CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:
Developer NAPILI VILLAS, LLC
Address Pauahi Tower, Suite 1570, 1001 Bishop Street, Honolulu, Hawaii 96813
Project Name (*): NAPILI VILLAS – PHASE III
Address: Hanawai Street, Napili, Hawaii 96761

Registration No. 4884

Effective date: January 23, 2003
Expiration date: February 23, 2004

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. A Final Public Report will be issued by the developer when complete information is filed.
___	**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. Contingent Final public reports may not be extended or renewed. [ ] No prior reports have been issued. [ ] This report supersedes all prior public reports.
X	**FINAL: (white)**	The developer has legally created a condominium and has filed complete information with the Commission. [ ] No prior reports have been issued. [X] This report supersedes all prior public reports. [ ] This report must be read together with _____
___	**SUPPLEMENTARY: (pink):**	*This report updates information contained in the:* [ ] Preliminary Public Report dated: _____ [ ] Final Public Report dated: _____ [ ] Supplementary Public Report dated: _____ And [ ] 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

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2644 to submit your request.

FORM: RECO-30 1297 / 0298 /0800

459604.1

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[X] 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.

[X] Changes made are as follows:

1. The Developer has submitted to the Real Estate Commission the following:

   a. A copy of Construction Contract Change Order No. 1.

   b. A copy of the building permits for each building in the Project.

   c. A copy of the performance bond.

2. The Developer has repaid its loan with City Bank, a Hawaii corporation, and that certain Mortgage dated October 9, 2001, recorded as Document No. 2001-158003, has been released as an encumbrance against title.

3. The Developer has obtained an updated title report dated December 10, 2002, issued by Island Title Corporation. Pursuant to the updated title report, Exhibit G of this Report notes the following additional encumbrance against title:

   a. Exchange of Vehicle Access Rights Agreement dated November 26, 2002, by and between State of Hawaii Department of Transportation and Napili Villas, LLC, recorded as Document No. 2002-218944.

4. The form of the Apartment Deed has been revised since the issuance of the Contingent Final Public Report.

NOTE: ALL BUYERS AND PROSPECTIVE BUYERS SHOULD READ THIS REPORT, THE DECLARATION OF CONDOMINIUM PROPERTY REGIME, THE BY-LAWS, THE RULES AND REGULATIONS, THE DECLARATION OF MERGER OF CONDOMINIUM PHASES, THE SALES AGREEMENT, THE SPECIMEN APARTMENT DEED AND THE OTHER CONDOMINIUM DOCUMENTS IN FULL AS THIS SUMMARY OF CHANGES IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL OF THE CHANGES THAT WERE MADE SINCE THE ISSUANCE OF THE EFFECTIVE DATE OF THE CONTINGENT FINAL PUBLIC REPORT.

SPECIAL ATTENTION

This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency, nor does it ensure that all applicable County codes, ordinances and subdivision requirements have been complied with.

Facilities and improvements normally associated with County approved subdivisions, such as fire protection devices, County street lighting, electricity, upgraded water facilities, improved access for owner and emergency traffic, drainage facilities, etc., may not necessarily be provided for, and services such as County street maintenance and trash collection will not be available for interior roads and driveways.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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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 the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: Napili Villas, LLC
Name*
Pauahi Tower, Suite 1570,
1001 Bishop Street
Business Address
Honolulu, Hawaii 96813

Phone: (808) 524-1508
(Business)

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):
Kathryn W. Inouye - Manager
Patrick Kobayashi - Manager

Real Estate Broker*: Napili Realty, Inc.
Name
181 Lahainaluna Road, Suite I
Business Address
Lahaina, Hawaii 96761

Phone: (808) 669-1188
(Business)

Escrow: Island Title Corporation
Name
1132 Bishop Street, Suite 400
Business Address
Honolulu, Hawaii 96813

Phone: (808) 526-9171
(Business)

General Contractor*: Albert C. Kobayashi, Inc.
Name
94-535 Ukee Street
Business Address
Waipahu, Hawaii 96797
Please see page 5a.

Phone: (808) 671-6460
(Business)

Condominium Managing Agent*: Hawaiiana Management Company, Ltd.
Name
711 Kapiolani Boulevard, 7th Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 593-9100
(Business)

Attorney for Developer: Goodsill Anderson Quinn & Stifel
(Gail O. Ayabe)
Name
1099 Alakea Street, 18th Floor
Business Address
Honolulu, Hawaii 96813

Phone: (808) 547-5600
(Business)

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

General
Contractor: ROJAC Construction Inc.
Name
255-B East Waiko Road
Business Address
Wailuku, Hawaii 96793

Phone: (808) 986-1100
(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
[X] Recorded - Bureau of Conveyances: Document No. 2002-108373
Book _____ Page _____
[ ] Filed - Land Court: Document No. _____

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

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
[X] Recorded - Bureau of Conveyances Condo Map No. 3457
[ ] Filed - Land Court Condo Map No. _____

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
[X] Recorded - Bureau of Conveyances: Document No. 2002-108374
Book _____ Page _____
[ ] Filed - Land Court: Document No. _____

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 limited common elements. 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

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	**The Developer's written consent also is required to amend any provision that gives the Developer any right or authority.
Declaration (and Condo Map)	75%*	75%**	
Bylaws	65%	65%	
House Rules	--	Majority of the 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, By-Laws and Condominium Map (a) at any time prior to the recordation of the first apartment conveyance to a party not signatory to the Declaration; (b) to make any amendments required by law, by the Real Estate Commission of the State of Hawaii, by any title insurer issuing title insurance on the Project or any of the apartments, by any institutional lender lending funds on the security of the Project or any of the apartments, by any purchaser, insurer or guarantor of loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to purchase, insure or guarantee a loan made on the security of the Project or any of the apartments, or by any governmental agency; (c) to file the "as built" verified statement required by Section 514A-12, HRS; (d) to reflect alterations of the Project which the Developer is permitted to make pursuant to Paragraph 3 of Section R of the Declaration; (e) to reflect alterations of the Project which the Developer is permitted to make pursuant to Paragraph 4 of Section R of the Declaration; (f) to reflect alterations of the Project which the Developer is permitted to make pursuant to Paragraph 5 of Section R of the Declaration; (g) to change the designation of parking stalls which are appurtenant to apartments owned by the Developer, (h) at any time to effect the changes provided in the Declaration of Merger of Condominium Phases referred to in Section S of the Declaration, including the right to merge the Project with one or more condominium projects located or to be located on lands (or a portion or portions thereof) in the vicinity of the Project site.

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 Sub-leasehold: Individual apartments and the common elements, which include 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 Sub-leaseholds:

[ ] 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 Apartments in Fee Simple: Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

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: Hanawai Street, Napili, Hawaii 96761 Tax Map Key (TMK): 4-3-3:122 (por.) (2)

[ ] Address [X] TMK is expected to change because the land was consolidated and re-subdivided recently.

Land Area: 2.422 [ ] square feet [X] acre(s) Zoning: A-1

Fee Owner: Napili Villas, LLC
Name

Pauahi Tower, Suite 1570, 1001 Bishop Street
Address

Honolulu, Hawaii 96813

Lessor: N/A
Name

Address

C. **Buildings and Other Improvements:**

1. [X] New Building(s)
   [ ] Conversion of Existing Building(s)
   [ ] Both New Building(s) and Conversion

2. Number of Buildings: 6 Floors Per Building 2

   [ ] Exhibit _____ contains further explanations.

3. Principal Construction Material:

   [ ] Concrete [ ] Hollow Tile [X] Wood

   [X] Other steel, gypsum board, composition siding, asphalt shingles, glass and other allied construction materials

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning	
[X] Residential	40	[X] Yes	[ ] No
[ ] Commercial		[ ] Yes	[ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No
[ ] Hotel		[ ] Yes	[ ] No
[ ] Timeshare		[ ] Yes	[ ] No
[ ] Ohana		[ ] Yes	[ ] No
[ ] Industrial		[ ] Yes	[ ] No
[ ] Agricultural		[ ] Yes	[ ] No
[ ] Recreational		[ ] 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 and Bylaws may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

[X] Pets: No animal, livestock or poultry of any kind shall be raised, bred or kept in any apartment or any other part of the Project, except that small dogs, cats or other usual and common household pets, not to exceed a total of two (2) pets per apartment, may be kept in the apartment. The foregoing limitation on number of pets shall not apply to prohibit a reasonable number of hamsters, small birds, fish or other constantly caged animals.

[ ] Number of Occupants: _____

[X] Other: Ask to see House Rules regarding other possible restrictions.

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0

Stairways: Buildings 23, 26 – 1 stairway
Buildings 24 – 2 stairways
Buildings 21, 22, 25 - 3 stairways

Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
See EXHIBIT A					

Total Number of Apartments: 40

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

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

Boundaries of Each Apartment:

SEE EXHIBIT B

Permitted Alterations to Apartments:

SEE EXHIBIT C

Apartments Designated for Owner-Occupants Only:
Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement. Developer has elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 80

	Regular		Compact		Tandem		TOTAL
	Covered	Open	Covered	Open	Covered	Open	
Assigned (for each unit)		72				8	80
Guest							0
Unassigned							0
Extra for Purchase							0
Other:							0
Total Covered & Open:	72		0		8		80

Each apartment will have the exclusive use of at least 2 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.

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

8. Recreational and Other Common Facilities:

[ ] There are no recreational or common facilities.

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

[ ] Laundry Area [ ] Tennis Court [ ] Trash Chute/Enclosure(s)

[X] Other: Apartment owners shall have the right to use a park and guest parking located in a neighboring condominium project known as Napili Villas – Phase I. The Park and certain guest parking located in Napili Villas - Phase I also will be made available to the general public.

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 _____ (Date)

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): Not Applicable

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 D.

[ ] as follows:

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

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

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

[X] described in Exhibit E/F.

[ ] as follows:

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 December 11, 2002, and issued by Island Title Corporation.

Blanket Liens:

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

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

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

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

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

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 (DISCLOSURE ABSTRACT)

2. Appliances:

   SEE SECTION 3 OF EXHIBIT H (DISCLOSURE ABSTRACT)

G. **Status of Construction and Date of Completion or Estimated Date of Completion:**

The Developer estimates that construction of the Project, which commenced in May 2002, will be completed in or before December 2003.

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 to perform for future development (such as additions, mergers or phasing):

The Developer, at its option, has the right, but not the obligation, to expand the Project by merging, either through an administrative merger or mergers or an ownership merger or mergers, the Project with one or more condominium projects located or to be located on lands (or a portion or portions thereof) in the vicinity of the Project site, and to amend the Declaration to provide for such merger or mergers without obtaining the approval, consent or joinder of any owner, mortgagee or purchaser of any apartment, all as set forth in that certain Declaration of Merger of Condominium Phases referred to in Section S of the Declaration.

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
[ ] self-managed by the Association of Apartment Owners
[ ] the Developer or Developer's affiliate.
[ ] 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, a lien may be placed on your apartment and the apartment may be 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 H/(Disclosure Abstract) contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments**:

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

[ ] None [X] Electricity (__X__ Common Elements only _____ Common Elements & Apartments)

[ ] Gas (_____ Common Elements only _____ Common Elements & Apartments)

[X] Water [X] Sewer [ ] Television Cable

[X] Other Telephone (Common Elements only); Refuse Collection

V. MISCELLANEOUS

A. **Sales Documents Filed With the Real Estate Commission**:

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

[ ] Notice to Owner Occupants

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

[X] Escrow Agreement dated February 1, 2002.
Exhibit J contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Disclosure of Real Property Condition Statement

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.

Contingent Final Report or Supplementary Report to a Contingent Final Report: Sales made by the developer are binding if:

A) The Developer delivers to the buyer a copy of:
   1) Either the Contingent Final Public Report **OR** the Supplementary Public Report which has superseded the Contingent Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
   2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
B) The buyer is given an opportunity to read the report(s); **AND**
C) One of the following has occurred:
   1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
   2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
   3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

A) The Developer delivers to the buyer a copy of:
   1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
   2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded:
B) The buyer is given an opportunity to read the report(s); **AND**
C) One of the following has occurred:
   1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
   2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
   3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

A) There is a material change in the 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 Declaration of Restrictive Covenants (Private Park); Declaration of Merger of Condominium Phases; Settlement Agreement; Section VII(c) Agreement for West Maui Areas; Drainage Easement; Exchange of Vehicle Access Rights Agreement

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. 4884 filed with the Real Estate Commission on June 24, 2002.

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

[ ] YELLOW paper stock [X] WHITE paper stock [ ] PINK paper stock [ ] GREEN paper stock

C. **Additional Information Not Covered Above**

1. REPAIR AND MAINTENANCE OF APARTMENTS AND COMMON ELEMENTS. Every apartment owner shall at his own expense at all times well and substantially repair, maintain, amend and keep his residential apartment, including without limitation all doors, sliding glass doors (if any), windows, window fixtures, and all internal installations within the residential apartment such as water, electricity, gas (if any), telephone, sanitation, lights, and all other fixtures and accessories belonging to such residential apartment, if any, and the interior decorated or finished surfaces of all walls, partitions, floors, ceilings and roofs of such residential apartment, if any, with all necessary reparations and amendments whatsoever in good order and condition, except as otherwise provided by law or the Declaration, and shall be liable for all loss or damage whatsoever caused by his failure to perform any such work diligently, and in case of such failure after reasonable notice to perform shall reimburse to the Association promptly on demand all expenses incurred by it in performing any such work authorized by the Board of Directors or the Managing Agent.

In addition, each apartment owner shall at his own expense at all times well and substantially repair, maintain, amend and keep the Yard Area (other than the lanai originally installed within the yard area), if any, appurtenant to and reserved for the exclusive use of such owner's apartment, in good order and condition, and shall be liable for all loss or damage whatsoever caused by his failure to perform any such work, and in case of such owner's failure after reasonable notice to keep the Yard Area, if any, as aforesaid, the Association (through the Board of Directors or the Managing Agent) shall have the right (but not the obligation) to perform any such work and the cost thereof shall be charged to such apartment owner as a special assessment constituting a lien against his interest in his apartment which may be foreclosed by the Board or Managing Agent in the same manner as provided in the Condominium Property Act for unpaid common expenses.

2. LANDSCAPING OF YARD AREA. Each owner shall commence landscaping of the yard area assigned to his apartment, if any, within ninety (90) days after the closing of the purchase of the apartment and shall complete such landscaping within six (6) months after the closing of the purchase of the apartment (unless the yard area has already been completely landscaped). Before commencing any yard area landscaping, each owner shall submit to the Board of Directors a landscape plan (which shall include, without limitation, a proposed plant/tree list and hardscape plan) for the Board's review and written approval, which approval shall not be unreasonably withheld or delayed, and which approval shall be deemed to be granted if not denied in writing, within thirty (30) days of the Board's receipt thereof. The Board, in determining whether to grant or deny approval of a landscape plan, may consider any landscape requirements that apply to the Project. No apartment owner or occupant shall do any yard area landscaping in a manner that will void any of the warranties provided by or on behalf of the Developer.

3. PARK AND GUEST PARKING. Apartment owners of the Project and Napili Villas – Phase II will be given rights to use the park (the "Park") located within Napili Villas – Phase I and guest parking, together with access thereto, pursuant to easements granted to them by the Developer. The Park and certain guest parking (Guest Parking Stall Nos. 34G, 35G, 36G and 37G) located adjacent to the Park, together with access thereto, also will be made available to the general public, pursuant to an agreement between the Developer and the County of Maui. The Developer, its successors and assigns, shall have the right to execute and record a Declaration of Restrictive Covenants (Private Park) and other documents relating to the use and maintenance of the Park and the use of certain parking stalls located adjacent to the Park, together with access thereto.

4. DRAINAGE IMPROVEMENTS. The Project is part of an overall drainage area that includes land owned by others adjacent to or in the vicinity of the Project. The drainage area includes existing drainage improvements such as sediment basins, a culvert at Honoapiilani Highway, a drainage system within the Napilihau Villas project, a culvert at Lower Honoapiilani Road, and a drainage system within the Kahana Sunset condominium project. Napili Villas – Phase I will include certain drainage improvements, including a detention/retention basin and a subsurface system consisting of perforated pipes for storage and control of drainage outflow, located under the Park and within other parts of Napili Villas – Phase I (the "Drainage Improvements"). The Drainage Improvements will be part of the common elements of Napili Villas – Phase I, and the Association of Apartment Owners of Napili Villas – Phase I will be responsible for the maintenance and repair of the Drainage Improvements, which shall include, without limitation, the maintenance of the Drainage Improvements on a regular basis and after heavy storms, and the periodic removal of silt and debris, to ensure that the Drainage Improvements are operating properly. The Association of Apartment Owners of Napili Villas – Phase I shall take measures to ensure that all discharges into the Drainage Improvements are in compliance with all applicable laws, ordinances, rules and regulations now or hereafter made by any governmental authority. Without limiting the generality of the foregoing, car wash waste water, oil, rubbish, debris and other pollutants shall not be discharged into or placed within the Drainage Improvements. If the Project is merged with Napili Villas – Phase I, the Drainage Improvements shall be common elements of the merged project.

5. SPECIAL MANAGEMENT AREA USE PERMIT. The Project is subject to Special Management Area Use Permit approval. Maui Planning Commission approved the Developer's application for a Special Management Area Use Permit on April 24, 2001.

6. LOWER HONOAPIILANI ROAD WIDENING. The Project is located in the vicinity of Lower Honoapiilani Road, and Napili Villas – Phase I is located adjacent to Lower Honoapiilani Road. There is a possibility that portions of Lower Honoapiilani Road may be widened, and this may result in the condemnation of a portion of the land of Napili Villas – Phase I along Lower Honoapiilani Road.

7. OFFSITE DRAINAGE SYSTEM. The Developer has entered into that certain Napili Villas Right of Entry Agreement for the Construction of Offsite Drainage System and the Post-Construction Delivery of Easement dated October 12, 2001 (the "Agreement"), with Maui Land & Pineapple Company, Inc. ("MLP"). The Agreement provides in part that (a) the Developer will construct an offsite drainage system upon certain MLP land located in the vicinity of the Project, and (b) upon completion of the construction of the offsite drainage system, MLP shall maintain and repair the offsite drainage system and will execute and deliver to the Developer a non-exclusive perpetual easement for the offsite drainage system, which easement shall be appurtenant to the Project and lands consisting of other phases of Napili Villas. The drainage easement will be in the form attached to the Agreement and will be recorded in the Bureau of Conveyances of the State of Hawaii. Additional information regarding this matter is available at the Developer's sales office.

D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-] (The developer is required to make this declaration for issuance of an effective date for a final public report.)

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

NAPILI VILLAS, LLC
Printed Name of Developer

By: _____ JAN 0 3 2003
Duly Authorized Signatory* Date

Kathryn W. Inouye, Manager
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Maui

Planning Department, County of Maui

Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner; Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS – PHASE III

EXHIBIT A

APARTMENT DESCRIPTION

Apt. Type	Quantity	Bedroom/ Bath	Approx. Net Living Floor Area in Sq. Ft.	Approx. Net Balcony Floor Area in Sq. Ft.	Approx. Net Exterior Storage Floor Area in Sq. Ft.
A1	5	2/2	823	--	6
A1R	5	2/2	823	--	6
A2	5	2/2	823	38	6
A2R	5	2/2	823	38	6
B1	3	3/2	1,094	--	12
B1R	3	3/2	1,094	--	12
B2	3	3/2	1,094	42	12
B2R	3	3/2	1,094	42	12
C1	1	2/2	894	--	7
C1R	1	2/2	894	--	7
C2	1	2/2	894	80	7
C2R	1	2/2	894	80	7
D1	1	3/2	1,098	--	10
D1R	1	3/2	1,098	--	10
D2	1	3/2	1,098	52	10
D2R	1	3/2	1,098	52	10

Total Apartments: 40

*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.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS- PHASE III

EXHIBIT B

BOUNDARIES OF EACH APARTMENT

Each apartment consists of the spaces within the perimeter walls (or imaginary vertical planes where there is no perimeter wall), floors and ceilings (or imaginary horizontal planes where there is no ceiling) of the respective apartment as shown on the Condominium Map. The respective residential 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, footings, supports, roofs and ceilings located within or at the perimeter of or surrounding such residential apartment, any pipes, wires, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes or air exhaust running through or otherwise located within such residential apartment which are utilized for or serve more than one residential apartment, all of which are deemed common elements. Each residential 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; all windows, window frames, louvers (if any), shutters (if any), doors and door frames along the perimeter of the residential apartment; the exterior storage closet as shown on the Condominium Map; the balcony or balconies (if any) as shown on the Condominium Map; and all of the fixtures and appliances originally installed therein.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS – PHASE III

EXHIBIT C

PERMITTED ALTERATIONS TO APARTMENTS

Except as otherwise provided in the Declaration or in the By-Laws, restoration, repair or replacement of the Project or of any 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 the Declaration, duly executed by or pursuant to the affirmative vote of seventy-five percent (75%) of the apartment owners and accompanied by the written consent of the holders of all liens affecting any of the apartments, and in accordance with all of the requirements of Paragraph 6 of Section I of the Declaration, and promptly upon completion of such restoration, replacement or construction, the Association shall duly file of 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 a residential apartment may make any alterations or additions within a residential apartment and the owner of any two adjoining residential apartments may alter or remove all or portions of the intervening walls, at such owner's expense, if such alterations or additions are not visible from the exterior of the residential apartments and if the structural integrity of the building is not thereby affected. The alterations or additions permitted by the immediately preceding proviso shall require only the written approval thereof, including approval of the apartment owner's plans therefor, by the holders of first mortgage liens affecting such apartment (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 two adjoining residential apartments, if the intervening walls shall have been altered or removed pursuant to the foregoing provision and any entrances sealed, the owner of such residential apartment shall restore such intervening walls and entrances to substantially the same condition in which they existed prior to such alteration or removal.

Notwithstanding any other provision in the Declaration to the contrary, prior to (a) the time that all apartments in the Project have been sold and recorded and (b) the filing by the Developer of the "as-built" verified statement (with plans, if applicable) required by Section 514A-12 of said Condominium Property Act (but in no event later than December 31, 2007), 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 change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or to make other 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 make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded, including, without limitation, changes to the metes and bounds of the limited common elements; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 3 of Section T of the Declaration. As used in the Declaration, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project and the recordation in the Bureau of Conveyances of the State of Hawaii of apartment conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Notwithstanding any other provision in the Declaration to the contrary, prior to the time that all apartments in the Project have been sold and recorded, the Developer shall have the right to make alterations in the Project (and to amend the Declaration, the By-Laws and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which consist of changing the apartment type of any of the apartments in the Project; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 4 of Section T of the Declaration. As used in the Declaration, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project and the recordation in the Bureau of Conveyances of the State of Hawaii of apartment conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Each Type B1,Type B1R, Type B2 and Type B2R apartment in the Project will be offered to initial purchasers with an optional floor plan which deletes a bedroom and adds a den in lieu thereof. The basic floor plan and the optional floor plan for each of these apartment types are shown or described on the Condominium Map. Notwithstanding any other provision in the Declaration to the contrary, prior to the time that all apartments in the Project have been sold and recorded and construction of all of the apartments in the Project has been completed by the Developer, the Developer shall

have the right to make alterations in the Project (and to amend the Declaration, the By-Laws and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, to construct or modify each Type B1, Type B1R, Type B2 and Type B2R apartment in accordance with the respective optional floor plans shown or described on the Condominium Map; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 5 of Section T of the Declaration. As used herein the term "sold and recorded" shall mean and refer to the sale of Apartments in the Project and the recordation in the Bureau of Conveyances of the State of Hawaii of apartment conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Notwithstanding any other provision in the Declaration to the contrary, prior to the time that all apartments in the Project have been sold and recorded and construction of all of the apartments in the Project has been completed by the Developer, the Developer shall have the right to make alterations in the Project (and to amend the Declaration, the By-Laws and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which consist of expanding the lanai within one or more yard areas; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 6 of Section T of the Declaration. As used in the Declaration, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project and the recordation in the Bureau of Conveyances of the State of Hawaii of apartment conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

An apartment owner or occupant may install air-conditioning units in accordance with (a) air-conditioning guidelines prepared by the Project architect, Design Partners Incorporated (for which Board of Directors approval shall not be required), or (b) plans and specifications prepared by a licensed architect (if so required by the Board) that are submitted to and approved by the Board of Directors, all in accordance with all provisions of the Declaration.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS – PHASE III

EXHIBIT D

COMMON ELEMENTS

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

(a) The Land in fee simple;

(b) All foundations, columns, girders, beams, footings, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, stairways, walkways, corridors, ramps, fences (if any), entrances, entryways and exits of all buildings of the Project;

(c) All walkways, roadways, sidewalks, perimeter walls (if any), retaining walls (if any), fences (if any), gates (if any), yard areas, lanai areas, driveways, parking areas, loading zones, yards, grounds, landscaping, gazebos (if any), trash enclosures, mail kiosks and mailboxes;

(d) All pipes, cables, conduits, ducts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, electrical closets, communications rooms, 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, gas (if any), sewer, water, telephone and television signal distribution (if any);

(e) The seventy-two (72) regular size, uncovered parking stalls and the eight (8) regular size, uncovered tandem parking stalls, located in the parking areas of the Project, all as shown on the Condominium Map;

(f) Any and all drainage improvements located within the Project;

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

(h) The limited common elements described in Exhibit E attached hereto.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS - PHASE III

EXHIBIT E

LIMITED COMMON ELEMENTS

(a) Each of the parking stalls shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit F attached hereto;

(b) Each of the yard areas within the Project (each of which shall consist of a yard and a lanai as shown on the Condominium Map), designated on the Condominium Map as Yard Areas Y-73 to Y-92, inclusive, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit F attached hereto;

(c) Each of the lanai areas within the Project, designated on the Condominium Map as Lanai Areas L-25 and L-26, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit F attached hereto;

(d) Any walkway, stairway, entrance, exit, or steps which would normally be used only for the purposes of ingress to and egress from a specific apartment or apartments shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment or apartments;

(e) Any mailbox assigned to an apartment by the Developer or the Association of Apartment Owners of the Project shall be a limited common element appurtenant to and reserved for the exclusive use of such apartment.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS - PHASE III

EXHIBIT F

COMMON INTERESTS AND LIMITED COMMON ELEMENTS

Apt. No.	Apt. Type	Bldg. No.	Parking Stall No(s).	Yard Area No.	Lanai Area No.	Common Interest
21-1	B1R	21	331*, 386	Y-76	--	2.91299%
21-2	A1R	21	320, 330*	Y-75	--	2.19139%
21-3	A1	21	319, 327	Y-74	--	2.19139%
21-4	B1	21	315, 316	Y-73	--	2.91299%
21-5	B2R	21	332, 385	--	--	2.91299%
21-6	A2R	21	328, 329	--	--	2.19139%
21-7	A2	21	325, 326	--	--	2.19139%
21-8	B2	21	317, 318	--	--	2.91299%
22-1	B1R	22	346, 347	Y-80	--	2.91299%
22-2	A1R	22	340*, 375	Y-79	--	2.19139%
22-3	A1	22	339*, 376	Y-78	--	2.19139%
22-4	B1	22	333, 334	Y-77	--	2.91299%
22-5	B2R	22	348, 349	--	--	2.91299%
22-6	A2R	22	341, 342	--	--	2.19139%
22-7	A2	22	337, 338	--	--	2.19139%
22-8	B2	22	335, 336	--	--	2.91299%
23-1	A1R	23	T357, T358	Y-81	--	2.19139%
23-2	A1	23	T355, T356	Y-82	--	2.19139%
23-3	A2R	23	T353, T354	--	--	2.19139%
23-4	A2	23	T351, T352	--	--	2.19139%
24-1	D1R	24	370, 371	Y-86	--	2.92363%
24-2	C1R	24	345, 372	Y-85	L-26	2.38045%
24-3	C1	24	361, 362	Y-84	L-25	2.38045%
24-4	D1	24	359, 360	Y-83	--	2.92363%
24-5	D2R	24	368, 369	--	--	2.92363%
24-6	C2R	24	366, 367	--	--	2.38045%
24-7	C2	24	350, 365	--	--	2.38045%
24-8	D2	24	363, 364	--	--	2.92363%

Apt. No.	Apt. Type	Bldg. No.	Parking Stall No(s).	Yard Area No.	Lanai Area No.	Common Interest
25-1	B1R	25	389, 390	Y-90	--	2.91299%
25-2	A1R	25	383, 384	Y-89	--	2.19139%
25-3	A1	25	377, 378	Y-88	--	2.19139%
25-4	B1	25	343, 374	Y-87	--	2.91299%
25-5	B2R	25	387, 388	--	--	2.91299%
25-6	A2R	25	381, 382	--	--	2.19139%
25-7	A2	25	379, 380	--	--	2.19139%
25-8	B2	25	344, 373	--	--	2.91299%
26-1	A1R	26	322, 393	Y-91	--	2.19139%
26-2	A1	26	321, 394	Y-92	--	2.19139%
26-3	A2R	26	323, 392	--	--	2.19139%
26-4	A2	26	324, 391	--	--	2.19139%

Note: All parking stalls beginning with the letter "T" are tandem stalls.

All other parking stalls are non-tandem stalls.

All of the parking stalls are regular size.

The parking stalls marked with an asterisk (*) are handicap stalls.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS - PHASE III

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. Title to all minerals and metallic mines reserved to the State of Hawaii.

3. Rights of Native Tenants as contained in Royal Patent No. 1663.

4. Section VII(c) Agreement for West Maui Areas dated January 23, 1984, recorded in Liber 17676 at Page 285, by and between Maui Land & Pineapple Company, a Hawaii corporation, "Applicant", and the County of Maui and the Department of Water Supply, County of Maui, "County".

5. Notice of Airport and Aircraft Operations dated November 26, 1984, recorded in Liber 18291 at Page 140.

6. Affordable Housing Covenant recorded as Document No. 92-138862.

7. Deed dated June 29, 1993, recorded as Document No. 93-106189.

8. Unilateral Agreement and Declaration for Conditional Zoning dated March 18, 1994, recorded as Document No. 94-053472, as amended by Amendment to Unilateral Agreement and Declaration for Conditional Zoning dated February 21, 2001, recorded as Document No. 2001-032352.

9. Elevation Agreement (Water Service) dated May 16, 1996, recorded as Document No. 96-086061, by and between Napilihau Villages Joint Venture, a Hawaii general partnership, "Applicant", and the Department of Water Supply of the County of Maui, "Department".

10. Easement dated August 25, 1997, recorded as Document No. 97-117559, in favor of the Maui Electric Company, Limited, a Hawaii corporation, and GTE Hawaiian Telephone Company Incorporated, a Hawaii corporation, for utility purposes.

11. Easement F (115 square feet, more or less), for fire hydrant purposes, as shown on map attached to instrument dated September 3, 1997, recorded as Document No. 97-137265.

12. Easement dated September 3, 1997, recorded as Document No. 97-137265, in favor of The Board of Water Supply of the County of Maui, a political subdivision of the State of Hawaii, granting a non-exclusive easement for water system improvements, over, under, across and through Easement F, area 115 square feet, more or less.

13. Restriction of Vehicle Access Rights along Honoapiilani Highway as shown on that certain Alaeloa Subdivision Map, LUCA File No. 4.746, dated August 6, 1999, made by Reed M. Ariyoshi, Licensed Professional Land Surveyor, Certificate No. 6597.

14. Settlement Agreement dated May 28, 1999, recorded as Document No. 99-091394, by and between Napilihau Villages Joint Venture and the Kahana Sunset Owners Association.

15. Easement C-1, area 23,121 square feet, more or less, for utility purposes, delineated on that certain Alaeloa Subdivision Map, LUCA File No. 4.826, dated February 21, 2001, revised April 30, 2001, and May 17, 2001, made by Ronald M. Fukumoto, Licensed Professional Land Surveyor, Certificate No. 5451.

16. Easement C-2, area 540 square feet, more or less, for water purposes, delineated on that certain Alaeloa Subdivision Map, LUCA File No. 4.826, dated February 21, 2001, revised April 30, 2001, and May 17, 2001, made by Ronald M. Fukumoto, Licensed Professional Land Surveyor, Certificate No. 5451.

17. Vehicle access will not be permitted into and from Honoapiilani Highway (F.A.P. No. RF-030-1 (5)) over and across course 1 of Lot C, as per survey made by Ronald M. Fukumoto, Licensed Professional Land Surveyor, Certificate No. 5451, dated February 21, 2001, revised April 30, 2001 and May 17, 2001, being LUCA File No. 4.826.

18. Declaration of Restrictive Covenants (Private Park) dated June 4, 2001, recorded as Document No. 2001-085630, as amended from time to time.

19. Declaration of Merger of Condominium Phases dated June 4, 2001, recorded as Document No. 2001-085631, as amended from time to time.

20. Easement dated October 26, 2001, recorded as Document No. 2001-181991, in favor of Maui Electric Company, Limited, a Hawaii corporation, and Verizon Hawaii, Inc., a Hawaii corporation, for utility purposes.

21. Easement recorded as Document No. 2002-079549, in favor of Time Warner Entertainment Company, L.P., a Delaware limited partnership, doing business as Hawaiian Cablevision, for utility purposes.

22. Declaration of Condominium Property Regime of Napili Villas - Phase III dated June 20, 2002, recorded as Document No. 2002-108373, as amended from time to time. Condominium File Plan No. 3457, as amended from time to time.

23. By-Laws of the Association of Apartment Owners of Napili Villas – Phase III dated June 20, 2002, recorded as Document No. 2002-108374, as amended from time to time.

24. Drainage Easement dated August 27, 2002, recorded as Document No. 2002-174992.

25. Exchange of Vehicle Access Rights Agreement dated November 26, 2002, by and between State of Hawaii Department of Transportation and Napili Villas, LLC, recorded as Document No. 2002-218944.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS – PHASE III

EXHIBIT H

DISCLOSURE ABSTRACT

1. (a) PROJECT: Napili Villas – Phase III
Napili, Maui, Hawaii

(b) DEVELOPER: Napili Villas, LLC
Pauahi Tower, Suite 1570
1001 Bishop Street
Honolulu, Hawaii 96813

(c) MANAGING AGENT: Hawaiiana Management Company, Ltd.
711 Kapiolani Boulevard, 7th Floor
Honolulu, Hawaii 96813
Telephone: (808) 593-9100

(d) REAL ESTATE BROKER: Napili Realty, Inc.
181 Lahainaluna Road, Suite I
Lahaina, Hawaii 96761
Telephone: (808) 669-1188

2. USE OF APARTMENTS:

(a) Number of Apartments in Project for Residential Use: 40

(b) Proposed Number of Apartments in Project for Hotel Use: -0-

(c) Extent of Commercial or Other Nonresidential Development in Project: None

3. WARRANTIES:

The Developer will not be providing any warranties related to the Apartment or the common elements of the Project. However, the Developer will use reasonable efforts to arrange for the assignment of applicable warranties, if any, to Buyer from the general contractor and subcontractors, relating to the workmanship of the initial construction of the Apartment and the common elements of the Project. All materials, including without limitation, all appliances, light fixtures, floor coverings and other such items within the

Apartment and the common elements of the Project, shall be covered solely by the applicable warranties, if any, of the respective manufacturers thereof. The warranty periods of the various warranties described herein may vary, and Buyer should notify directly the general contractor, the subcontractors or the manufacturers, as applicable, with respect to any warranty claims that Buyer may have.

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

Attached to this Disclosure Abstract as Exhibit "1" is a breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, prepared by Hawaiiana Management Company, Ltd., a Hawaii corporation, for the one-year period commencing July 1, 2002, 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 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. TEMPORARY ASSUMPTION BY DEVELOPER OF ACTUAL COMMON EXPENSES:

The Developer will assume all the actual common expenses of the Project (and therefore an apartment owner will not be obligated for the payment of his respective share of the common expenses) until such time as the Developer files with the Real

Estate Commission of the State of Hawaii an amended Disclosure Abstract which states that after a date certain, the respective apartment owner shall thereafter be obligated to pay for his respective share of common expenses that is allocated to his apartment; provided, however, that such amended Disclosure Abstract shall be filed at least 30 days in advance with the Real Estate Commission, with a copy thereof being delivered either by mail or personal delivery after the filing to each of the apartment owners whose maintenance expenses were assumed by the Developer. The Developer shall have no obligation to pay for any cash reserves or any other reserve amounts with respect to or attributable to the period during which the Developer assumes the actual common expenses of the Project.

CERTIFICATE

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

1. That I am the President of Hawaiiana Management Company, Ltd., a Hawaii corporation, designated by the Developer of the Napili Villas – Phase III 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 "1" 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 July 1, 2002, based on generally accepted accounting principles.

DATED: Honolulu, Hawaii, this 18th day of June 2002.

Emory W. Bush

Emory W. Bush, CMCA
President

Subscribed and sworn to before me
this 18th day of June 2002.

ANNIE C. KEKOOLANI NOTARY PUBLIC STATE OF HAWAII

Typed or Printed Name: Annie C. Kekoolani
Notary Public, State of Hawaii

My Commission expires: 02-16-08

Exhibit 1 **6-18-02**

Napili Villas-Phase III

(40 Units)

Estimated Annual Common Expenses

Utilities and Services	**Monthly**	**Annually**
Electricity	$200	$2,400
Water and Sewer	$1,600	$19,200
Telephone	$100	$1,200
Maintenance, Repairs and Supplies		
Building Maintenance	$1,500	$18,000
Grounds (Less Park)	$696	$8,352
Pest Control	$500	$6,000
Electrical	$150	$1,800
Supplies/Misc	$25	$300
Plumbing	$100	$1,200
Refuse	$400	$4,800
Fire Systems	$25	$300
Management		
Management Fee	$834	$10,008
Design Review Consultant	$250	$3,000
Misc/Office/Education Expenses	$50	$600
Insurance	$1,400	$16,800
Taxes & Government Assessments	$10	$120
Professional Services/Legal/Other	$200	$2,400
Audit and Tax Preparation	$100	$1,200
Reserves	$1,567	$18,804
Total Disbursements	**$9,707**	**$116,484**

ESTIMATED MAINTENANCE CHARGES OR FEES FOR EACH APARTMENT:

The estimated monthly maintenance charge for each Type **A1** apartment is	**$212.72 per month.**
The estimated monthly maintenance charge for each Type **A1R** apartment is	**$212.72 per month.**
The estimated monthly maintenance charge for each Type **A2** apartment is	**$212.72 per month.**
The estimated monthly maintenance charge for each Type **A2R** apartment is	**$212.72 per month**
The estimated monthly maintenance charge for each Type **B1** apartment is	**$282.76 per month.**
The estimated monthly maintenance charge for each Type **B1R** apartment is	**$282.76 per month.**
The estimated monthly maintenance charge for each Type **B2** apartment is	**$282.76 per month.**
The estimated monthly maintenance charge for each Type **B2R** apartment is	**$282.76 per month.**
The estimated monthly maintenance charge for each Type **C1** apartment is	**$231.07 per month.**
The estimated monthly maintenance charge for each Type **C1R** apartment is	**$231.07 per month.**
The estimated monthly maintenance charge for each Type **C2** apartment is	**$231.07 per month.**
The estimated monthly maintenance charge for each Type **C2R** apartment is	**$231.07 per month.**
The estimated monthly maintenance charge for each Type **D1** apartment is	**$283.80 per month.**
The estimated monthly maintenance charge for each Type **D1R** apartment is	**$283.80 per month.**
The estimated monthly maintenance charge for each Type **D2** apartment is	**$283.80 per month.**
The estimated monthly maintenance charge for each Type **D2R** apartment is	**$283.80 per month.**

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS - PHASE III

EXHIBIT I

SUMMARY OF SALES AGREEMENT

A specimen Reservation and Sales Agreement, together with a specimen Option Selection Addendum to Reservation and Sales Agreement (collectively the "Sales Agreement"), have been submitted to the Real Estate Commission and are available in the Sales Office of the Seller. ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE SALES AGREEMENT, INCLUDING THE APPLICABLE ADDENDUM, IN FULL, since this summary is NOT A COMPLETE DESCRIPTION of their provisions. The Sales Agreement, among other things, covers in more detail the following items:

1. That certain Declaration of Merger of Condominium Phases recorded or to be recorded in the Bureau of Conveyances of the State of Hawaii (hereinafter called the "Declaration of Merger"), among other things, gives Seller the right, in its sole and absolute discretion, to cause and effect an administrative merger or mergers of the Project with a condominium project or projects located or to be located on lands (or a portion or portions thereof) in the vicinity of the land of the Project, as part of the same incremental plan of development of the Project, such that the use of the respective common elements, the respective common expenses and the management of the respective affairs of the Project and the additional phases are shared, and the administration of the Project and the additional phases is unified under one association of apartment owners, but the ownership interests of the apartment owners in the Project and the additional phases are not altered or affected. The Declaration of Merger also gives the Seller the right, in its sole and absolute discretion, to cause and effect an ownership merger or mergers of the Project and the additional phases, as an alternative to an administrative merger or mergers of the Project and the additional phases, to provide for the common ownership of the Project and the additional phases by all of the apartment owners of the Project and the additional phases. Upon an ownership merger, all of the apartments in the merged phases shall be treated as though they were all included in a single condominium project (the "Merged Project"), all common elements of the merged phases will become the common elements of the Merged Project, and the common interest appurtenant to the Apartment shall be altered from the percentage set forth in Article I of the Sales Agreement to a percentage as set forth in the "Certificate of Ownership Merger" recorded by the Seller, in accordance with the Declaration of Merger. Nothing herein will be deemed to require Seller to develop the additional phases or to merge the additional phases into the Project, or to prohibit Seller from dealing with

any lands adjacent to the Project not merged with the Project, including without limitation, developing all or any part of such lands for purposes inconsistent with the merger of such lands into the Project.

2. Buyer acknowledges that Seller has entered or will enter into an agreement with City Bank and/or other lender(s) (the "Construction Lender") pursuant to which the Construction Lender may make available to Seller a revolving first mortgage construction line of credit with a maximum principal amount of Nineteen Million Two Hundred Thousand and No/100 Dollars ($19,200,000.00) for a period of thirty (30) months from the date of the closing of the line of credit, for business or commercial purposes in the construction and development of the Project and other phases of Napili Villas. To secure this line of credit, Seller has granted or will grant to the Construction Lender security interests covering Seller's interest in the Land and the Project, including the Property covered by the Sales Agreement. Buyer acknowledges and agrees that all security interests obtained by the Construction Lender in connection with such line of credit as well as any extensions, renewals and modifications thereof shall be and remain at all times a lien or charge on the Project, including the Property covered by the Sales Agreement, prior to and superior to any and all liens or charges on the Project arising from the Sales Agreement. Buyer hereby intentionally waives, relinquishes and subordinates the priority or superiority of any lien under the Sales Agreement in favor of the lien or charge on the Project of the security interests of the Construction Lender. Buyer further undertakes and agrees to execute any further documentation or subordination agreement required by Seller or the Construction Lender to evidence this subordination within seven (7) days of a request to do so, and Seller shall have the right in its sole discretion to cancel the Sales Agreement if buyer fails or refuses to do so. Buyer also consents to Seller's assignment by way of security of Seller's interests in the Sales Agreement and buyer's escrow deposits to the Construction Lender and agrees that in the event of passage of Seller's interests therein pursuant to said assignment, that buyer will, at Construction Lender's option, perform to, attorn to and recognize Construction Lender (its successors and assigns in interest, if any) as Seller hereunder, with all of the rights of Seller hereunder, all as if the Construction Lender were the original Seller hereunder.

3. Seller may (but does not have to) cancel the Sales Agreement (a) if the buyer's application, qualification or eligibility for a mortgage loan, or update of qualification for a mortgage loan, is rejected by a mortgage lender or mortgage lenders or the Construction Lender or its designee, or the buyer's loan approval or mortgage commitment is not approved within thirty (30) days after application, or (b) if the buyer plans to pay the purchase price in cash but Seller or Construction Lender or its designee is not satisfied for any reason with the buyer's ability to make the cash payments.

4. For purposes of the line of credit with the Construction Lender, Napili Villas – Phase ("Phase I") is divided into two (2) increments, Increment IA and Increment IB. Increment IA contains sixty-four (64) apartments, and Increment IB contains thirty-six (36) apartments. Notwithstanding anything in the Sales Agreement that may be to the contrary, Seller's obligation to construct and convey the Property to buyer is conditioned upon and made expressly subject to Seller's ability to satisfy the requirements of the Construction Lender. The requirements of the Construction Lender are subject to change and may include the following: (a) prior to the closing date of the line of credit, Seller shall provide Construction Lender with evidence satisfactory to Construction Lender that Seller has entered into binding sales contracts with qualified buyers for the purchase of a minimum percentage of apartments in Increment IA in terms of both number of apartments and aggregate Minimum Sales Price, established by Seller and agreed upon by Construction Lender; (b) prior to any advance being made for the funding of the construction of Increment IB, Seller shall provide Construction Lender with evidence satisfactory to Construction Lender that Seller has entered into binding sales contracts with qualified buyers for the purchase of a minimum percentage of apartments in Phase I in terms of both number of apartments and aggregate Minimum Sales Price; (c) prior to any advance being made for the funding of the construction of Napili Villas – Phase II ("Phase II") and the Project, Seller shall provide Construction Lender with evidence satisfactory to Construction Lender that Seller has entered into binding sales contracts with qualified buyers for the purchase of a minimum number of apartments in Phase I, Phase II and the Project and has closed the sales for a minimum number of apartments in Phase I, each for not less than the applicable Minimum Sales Price (the aforementioned requirements, as amended from time to time, are referred to as the "Presale Requirement"). If the Presale Requirement and the other conditions imposed by the Construction Lender are satisfied or waived by the Construction Lender, in its sole discretion, then Seller shall give written notice of same to buyer, and the terms of this section shall thereupon terminate and be of no further force and effect. Notwithstanding any other provision contained herein to the contrary, if the Presale Requirement and the other conditions imposed by the Construction Lender are not satisfied or waived, and/or if Seller is unable to close on the line of credit and/or if Seller is denied a request for an advance on the line of credit, Seller shall give written notice of same to buyer and Seller or buyer each may unilaterally cancel the Sales Agreement at any time thereafter by giving written notice to the other party, and upon such cancellation by either party, Seller shall direct Escrow to refund to buyer all deposits paid hereunder by buyer with accrued interest. In the event of any termination of the Sales Agreement pursuant to this Section, buyer will pay, and Seller will not be responsible for, the payment to buyer's mortgage lender's, if any, reasonable processing costs or cancellation fees and any similar fees or costs incurred by or charged to buyer as a result of such event. Seller shall be responsible for any Escrow fees incurred as a result of such event.

5. Seller will not be providing any warranties related to the Apartment or the common elements of the Project. However, Seller will use reasonable efforts to arrange for the assignment of applicable warranties, if any, to buyer from the general contractor and subcontractors, relating to the workmanship of the initial construction of the Apartment and the common elements of the Project. All materials, including without limitation, all appliances, light fixtures, floor coverings and other such items within the Apartment and the common elements of the Project, shall be covered solely by the applicable warranties, if any, of the respective manufacturers thereof. The warranty periods of the various warranties described herein may vary, and buyer should notify directly the general contractor, the subcontractors or the manufacturers, as applicable, with respect to any warranty claims that buyer may have.

6. Buyer understands and agrees that (a) Seller's obligation to provide landscaping within the common elements of the Project will be deemed fully satisfied upon planting of the plant materials (which need not be in full coverage and maturity) and installation of the irrigation system pursuant to Seller's landscaping plans, as the same may be amended from time to time in Seller's sole discretion; (b) installation of the plant materials and irrigation system may be completed after the Closing Date; (c) full maturity of the plant materials will only be reached over an extended period of time and Seller is not responsible for providing landscaping maintenance to reach full coverage and maturity; and (d) the Association will be responsible for maintaining the landscaping after installation thereof, even if the landscaping has not reached full coverage or maturity.

7. The Condominium Map for the Project is intended to show only the layout, location, apartment numbers and dimensions of the apartments in the Project. Buyer understands and acknowledges that items shown on the Condominium Map, including, without limitation, the metes and bounds of the limited common elements, such as yard areas, may change due to field changes and other factors, and Seller reserves the right to amend the Condominium Map, the Declaration and the other Project documents from time to time to reflect such changes. BUYER AGREES THAT THE CONDOMINIUM MAP IS NOT INTENDED TO BE AND IS NOT A REPRESENTATION OR WARRANTY OF ANY KIND BY SELLER.

8. BUYER AGREES THAT NO ONE (INCLUDING THE SELLER OR ANY SALESPERSON) HAS REPRESENTED TO BUYER AT ALL ABOUT ANY RENTAL INCOME OR RENTAL OR SALES SERVICES FOR BUYER'S APARTMENT. IF BUYER WANTS TO RENT OR SELL THE APARTMENT, HOW BUYER DOES IT WILL BE UP TO BUYER SUBJECT TO THE RESTRICTIONS CONTAINED IN THE SALES AGREEMENT AND IN THE DECLARATION, THE BY-LAWS AND ANY OTHER DOCUMENTS AFFECTING THE PROPERTY.

BUYER ALSO AGREES THAT NO ONE HAS TALKED TO BUYER AT ALL ABOUT INCOME FROM THE APARTMENT OR ANY OTHER ECONOMIC BENEFIT TO BE DERIVED FROM THE PURCHASE OR OWNERSHIP OF THE APARTMENT OR ABOUT THE TAX EFFECTS OF BUYING THE APARTMENT.

9. Buyer will pay for the following closing costs: all of the Escrow fee, all notary fees, all appraisal fees, all conveyance taxes, all recording costs, all charges for buyer's credit report, all costs of preparing any mortgages and promissory notes, and all title insurance costs. Buyer will also pay all costs of any mortgage that buyer makes, including mortgage recording fees. Buyer will also pay a nonrefundable start-up fee which will be held and used by the Seller and the first Managing Agent of the Association to pay for certain initial common expenses of the Project such as insurance premiums and as a working capital fund for the benefit of all the apartment owners. Buyer agrees that Seller does not have to pay any start-up fee for any apartment in the Project even if it is owned by Seller. Proration of maintenance charges and other common expenses, and real property taxes will be made as of the scheduled Closing Date.

10. If buyer fails to make any payment when it is due or fails to keep any of buyer's other promises or agreements contained in the Sales Agreement, then Seller will have the right, at Seller's sole option and in addition to any other rights contained in the Sales Agreement, to do any one or more of the following:

(a) Seller may cancel the Sales Agreement by giving buyer written notice of cancellation and Seller may keep all sums paid by buyer under the Sales Agreement as "liquidated damages" (i.e., the amount agreed to by buyer and Seller as properly payable in settlement for breach of contract), and not as a penalty. Without limiting the generality of the foregoing, buyer understands and acknowledges that Seller may keep the Option Deposit (as defined in the Sales Agreement) and all interest on buyer's deposits (notwithstanding the provision in the Sales Agreement that all interest will belong to buyer) in addition to all other sums paid by buyer under the Sales Agreement. If Seller cancels the Sales Agreement, buyer agrees that it will be difficult and expensive to determine the amount of loss or damage Seller will suffer. This is because of, among other things, Seller's commitments relating to the financing and construction of the Project, the effect of default and cancellation of one sale on other apartment sales, and the nature of the real estate market in Hawaii. Buyer agrees that the sums paid by buyer under the Sales Agreement are a reasonable estimate of a fair payment to Seller for Seller's loss or damage resulting from buyer's default.

(b) Seller may file a lawsuit for damages.

(c) Seller may file a lawsuit for "specific performance" (in other words, a lawsuit to make buyer keep all of buyer's promises and agreements) including, without limitation, closing the purchase of the Property.

(d) Seller may take advantage of any other rights which the law allows or which Seller may have under the Sales Agreement.

Buyer also agrees to pay for all costs, including Seller's reasonable lawyers' fees and the escrow cancellation fee, which are incurred because of buyer's default.

11. If Seller fails to keep any of Seller's promises or agreements contained in the Sales Agreement, buyer, if not in default hereunder, may file a lawsuit for specific performance to require Seller to go through with the Sales Agreement or buyer may exercise any other remedy to which buyer is entitled to at law or equity, including cancel the Sales Agreement, if applicable. If buyer cancels the Sales Agreement because of Seller's default, Seller will repay to buyer all sums paid by buyer to Seller or Escrow under the Sales Agreement, with interest.

12. Conditions Affecting the Property and Project. The buyer understands, acknowledges, covenants and agrees to the following:

(a) Agricultural Effects. The Project is located on and is near or adjacent to lands and easements used for or in connection with the cultivation of pineapple and diversified agricultural operations, which may include, but are not limited to, open burning, trucking, plowing, hauling, fertilizing, grading, storing, herbicide and pesticide spraying, crop dusting, water diversion, irrigation, and all other activities incidental to the planting, cultivating, harvesting and processing of crops, including night time activities, and the grazing and raising of livestock, poultry and other animals, which may from time to time cause surface water runoff, noise, soot, smoke, dust, light, heat, vapors, odors, chemicals, vibrations, insect pests, and other substances and phenomena of every description (collectively, the "Agricultural Effects") to be discharged, emitted, dispersed or transmitted over and upon the Property or the Project which may bother or be a nuisance to the buyer and any person occupying or using the Property, and the buyer also acknowledges that the Hawaii Right to Farm Act (Chapter 165 of the Hawaii Revised Statutes) and Hawaii law limit the circumstances under which farming operations may be deemed to be a nuisance;

(b) Utility Effects. The Property is or may be located adjacent to or in the vicinity of electric, water and other utilities and public roads and thoroughfares, including, without limitation, such things as electrical substations, high-powered electrical transmission lines, water and sewer pump stations, water and sewer mains, water tanks, reservoirs, freeways and exit ramps which may result in nuisances, such as

noise and dust, disturbances or hazards (collectively, the "Utility Effects") to persons and to property on or within the Property. In recent years, concerns have been raised about possible adverse health effects of electric and magnetic fields from power lines. Seller is not insuring or guaranteeing the health of buyer or other occupants or users of the Property and disclaims liability for personal injury, illness or any other loss or damage caused by or arising from the Utility Effects including, without limitation, the presence or malfunction of any electrical distribution systems that may be located adjacent to, near, or over any part of the Property;

(c) Development Effects. (i) The Project is or may be located adjacent to or in the vicinity of other phases of Napili Villas, and various construction activities, including, but not limited to, ongoing residential and related construction (collectively, the "Proposed Development"); (ii) construction of the Proposed Development will or may result in noise, dust, vibration and other nuisances, disturbances or hazards to buyer and to persons and property on or within the Property or the Project, and may limit buyer access to the Project; (iii) when completed, traffic, lights, noise, dust, vibration and other nuisances, disturbances or hazards to persons and property on or within the Property or the Project may be generated from the Proposed Development; (iv) no representations or warranties are made by Seller, its employees or agents concerning plans, or the absence of plans, by Seller or others for future development of adjacent or nearby properties, and any plans for the future development of adjacent and nearby properties by Seller are subject to change in the sole and absolute discretion of the Seller or its successors and assigns, including, without limitation, changes in the type, location and quality of the development to occur; and (v) Seller makes no representations regarding the view from the Property or any view easements or rights, and the views from the Property are not guaranteed and may be altered, diminished, eliminated or blocked entirely by the future development of adjacent or surrounding properties (items (i) through (v) are hereinafter collectively called the "Development Effects"); and

(d) Waiver, Release and Indemnity. Buyer represents and warrants to Seller that buyer, in buyer's sole discretion, has determined that the benefits of owning and enjoying the Property outweigh the risks of the Agricultural Effects, the Utility Effects and the Development Effects (collectively, the "Property Conditions"). Buyer hereby irrevocably agrees to suffer and permit all actions and consequences incidental to the Agricultural Effects and the Utility Effects. Buyer hereby irrevocably agrees to suffer and permit all actions and consequences incidental to the Development Effects, for a period of ten (10) years after the date of recordation of the Apartment Deed. Buyer hereby covenants and agrees to assume all risks of impairment of buyer's use and enjoyment of the Property or the Project, loss of market value of the Property, and property damage or personal injury arising from the Property Conditions, and buyer, for

the buyer and the buyer's tenants, lessees, family, servants, guests, invitees, licensees, agents, employees, and those who use the Property through the buyer for an extended period of time (collectively, the "Occupants"), hereby waives any claims or rights of action or suits against Seller, its successors and assigns, arising from such impairment of the Occupants' use and enjoyment of the Property or the Project, loss of market value of the Property, and property damage or personal injury arising from one or more of the Property Conditions. Buyer shall indemnify, hold harmless and defend Seller, its successors and assigns, from any and all liability, claims, losses, damages, or expenses, including attorneys' fees, arising from such impairment of the Occupants' use and enjoyment of the Property or the Project, loss of market value of the Property, or property damage or personal injury to the property or person of the Occupants as a result of one or more of the Property Conditions. Buyer further covenants that buyer will notify all Occupants and transferees of the Property of the risks of the Property Conditions.

13. The Declaration provides that as to all apartments located on the second floor of the residential buildings other than those two-story apartments that are located on both the first and second floors of the residential buildings (the "Second Floor Apartments"), hard floor surfaces shall be limited to the areas of the entry foyer, the kitchen and the bathrooms, and vinyl flooring or tile shall be required for the bathrooms, as provided in the original construction of the respective apartments. The owners of the Second Floor Apartments shall be required to utilize continuous carpet and pad over all other floor surfaces of such apartments, or to utilize such other flooring materials and/or systems which meet the acoustic standards of an Acoustic Impact Isolation Class of IIC 45 or better (ASTM Designation E492).

14. (a) If Closing occurs and any dispute or claim arises out of the Sales Agreement or in any way is connected with the design, development, construction, sale, marketing, financing, warranties, or any other activity or matter relating to the Property, between buyer and Seller (a "Dispute"), and the parties to such Dispute are unable to resolve the Dispute through negotiation, buyer and Seller each agree first to attempt in good faith to settle such Dispute by non-binding mediation conducted in Honolulu, Hawaii. The mediation shall be conducted under the Commercial Mediation Rules of the American Arbitration Association ("AAA") except as may be inconsistent with this section; provided, however, that the parties may agree on the selection of a single mediator instead of having a mediator appointed by AAA, and the parties may agree to use a recognized mediation service other than AAA. The costs for the mediator shall be shared equally by the parties, and each party shall be responsible to pay all other fees and costs, including attorneys' fees, that it incurs in connection with the mediation. At Seller's option, the mediation shall include any of Seller's agents, architects, consultants, engineers, contractors, subcontractors, suppliers, representatives or other third parties (the "Other ADR Parties") as parties.

(b) If Closing occurs and the parties are unable to resolve the Dispute through mediation as provided in the preceding section within 30 calendar days after either party's written request to the other to commence the mediation process, then such Dispute shall be decided in Honolulu, Hawaii, by neutral binding arbitration. The arbitration shall be conducted before a single arbitrator acting under the Commercial Arbitration Rules of the AAA, except as may be inconsistent with this section; provided, however, that the parties may agree on the selection of a single arbitrator instead of having an arbitrator appointed by AAA, and the parties may agree to use a recognized arbitration service other than AAA. Judgment upon an award rendered by the arbitrator may be entered in any court having jurisdiction thereof in accordance with Chapter 658 of the Hawaii Revised Statutes or any successor statute. The costs for such arbitrator shall be shared equally by the parties, and each party shall be responsible to pay all other fees and costs, including attorneys' fees, that it incurs in connection with the arbitration. No punitive damages shall be awarded in any Dispute involving buyer, Seller or any Other ADR Parties. At Seller's option, the arbitration shall include any of the Other ADR Parties as parties.

15. The buyer agrees that buyer may not transfer the Sales Agreement or any of buyer's rights or interests under the Sales Agreement without first getting Seller's written consent (which Seller may withhold in its sole and absolute discretion).

NOTE: ALL BUYERS SHOULD READ THE SALES AGREEMENT IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE SALES AGREEMENT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE SALES AGREEMENT, AND DOES NOT ALTER OR AMEND THE SALES AGREEMENT IN ANY MANNER.

CONDOMINIUM PUBLIC REPORT ON
NAPILI VILLAS - PHASE III

EXHIBIT J

SUMMARY OF ESCROW AGREEMENT

Copies of the Escrow Agreement between the Seller and Island Title Corporation have been submitted to the Real Estate Commission and are available for inspection in the Sales Office of the Seller. The Escrow Agreement, among other things, covers in more detail the following items:

1. All monies received by Escrow under the Escrow Agreement shall be deposited, as directed by the Seller, in an interest-bearing account in a federal insured bank or savings and loan institution authorized to do business in the State of Hawaii, or shall be invested in federal funds or obligations of or guaranteed as to principal by the United States government or any agency thereof, and all income therefrom and interest paid thereon shall be credited to the account of the Seller, pursuant to agreement between the Seller and the buyer as set forth in the Sales Agreement (unless the Sales Agreement specifically provides that interest be credited to the account of the buyer).

2. Disbursements from the buyer's escrow fund shall be made by Escrow in accordance with the respective sales contracts upon the direction of Seller.

NOTE: ALL BUYERS AND PROSPECTIVE BUYERS SHOULD READ THE ESCROW AGREEMENT AND ALL AMENDMENTS IN FULL AS THIS SUMMARY IS NOT ALL-INCLUSIVE AND DOES NOT CONTAIN A COMPLETE DESCRIPTION OF ALL PROVISIONS OF THE ESCROW AGREEMENT. THIS SUMMARY IS INTENDED ONLY TO GIVE A BRIEF DESCRIPTION OF SOME OF THE ITEMS CONTAINED IN THE ESCROW AGREEMENT, AND DOES NOT ALTER OR AMEND THE ESCROW AGREEMENT IN ANY MANNER.