARY ASSUMPTION OF ACTUAL COMMON EXPENSES:

The Developer had assumed all the actual common expenses of the Project (and therefore an apartment owner had not been obligated for the payment of his respective share of the common expenses). Effective from and after January 1, 2001, each apartment

owner in the Project shall be obligated to pay his respective share of the common expenses allocated to his apartment.

6. KOELE HOMEOWNERS ASSOCIATION DUES:

Each apartment owner will be required to be a member of the Koele Homeowners Association. As such member, each apartment owner will be required to pay Koele Homeowners Association an initiation assessment and annual and other dues.

7. CHANGE IN REAL ESTATE BROKER:

The Developer has disclosed that the real estate broker for the Project has been replaced and the real estate broker for the Project is now Okamoto Realty LLC, a Hawaii limited liability company.

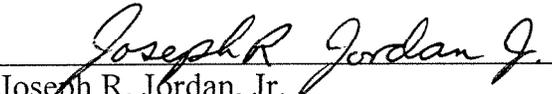
CERTIFICATE

I, the undersigned, duly sworn on oath, depose and affirm as follows:

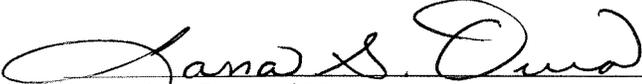
1. That I am a Property Manager for Chaney Brooks & Company, a Hawaii corporation, designated by the Developer of The Villas at Koele - Phase II condominium project (the "Project") to act as the Managing Agent for the management and administration of the Project.

2. That I hereby certify that the breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, as set forth in Exhibit "A" attached hereto and hereby incorporated herein by reference, were determined pursuant to a reserve study conducted in accordance with Section 514A-83.6 of the Hawaii Revised Statutes and Chapter 107 of the Hawaii Administrative Rules, and are reasonable estimates for the one-year period commencing January 1, 2001, based on generally accepted accounting principles.

DATED: Wailuku, Hawaii, this 15<sup>th</sup> day of November, 2000.

  
\_\_\_\_\_  
Joseph R. Jordan, Jr.  
Property Manager

Subscribed and sworn to  
before me this 15<sup>th</sup> day  
of November, 2000

  
\_\_\_\_\_  
Typed or Printed Name: Lana S. Oura  
Notary Public, State of Hawaii

My commission expires: 7/1/2001

*h.s.*

EXHIBIT "A"

THE VILLAS AT KOELE - PHASE II

Estimated Annual Common Expenses

	<u>MONTHLY</u>	<u>ANNUAL</u>
<u>Utilities and Services</u>		
Electricity (common elements only)	\$ 75.00	\$ 900.00
Sewer	174.00	2,088.00
Water	208.33	2,500.00
<u>Maintenance, Repairs and Supplies</u>		
Buildings	514.17	6,170.00
Pest Control	156.25	1,875.02
Landscaping Service	2,000.00	24,000.00
Refuse	148.00	1,776.00
Window Cleaning	287.16	3,446.00
<u>Administrative Expenses</u>		
Audit and Tax Fees	68.64	823.68
Legal Fees	50.00	600.02
Management & Accounting Services	557.91	6,694.92
Misc. Project Expenses	50.00	600.00
Travel	25.00	300.00
<u>Insurance and Risk Management</u>		
Commercial Package	407.59	4,891.02
Directors & Officers	118.33	1,420.00
<u>Reserves</u>	<u>386.75</u>	<u>4,641.00</u>
TOTAL DISBURSEMENTS	<u>\$5,227.13</u>	<u>\$62,725.66</u>

ESTIMATED MAINTENANCE CHARGES OR FEES FOR EACH APARTMENT:

- (1) The estimated monthly maintenance charge for each Type 1 and Type 1R apartment is \$450.00 per month.
- (2) The estimated monthly maintenance charge for each Type 2 apartment is \$547.00 per month.
- (3) The estimated monthly maintenance charge for each Type 3 apartment is \$650.00 per month.
- (4) The estimated monthly maintenance charge for each Type 4 apartment is \$871.00 per month.
- (5) The estimated monthly maintenance charge for each Type 5 apartment is \$826.00 per month.
- (6) The estimated monthly maintenance charge for each Type 6 apartment is \$829.00 per month.