

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by:

Developer KOHALA-WOODVALE ASSOCIATES, LLC
Address 10940 Wilshire Boulevard, Suite 1240, Los Angeles, California 90024

Project Name (*): Hali`a Hale at Kauna`oa
Address: Pending

Registration No. 5199 Effective date: May 9, 2005
Expiration date: June 9, 2006

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.

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 586-2643 to submit your request.
FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows: See Exhibit M

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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: KOHALA-WOODVALE ASSOCIATES, LLC Phone: 310-824-2200
Name* (Business)
10940 Wilshire Boulevard, Suite 1240
Los Angeles, California 90024
Business Address

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

Real Estate Broker*: Kauna`oa Realty, LLC Phone: 808-882-7554
Name (Business)
65-1227A Opelo Road, #1
Kohala Coast, Hawaii 96743
Business Address

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

General Contractor*: U.S. Pacific Construction, Inc. Phone: 808-540-0777
Name (Business)
1001 Bishop Street, Ste. 1250
Honolulu, Hawaii 96813
Business Address

Condominium Managing Agent*: Augustine Realty Phone: 808-326-7170
Name (Business)
P.O. Box 2020
Kailua-Kona, Hawaii 96745
Business Address

Attorney for Developer: Clifford J. Miller
Nancy N. Grekin Phone: 808-529-7300
McCorriston Miller Mukai MacKinnon (Business)
Name
P.O. Box 2800
Honolulu, Hawaii 96803-2800
Business Address

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

SCHEDULE A

- Kohala-Woodvale Associates, LLC is a manager-managed limited liability company
- The members of Kohala-Woodvale Associates, LLC are Kohala Investors, LLC and Woodvale International, LLC; Kohala Investors, LLC is the executive manager of Kohala-Woodvale Associates, LLC
- The members of Kohala Investors, LLC are EMK Capital Associates, LLC and Trimark Ventures, Inc. EMK Capital Associates, LLC is the sole manager of Kohala Investors, LLC
- Michael B. Rosenfeld is the manager of EMK Capital Associates, LLC

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

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

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

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. 2005-056061
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
 Recorded - Bureau of Conveyances Condo Map No. 3966
 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
 Recorded - Bureau of Conveyances: Document No. 2005-056062
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]:

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: Pending Tax Map Key (TMK): (3) 6-2-019:029, 030, 031

Address TMK is expected to change because _____

Land Area: 12.7 square feet acre(s) Zoning: Multi-Family Residential (RM-20)

Fee Owner: KOHALA-WOODVALE ASSOCIATES, LLC
 Name
10940 Wilshire Boulevard, Suite 1240
Los Angeles, California 90024
 Address

Lessor: N/A
 Name

 Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 7 Floors Per Building: 2
 Exhibit _____ contains further explanations.

3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other _____

4. Uses Permitted by Zoning:

| | <u>No. of Apts.</u> | <u>Use Permitted By Zoning</u> | |
|---|-------------------------|---|-----------------------------|
| <input checked="" type="checkbox"/> Residential | <u> 14 </u> | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Commercial | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Mix Res/Comm | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Hotel | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Timeshare | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Ohana | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Industrial | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Agricultural | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Recreational | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Other | <u> </u> | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

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

5. Special Use Restrictions:

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

Pets: See Exhibit B

Number of Occupants: _____

Other: See Exhibit B

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: _____ Stairways: _____ Trash Chutes: _____

| <u>Apt. Type</u> | <u>Quantity</u> | <u>BR/Bath</u> | <u>Net Living Area (sf)*</u> | <u>Net Other Area (sf)</u> | <u>(Identify)</u> |
|------------------|-----------------|------------------|------------------------------|----------------------------|--------------------|
| <u>A</u> | <u>7</u> | <u>4/3.5</u> | <u>3,132</u> | <u>671</u> | <u>Garage</u> |
| | | | | <u>985</u> | <u>Lanais</u> |
| | | | | <u>167</u> | <u>Mech. Rooms</u> |
| <u>B</u> | <u>7</u> | <u>4/4.5/Den</u> | <u>3,577</u> | <u>671</u> | <u>Garage</u> |
| | | | | <u>1,284</u> | <u>Lanais</u> |
| | | | | <u>168</u> | <u>Mech. Rooms</u> |

Total Number of apartments: 14

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

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

Boundaries of Each apartment: See Exhibit C

Permitted Alterations to apartments: See Exhibit D

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 (see attachment 11a). Developer has elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 28

| | <u>Regular</u> | | <u>Compact</u> | | <u>Tandem</u> | | TOTAL |
|-----------------------------|----------------|-------------|----------------|-------------|----------------|-------------|-----------|
| | <u>Covered</u> | <u>Open</u> | <u>Covered</u> | <u>Open</u> | <u>Covered</u> | <u>Open</u> | |
| Assigned (for each unit) | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Guest | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Unassigned | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Extra for Purchase | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Other: <u>Garage</u> | <u>28</u> | _____ | _____ | _____ | _____ | _____ | <u>28</u> |
| Total Covered & Open: | <u>28</u> | _____ | <u>0</u> | _____ | <u>0</u> | _____ | <u>28</u> |

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.

Exhibit _____ 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)

Other: Owners of apartments are entitled to use a 3-hole golf facility, clubhouse, swimming pool and recreation area located outside the boundaries of the project, but within the Kauna`oa Subdivision where the project is located.

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

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): N/A

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

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

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

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

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

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

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

described in Exhibit E .

as follows:

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

There are no limited common elements in this project.

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

described in Exhibit 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:

described in Exhibit G .

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 H describes the encumbrances against the title contained in the title report dated March 21, 2005 and issued by Title Guaranty of Hawaii Incorporated .

Blanket Liens:

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

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

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

Blanket liens (except for improvement district or utility assessments) must be released before the Developer conveys the apartment to a buyer. The buyer's interest will be affected if the Developer defaults and the lien is foreclosed prior to conveying the apartment to buyer but buyer's deposit will be refunded less any escrow cancellation fee.

| <u>Type of Lien</u> | <u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u> |
|---------------------|---|
| Mortgage | The lien is superior to the interests of the buyers of apartments, and foreclosure of the lien would foreclose buyer's interest. If buyer's interest is foreclosed, buyer's deposit will be returned, less any escrow cancellation fee. |

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:

Developer will assign all construction warranties for the buildings and other improvements given by the contractor. The nature and extent of such warranties are not yet known.

2. Appliances:

Developer will assign all appliance warranties given by the supplier. The nature and extent of such warranties are not yet known.

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

Construction commenced on January 3, 2005 and the estimated date of completion is June, 2006.

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):

Developer may construct the project in phases. This Public Report covers 7 buildings and 14 apartments in the first phase of construction. Developer may construct additional phases pursuant to its reservation in the Declaration to build additional apartments and amend the Declaration to describe such apartments, or to annex additional land within the subdivision to the Declaration, and amend the Declaration to add apartments on such annexed land to the project. Developer will amend the Declaration if it constructs additional phases of the project either on the property covered by this Report, or on other property located within the Subdivision to be annexed to the project. Developer may also construct additional phases of the project and administratively merge such phases with the phase covered by this Report.

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
- Specimen Sales Contract
Exhibit I contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated September 5, 2003
Exhibit J contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

Final Report 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

1. Declaration of Protective Covenants, Conditions and Restrictions for Hapuna Resort dated October 15, 1993 (the "Hapuna CC&Rs") recorded in the Bureau of Conveyances of the State of Hawaii as Document No. No. 94-032238, as amended by Annexing Declaration Hapuna Resort dated February 10, 2000, recorded in said Bureau as Document No. 2000-020042.

2. Declaration of Protective Covenants, Conditions and Restrictions For Kauna`oa at Mauna Kea (the "Kauna`oa CC&Rs) dated July 14, 2004 recorded in said Bureau as Document No. 2004-172439.

3. First Amendment of Declaration of Protective Covenants, Conditions and Restrictions for Kauna`oa at Mauna Kea dated February 14, 2005 recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2005-056061.

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. The Condominium Property Regime laws (Chapter 514A, HRS) and Hawaii Administrative Rules, (Chapter 107), are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov

Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs

Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 5199 filed with the Real Estate Commission on September 24, 2003.

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C. Additional Information Not Covered Above

1. Continuing Construction Activity. Construction activity by Developer and/or the owners of other lots in the Subdivision may continue after the apartments have been conveyed to buyers, and such activity may result in noise, dust or other annoyances to buyers and may limit buyer's access to portions of the Kauna'oa Subdivision.

2. Continuing Sales Activities. Under the terms of the Declaration, Developer and its representatives, licensees, and invitees have the right and an easement to conduct extensive sales activities on the common elements (including, but not limited to, the limited common elements) and from any apartment owned or leased by Developer. This right includes, but it is not limited to, the right:

(a) to permit buyers and prospective buyers, and their family members and guests, to come onto the project through the common elements intended for access to and from any nearby roads, streets or highways;

(b) to permit purchasers and prospective purchasers to park motor vehicles in any unassigned parking stalls;

(c) to show the project (including, but not limited to, model apartments) to purchasers and prospective purchasers (who will have a right of ingress and egress for these purposes);

(d) to use apartments owned or leased by Developer as model apartments, sales, management, and/or administrative offices; and

(e) to use banners, signs or other extensive sales displays and activities at the project. This easement applies to activities conducted in connection with the initial sale of any apartment in the project, and any apartment in any new condominium project constructed by Developer on land adjacent to the project and which Developer may merge into the project. Buyer waives, releases and discharges any rights, claims or actions buyer may have, against Developer and its representatives, licensees, invitees, successors and assigns and arising from or with respect to the exercise of this easement.

3. Developer's Easement for Noise, Dust, Etc. Under the terms of the Declaration, Developer and its representatives, licensees, and invitees have the right and an easement over, under and upon the project and all of its parts, to create and cause noise, dust, soot, smoke, odors, surface water runoff, vibrations, and other nuisances or hazards in connection with the following:

(a) the exercise of the rights and easements reserved to Developer under the Declaration;

(b) the development, construction and/or sale of any new apartments in the project and/or on an adjacent parcel as provided in the Declaration;

(c) the right to convert the use of common elements and to designate limited common elements; and

(d) the exercise of Developer's reserved rights or any other rights of Developer as described in the Declaration.

Buyers are deemed to:

(a) understand, acknowledge and accept that these activities may result in noise, dust, soot, smoke, odors, surface water runoff, vibrations and other nuisances and hazards;

(b) consent to such activities;

(c) waive, release and discharge any rights, claims or actions that buyer may have, now or in the future, against Developer and/or its representatives, licensees, invitees, successors and assigns; and

(d) assume the risk of any property damage, personal injury or loss in property value which may arise out of or from these activities.

4. Developer's Easements for Access Under the CPR. Under the Declaration, Developer and its representatives, licensees, invitees (including, without limitation, any governmental officials that Developer may invite), successors and assigns, have reserved an easement over, under and upon the project, including, without limitation, the common elements, limited common elements, and any apartment, as may be reasonably necessary or convenient to complete any improvements and to correct any

defects and other punch list items in the common elements or any apartment or to the exercise of any of the other Developer's reserved rights under the Declaration. The easement to complete Improvements or correct defects or punch list items ends, as to any particular phase or increment of the project, sixty (60) months after the later to occur of the following:

(a) the recording of the first deed for an apartment in that increment or phase of the project; or

(b) the "date of completion" (as such quoted term is used in Chapter 507, Part II, Hawaii Revised Statutes) of the apartments to be completed or corrected.

5. Developer's Reserved Right to Utilize Common Elements. Under the Declaration, Developer reserves the right, for itself, its representatives, licensees and invitees, to utilize the common elements for the exercise of any of Developer's reserved rights under the Declaration, for access to parking spaces and model apartments within the project, and in order to show the common elements to prospective purchasers.

6. Developer's Reserved Right to Grant Easements Under the Declaration.

(a) Developer reserves the right to grant to any public or governmental authority rights-of-way and other easements which are for the sole benefit of the project, or which do not materially and adversely interfere with the use, nor materially and adversely impair the value, of the project or any apartment, over, across, under and through the common elements for lines and other transmission facilities and appurtenances for electricity, gas, telephone, water, sewer, drainage and other public services and utilities, and rights to enter for the purpose of installing, repairing, altering and removing such lines and facilities and of trimming any trees in the way thereof.

(b) Developer reserves the right to grant an easement to owners of other lots in the Kauna`oa Subdivision to use the roadway within the project for ingress and egress.

7. Number of Owners. Ownership of or title to an apartment may be shared or held by up to four persons or entities.

8. Golf Course. The project is located in the vicinity of a golf course currently known as the Mauna Kea Golf Course (the "Golf Course"). In addition, a new golf facility (the "Kauna`oa Golf Facility") for use by owners of apartments in the project and owners of lots in the Kauna`oa Subdivision will be constructed by Developer in connection with the development of the Subdivision. Each apartment is subject to an easement permitting the owners and operators of the Golf Course and the Kauna`oa Golf Facility, and persons permitted by such owners and operators, to use the Golf Course or Kauna`oa Golf Facility (collectively, "Golfers"), and to conduct golf-related activities, including, without limitation, golf play, golf tournaments, and other events on and in the vicinity of the Golf Course and Kauna`oa Golf Facility, and to subject such apartment to all nuisances, effects and consequences in connection therewith and incidental thereto. The owners and operators of the Golf Course and Kauna`oa Golf Facility, as well as Golfers, shall be permitted to cause golf balls unintentionally to land within the project, and Golfers shall be permitted at reasonable times and in a reasonable manner to enter the project to seek and retrieve errant golf balls; provided, however, that Golfers may only enter walled or fenced areas of the project with the permission of the owner thereof, or if such owner is not present, the occupant thereof.

9. Private Golf Carts.

(a) The Hapuna CC&Rs prohibit the use of golf carts in the Hapuna Resort (where the project is located). Notwithstanding such fact, the operator of the hotels located in the Hapuna Resort has granted to Developer the right to allow owners of lots located in The Bluffs at Mauna Kea Subdivision and owners of lots and apartments located in the Kauna`oa Subdivision to use private golf carts within the boundaries of the Kauna`oa Subdivision. The Hapuna Community Association, a Hawaii non-profit corporation established pursuant to the Hapuna CC&Rs, or its successors and assigns, is the only party with authority to consent to or otherwise agree to such use of golf carts, and therefore if and when such consent or agreement has been given or is deemed to have been given, owners of lots in the Kauna`oa Subdivision and owners of apartments in the project shall be permitted to use golf carts as aforesaid; otherwise, no golf carts, unlicensed vehicles or any similar types of motorized vehicles may be used or operated on any common areas of the Kauna`oa Subdivision or the project which are not designated as roadways or cart paths.

(b) The following shall apply to buyers:

(i) Each buyer shall be deemed to know that the location of the apartment with respect to the Golf Course may result in nuisances, disturbances or hazards to Persons and property in the project, including, without limitation, the apartment, as a result of the Golf Course, the Kauna`oa Golf Facility, or resort operations thereon, and to have determined that the benefits to the owner outweigh the risks associated therewith;

(ii) Each buyer shall be deemed to have assumed all risks arising from the proximity of the apartment to the Golf Course and the Kauna`oa Golf Facility, including, without limitation, the risk of property damage, bodily injury or death, arising out of or in connection with the use of golf carts, stray golf balls, or other activities incidental to the Golf Course, the Kauna`oa Golf Facility, or resort operations thereon; and

(iii) Each buyer shall indemnify and hold harmless Developer and its Affiliates, and MKD and its Affiliates, including, without limitation, the owner and operator of the Golf Course, and their respective officers, directors, employees, agents, successors and assigns, from any actions, liabilities, claims, losses, damages, costs and expenses, including, without limitation, attorneys' fees, arising out of any claims made by, through or under buyer in connection with the maintenance, operation and/or use of the Golf Course and Kauna`oa Golf Facility.

10. Continuing Resort Activities. The project is a part of the Hapuna Resort area. Resort-related activities, such as golf tournaments, luaus, outdoor cocktail parties, concerts and other outdoor music performances or broadcasts subject apartments to all nuisances, effects and consequences incidental thereto.

11. Future Development. Other parts of the Hapuna Resort may be developed in the future. As a result, persons and property on or about the project may be exposed to noise, dust, traffic, odors, vibrations and other construction-related nuisances or disturbances.

12. Zoning. The project is located near hotels within the Hapuna Resort. Hotel-related activities, including, without limitation, vehicular and pedestrian traffic and noise, may result in nuisances to persons or property on or about the project.

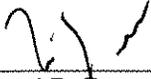
- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The 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.

KOHALA-WOODVALE ASSOCIATES, LLC

Printed Name of Developer

KOHALA-WOODVALE ASSOCIATES, LLC,
 a Delaware limited liability company
 By: KOHALA INVESTORS, LLC,
 a Delaware limited liability company,
 Its Executive Manager

By: EMK CAPITAL ASSOCIATES, LLC,
 a Delaware limited liability company,
 Its Co-Manager

By  DATE: May 5, 2005
 Michael B. Rosenfeld
 Its Manager
 Duly Authorized Signatory*

Michael B. Rosenfeld

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Hawaii

Planning Department, County of Hawaii

****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.***

EXHIBIT A
Developer's Reserved Rights and Developer's Future Development Plans

The Developer has reserved the following rights under the Declaration. All capitalized terms have the meaning assigned to such terms in the Declaration:

1. Developer's Reserved Right To Create New Apartments. The Developer reserves the right to create one or more new apartments in the project and to designate limited common elements appurtenant to any new apartment at any time and from time to time before the Development Period, as defined in the Declaration, ends. The Developer's reserved right regarding the foregoing includes the right to:

(a) do anything necessary or convenient to create the new apartments or to designate or convert the use of common elements or limited common elements, including, without limitation, the right:

(i) to sign, acknowledge and record one or more amendments to the Declaration and to the Condominium Map meeting the requirements of the Declaration; and

(ii) to amend any previously recorded deed or other document conveying or encumbering any apartment so that it conforms with the Declaration, as it may be amended, and/or to record a new deed or conveyance document for such purpose.

(b) use any of the other Developer's reserved rights as may be necessary or convenient to create new apartments or to designate or convert the use of common elements or limited common elements, including, without limitation, signing, acknowledging, recording, and delivering documents, and doing other things in its own right and/or using its special power of attorney provided for in the Declaration.

2. Developer's Reserved Right to Design, Develop, Build, Add To, and Complete New Improvements in the Subdivision. The Developer reserves the exclusive right during the pendency of the Development Period, and from time to time, to design, develop, build, add, and complete new improvements in the Kauna'oa Subdivision. The Developer's reserved right regarding the foregoing includes the exclusive right to do anything necessary or convenient to design, develop, build, add, and complete New Improvements on the underlying land, including, without limitation, the exclusive right:

(a) to convert the use of common elements to another purpose or use;

(b) to build and install New Improvements that the Developer intends to designate as new apartments, common elements or limited common elements pursuant to the Declaration; and

(c) to have the exclusive right to control, manage, and conduct the design, development construction, addition and completion of the New Improvements on the underlying land, even after the Developer conveys its interest in all apartments to others.

3. Developer's Reserved Right to Subdivide and Consolidate the Underlying Land. The Developer reserves the right at any time and from time to time before the expiration of the Development Period to subdivide the underlying land, and/or to consolidate the underlying land with any adjacent parcel in connection with the exercise of Developer's reserved rights under the Declaration. The Developer's Reserved Right regarding the foregoing includes the right to do anything necessary or convenient to subdivide and/or consolidate the underlying land with any adjacent parcel, including, without limitation, the right:

(a) to consolidate and subdivide the underlying land with an adjacent parcel and realign the roadway designated as Easements 38 and 39. The locations and configuration of the apartments shown on the Condominium Map will change, and the limited common element land areas appurtenant to the apartments will change from the areas shown on the Condominium Map and listed on Exhibit F to the following:

| Townhouse | Limited Common Element Land Area (Square Feet) |
|-----------|--|
| 4A | 11,437 |
| 4B | 9,546 |
| 5A | 10,109 |
| 5B | 9,095 |
| 6A | 8,778 |
| 6B | 13,792 |
| 7A | 12,607 |
| 7B | 14,237 |
| 8A | 12,078 |
| 8B | 9,566 |
| 9A | 12,833 |
| 9B | 12,355 |
| 10A | 15,000 |
| 10B | 8,028 |

When Developer completes the consolidation and resubdivision of the underlying land and the consolidation and resubdivision is approved by the County of Hawaii, the Developer will record an amendment of the Declaration reflecting the change in limited common element land areas, together with an amended Condominium Map depicting the location and configuration of the apartments on the consolidated and resubdivided lots.

- (b) to file one or more applications to subdivide the underlying land, and to process such application(s) to final approval;
- (c) to file one or more applications to consolidate the underlying land with any adjacent parcel, and to process such application(s) to final approval;
- (d) to file, register or record any document required to effect any subdivision or consolidation described hereinabove;
- (e) to make any improvements necessary or convenient to obtain any necessary approvals or to complete any subdivision or consolidation;
- (f) to seek and obtain any variance or other zoning change necessary or convenient to accomplish any subdivision or consolidation, or for the benefit of any parcel to be deleted pursuant to the Declaration;
- (g) to amend the Declaration or Bylaws to change the description of the underlying land;
- (h) to amend the Condominium Map, if the Developer deems it necessary or useful to reflect the subdivision and/or consolidation thereon;
- (i) to amend any previously recorded deed or other document conveying or encumbering an apartment for the purpose of conforming it with the revised Declaration, and/or to record a new deed or conveyance document for that purpose; and
- (j) to use any of the other Developer's reserved rights as may be necessary or convenient to consolidate the underlying land with any adjacent parcel.

4. Developer's Reserved Right to Withdraw Undeveloped Land area from Project. The Developer reserves the right at any time and from time to time during the Development Period to withdraw and delete from the project, and from the project, all or any part of any undeveloped land area. The Developer has the right to do anything necessary or convenient to delete all or any part of any undeveloped land area, including, without limitation, the right:

- (a) to amend the Declaration and the Bylaws to change the description of the underlying land;
- (b) to amend the Condominium Map, if necessary or useful, to reflect the deletion of all or any portion of the undeveloped land area;

(c) to record an amendment to the Declaration and Bylaws at least containing an amended description of the underlying land and, if necessary, an amendment to the Condominium Map to reflect the same;

(d) to amend any previously recorded deed or other document conveying or encumbering an apartment so that it conforms with the revised Declaration and/or to record a new deed or conveyance document for that purpose;

(e) to sign, acknowledge, and record one or more deeds, releases, or other documents or instruments as the Developer deems necessary or convenient to effect the deletion of all or any part of the undeveloped land area and to delete the same from the condominium property regime or to vest title to the same in the Developer free of all claims, liens, or interests of anyone else; provided, however, that the deleted underlying land, will be subject to the Hapuna CC&Rs and Kauna`oa Community Association Documents, and to any Mortgage made by the Developer encumbering the undeveloped land area; and

(f) to use any of the other Developer's reserved rights as may be necessary or convenient to delete all or any part of any undeveloped land area as provided in the Declaration.

5. Developer's Reserved Right to Annex Land and Improvements. The Developer reserves the right to change the project at any time and from time to time during the Development Period by annexing any or all interests in an adjacent parcel and any Improvements located on such adjacent parcel into the project and the condominium property regime established by the Declaration. Developer's Reserved Right regarding the foregoing includes the right:

(a) to amend the Declaration or the Bylaws so that the description of the underlying land includes the adjacent parcel that has been annexed to the project;

(b) to amend the Declaration to describe any improvements on the adjacent parcel;

(c) to amend the Condominium Map if the Developer deems it necessary or useful to reflect the annexation of the adjacent parcel or any Improvements on it;

(d) to create new apartments and to designate or convert the use of common or limited common elements for the new apartments pursuant to the Declaration;

(e) to designate all or any part of the land adjacent to the project and any improvements on it as limited common elements appurtenant to one or more existing apartments; provided, however, that the Developer shall not assign limited common elements to any apartment not owned by the Developer unless the owner of such apartment consents in writing to such assignment.

(f) to amend any previously recorded deeds or other document conveying or encumbering any apartment for the purpose of conforming it with the revised Declaration and/or to record a new deed or conveyance document for that purpose;

(g) to sign, acknowledge, and record one or more deeds, or other documents or instruments that the Developer deems necessary or convenient to make any adjacent parcel and the Improvements located thereon subject to this Declaration and the Bylaws, and a part of the condominium property regime established by the Declaration; and

(h) to use any of the other Developer's reserved rights as may be necessary or convenient to annex any adjacent parcel and any Improvements located thereon as provided in the Declaration.

6. Developer's Reserved Right to Build Adjacent Condominium Projects and to Merge Them with the Project. The Developer reserves the right at any time and from time to time during the Development Period to develop one or more adjacent condominium projects on any adjacent parcel and to merge any adjacent condominium project with the project. The Developer's reserved right regarding the foregoing includes the right to:

(a) do anything necessary or convenient to develop one or more adjacent condominiums on any adjacent parcel and/or to merge, legally or administratively, any adjacent condominium project with the project;

(b) to enter upon the project and to authorize others to enter upon the project as may be necessary or convenient to design, develop, construct, add, and complete the adjacent condominium project, or to sell interests in the adjacent condominium project;

(c) to create noise and dust in connection with the construction of the adjacent condominium project in the manner described in the Declaration, whether the activities that give rise to such noise or dust take place on the project or on the adjacent parcel;

(d) to connect the adjacent condominium project to utilities of the project provided that either (i) there are separate meters for the adjacent condominium project, or (ii) the adjacent condominium project will be merged with the project;

(e) to amend any previously recorded deed or other document conveying or encumbering any apartment so that it conforms with the revised Declaration and/or to record a new deed or conveyance document for that purpose; and

(f) to use any of the other Developer's reserved rights as may be necessary or convenient to develop one or more adjacent condominium projects on any adjacent parcel.

7. Developer's Reserved Right to Change the Project to Comply With Law. The Developer reserves the right, at any time and from time to time, to change the apartments, the common elements, the limited common elements, and/or to amend the Declaration, the Bylaws and the Condominium Map as required to comply with any laws that apply to the project, the Association, or the Developer, including the federal Fair Housing Act, 42 U.S.C. § 3601 et seq. and the Americans With Disabilities Act 42 U.S.C. § 12101 et seq., (the "ADA"), and any rules and regulations adopted with respect to either of them. The Developer may utilize such right:

(a) to re-stripe or reconfigure parking stalls to comply with the ADA, or

(b) to change the slope of a ramp for wheelchairs to comply with the ADA.

8. Developer's Reserved Right and Easement for Sales Activities. The Developer and its representatives, licensees, and invitees have the reserved right and easement to conduct extensive sales activities on the common elements (including, but not limited to, the limited common elements) and from any apartment owned and/or leased by Developer. This easement applies to activities conducted in connection with the initial sale of any apartment in the project, and any apartment in any adjacent condominium project. The Developer's Reserved Right regarding the foregoing includes the right:

(a) to permit purchasers and prospective purchasers and their family members and guests to come onto the project through the common elements intended for access to and from any nearby roads, streets or highways;

(b) to permit purchasers and prospective purchasers to park motor vehicles in any unassigned parking stalls;

(c) to show the project (including, but not limited to, model apartments) to purchasers and prospective purchasers (who will have a right of ingress and egress for these purposes);

(d) to use apartments owned by the Developer as model apartments, sales, management, and/or administrative offices; and

(e) to use banners, signs or other extensive sales displays and activities at the project.

9. General Provisions Applicable to Developer's Reserved Rights

(a) The Developer has the right, but not the obligation, to exercise any of the Developer's reserved rights separately or in one or more combinations and at one or more times.

(b) The Developer may exercise the Developer's reserved rights without providing notice to or obtaining the approval, consent, or joinder of any other party, including, but not limited to, the Association, any apartment owner, any Lender, or any other Interested Person.

(c) Any amendment to the Declaration, the Bylaws or the Condominium map made in connection with the exercise of the Developer's reserved rights, and any other action taken by the Developer in the exercise of the Developer's reserved rights, shall require the vote or written consent of only the Developer and not any owner or other Interested Person; provided, however, that to the extent the vote or written consent of any owner or other Interested Person is required, the Developer may use the special power of attorney to cast such vote or give such consent on behalf of such owner or other Interested Person.

END OF EXHIBIT A

EXHIBIT B
Special Use Restrictions

1. Pets. No livestock, poultry, or other animals whatsoever shall be allowed or kept in any part of the project, except as follows:

(a) Subject to the conditions and restrictions of the Bylaws, dogs, cats, or other typical household pets (each a "pet"), such as guinea pigs, rabbits, fishes, or birds, may be kept by occupants within their respective apartments or limited common elements.

(b) Pets may enter upon common elements not constituting part of any owner's limited common element for purposes of ingress to and egress from the apartments and limited common elements in which they are kept; provided, however, that all such pets while upon such common elements shall be accompanied by its owner or keeper and shall be kept in a cage or on a leash.

(c) Except for fishes and birds, no more than two (2) pets per apartment shall be allowed without the express consent of the Board, which consent shall not be unreasonably withheld.

(d) No animal described as pests under H.R.S. §150A-2 or prohibited from importation under H.R.S. §141-2, §150A-5, or 150A-6 shall be kept in the project.

(e) No animals shall be kept, bred, or used in any apartments or limited common elements for any commercial purpose.

2. Limitations on Business, Trade or Professional Use. Except for such home office use as may allowed or permitted under the applicable zoning ordinance, and subject to the provisions of the Declaration which permits the Developer to do otherwise:

(a) The apartments and their limited common elements shall not be used to carry on any business, trade or profession;

(b) The apartments and their limited common elements shall not be used for sales of any articles or goods; and

(c) No apartment owner, lessee, tenant or other occupant of an apartment shall bring clients, customers or other business invitees onto the project on a regular basis for business purposes.

3. Restrictions on Right to Sell, Lease or Rent.

(a) owners may rent their respective apartments either directly for their own account or as part of a rental pool; provided, however, that any such rental pool shall be operated on a basis consistent with the operational practices of any rental pool consisting of dwelling units located in "The Villas", "The Bluffs", "South Fairways" or "North Fairways", as the foregoing quoted terms are defined in the Kauna`oa CC&Rs.

(b) apartment rentals shall be subject to the provisions of the Declaration, the By-laws of the Association of Apartment Owners of the project, the Kauna`oa CC&Rs, the By-laws of the Kauna`oa Community Association, the Hapuna CC&Rs, and applicable law. Any lease or rental agreement of an apartment shall provide that it shall be subject in all respects to the provisions of those documents, and that the failure of the lessee or tenant to comply with the terms thereof shall constitute a default under such lease or rental agreement.

4. Landscaping of Limited Common Elements.

(a) The Developer reserves an easement over, under, and above the limited common element land areas appurtenant to the apartments for the installation and maintenance of landscaping, including grasses, trees, shrubs, other vegetation, and natural and artificial landscaping elements and materials.

(b) The landscaping and pools in the limited common element land areas shall be maintained by the Association as a common expense. No owner shall install or maintain any landscaping, grasses, trees, shrubs, other vegetation, or natural or artificial landscaping elements or materials of any kind in the limited common element land areas except in compliance with the Design Requirements and the Design Guidelines the Kauna`oa Subdivision and/or any landscaping guidelines adopted by Developer, and provided that no such installation or maintenance shall materially interfere with installation or maintenance of landscaping in the limited common element land areas undertaken by the Association.

5. Prohibition Against Certain Uses. No apartment owner, lessee, tenant, occupant, or other person with an interest in an apartment shall, directly or indirectly, use a apartment for bed and breakfast establishments; boarding facilities, rooming, or lodging houses; group living facilities, the promotion or sale of time share or interval ownership interests, interests in any fractional ownership plan, or sale, transfer or contribution to any membership club or plan permitting use of a apartment by persons who are not owners or their guests; or for the operation of a tour or activity desk or any other business that directly or indirectly promotes the sale of time share or interval ownership interests, interests in a fractional ownership plan or interests in a membership club or plan permitting use of an apartment by persons who are not owners or their guests.

6. Ownership of Title. Ownership of or title to an apartment may be shared or held by up to four persons.

END OF EXHIBIT B

EXHIBIT C
Boundaries of Apartments

The boundaries of each apartment consist of the following:

1. the interior unfinished surfaces of the perimeter and party walls, doors, floors, and ceilings of an apartment;
2. all windows and window frames, louvers (if any), and shutters (if any);
3. the spaces bounded by the elements described in Section 5.1.2(A) of the Declaration;
4. each apartment's garage;
5. all walls and partitions which are not load-bearing and which are within the perimeter or party walls of the apartment;
6. all movable lanai doors and their door frames;
7. the lanais shown on the Condominium Map to the inner decorated or finished surfaces of the exterior perimeter walls of such lanais, and to the interior edge of the exterior fence or other boundaries of such lanais; and
8. all fixtures originally installed in the apartment.

END OF EXHIBIT C

EXHIBIT D
Permitted Alterations to Apartments

1. Alterations Without Board or Association Approval. Each owner shall have the right, without Board or Association approval or consent, to make any alteration, addition, change or improvement solely within an apartment owned by such owner (or in the case of the Developer, by the Developer), provided that no such alteration, addition, change or improvement adversely affects the structural integrity of such apartment. This right includes, but is not limited to the following:

(a) installing, maintaining, removing and rearranging partitions and other walls from time to time within such owner's apartment;

(b) finishing, changing or substituting any plumbing, electrical or other fixtures attached to the ceilings, floors or walls of such owner's apartment;

(c) decorating, painting, repainting, wallpapering or otherwise changing the appearance of the walls, floors and ceilings of such owner's apartment;

(d) tiling, finishing, carpeting, re-carpeting, and installing, changing, or removing other flooring in such owner's apartment; and

(e) making such changes, additions and improvements to such owner's apartment or limited common elements to facilitate handicapped accessibility within such owner's apartment or limited common element.

2. Changes Subject to Board Approval. The following changes, additions, and improvements may be made by any owner subject only to the approval of the Board of Directors, which approval shall not be unreasonably withheld or delayed:

(a) The owner of any two apartments separated by a common element wall, floor, or ceiling, or whose limited common elements are separated from each other or from such apartments by a common element fence, hedge, or similar landscaping element, may change or remove all or part of the intervening common element, and install doors, stairways and other improvements in such opening or openings in the intervening common element, to seal hallways or other openings, and make other reasonable changes or additions; provided, however, that any such change or removal shall not adversely affect the structural integrity of the other apartments or limited common elements of the building in which such apartment is situated. Before the Developer or any other owner terminates its common ownership of any two apartments, the Developer or such owner shall restore the common element wall, floor, ceiling, hallway and/or other openings to substantially the same condition as before any change thereto or removal thereof, unless the new owner thereof agrees in writing to accept such change or removal in writing and to assume full responsibility for like restoration upon the termination of the common ownership of any two apartments in the future.

(b) Any owner who owns any two adjacent apartments may

(i) consolidate such apartments into a single apartment;

(ii) make any common element walls, floors or ceilings between such apartments part of such apartments or their limited common elements. The common interest of the newly created apartment will be equal to the sum of the common interests of the apartments which were consolidated; and

(iii) change the designation of the limited common elements appurtenant to such apartments so that one or more limited common elements appurtenant to one apartment shall be appurtenant to the other apartment or to both of the apartments; subject, however, to the prior written consent of each Lender holding a recorded mortgage encumbering either apartment.

END OF EXHIBIT D

EXHIBIT E
Description of Common Elements

The common elements consist of the following:

1. The underlying land in fee simple;
2. All roadways, including shoulders, rights of way and landscaping in roadway areas, and driveways;
3. All yards, grounds, trees, gardens, landscaping and refuse facilities not located within an apartment;
4. All foundations, floor slabs, columns, girders, beams, supports, perimeter, party and load-bearing walls and partitions (excluding the finishes thereon), roofs and stairways (excluding any private stairway located within and serving only a single apartment);
5. All vents, shafts, sewer lines, water lines, pipes, cables, conduits, ducts, electrical equipment, wiring and other central and appurtenant transmission facilities and installations on, above, over, under and across the project to the point of their respective connections to Improvements comprising a part of the apartments or the limited common elements appurtenant thereto, including, without limitation, those providing electricity, light, gas (if any), water, air conditioning, sewer, refuse, drainage, irrigation, telephone, and radio and television signal distribution (if any) to more than one apartment;
6. the Slope Areas, provided however, that no owner shall use or enter the Slope Areas for any purpose; and
7. Any and all other apparatus and installations existing for common use by more than one (1) apartment, and any and all other parts of the project necessary or convenient to its existence, maintenance or safety, or normally in common use.

END OF EXHIBIT E

EXHIBIT F
Description of Limited Common Elements

The limited common elements consist of the following:

1. The limited common element land areas shown on the Condominium Map and designated by the same number as the apartment. The limited common element land areas shown on the Condominium Map area as follows:

| Townhouse | Limited Common Element Land Area (Square Feet) |
|-----------|--|
| 4A | 10,564 |
| 4B | 8,495 |
| 5A | 9,366 |
| 5B | 9,249 |
| 6A | 9,282 |
| 6B | 10,968 |
| 7A | 10,822 |
| 7B | 10,884 |
| 8A | 10,657 |
| 8B | 11,821 |
| 9A | 11,260 |
| 9B | 15,629 |
| 10A | 11,132 |
| 10B | 10,003 |

2. The pool located within the limited common element land area of such apartment, including, without limitation, all pumps, filters, pipes, and other equipment connected to or relating to the pool.
3. The driveway leading to the garage of any such apartment;
4. Such apartment's mechanical and trash enclosure;
5. Such apartment's enclosed courtyard; and
6. An exclusive easement for the use of one (1) mailbox located on Kauna'oa Community Association property, bearing the same number as such apartment. No owner shall construct or install a mailbox at the apartment or arrange for mail delivery at any location other than the mailbox located on such Kauna'oa Community Association property.

END OF EXHIBIT F

EXHIBIT G
Common Interests of Apartments

| Apartment | Common Interest |
|------------------|------------------------|
| 4A | 6.6691% |
| 4B | 7.6166% |
| 5A | 6.6691% |
| 5B | 7.6166% |
| 6A | 6.6691% |
| 6B | 7.6166% |
| 7A | 6.6691% |
| 7B | 7.6166% |
| 8A | 6.6691% |
| 8B | 7.6166% |
| 9A | 6.6691% |
| 9B | 7.6166% |
| 10A | 6.6691% |
| 10B | 7.6167% |
| | 100.00% |

END OF EXHIBIT G

EXHIBIT H
Encumbrances Against Title

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Reservation in favor of the State of Hawaii in perpetuity, of all water rights, as reserved in Land Patent Grant Number 12,546.
3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Deed dated May 18, 1978 recorded in the Bureau of Conveyances of the State of Hawaii in Liber 12905, Page 532, including, but is not limited to, matters relating to reservation of minerals, water and prehistoric and historic remains.
4. Grant to South Kohala Wastewater Corp., a Hawaii corporation dated December 18, 1996, recorded in said Bureau as Document No. 96-179333, granting a non-exclusive easement to construct, reconstruct, install, maintain, operate, repair and remove an underground sewer pipeline or pipelines, etc., as part of a sewer system, through, under and across a portion of said Lot, being Easement 36 (10 feet wide) for sanitary sewer purposes, being ore particularly described herein.
5. Easement "GC-2" (15 feet wide) for access and golf cart path crossing purposes, as shown on survey map prepared by Robert W. Cunningham, Registered Professional Land Surveyor, with Belt Collins & Associates, dated December 9, 1992, revised August 24, 1993.
6. Grant to the Bluffs at Mauna Kea Community Association, a Hawaii non-profit corporation, dated July 8, 1998, recorded in said Bureau as Document No. 98-105949, granting a non-exclusive easement for roadway access purposes, limited, however, to use by motorized carts, over and across Easement GC-2, being more particularly described therein.
7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR HAPUNA RESORT October 15, 1993 recorded in said Bureau as Document No. 94-032238, as amended by ANNEXING DECLARATION HAPUNA RESORT dated February 10, 2000, recorded in said Bureau as Document No. 2000-020042.
8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Limited Warranty Deed dated February 10, 2000, recorded in said Bureau as Document No. 2000-020043, relating to water reservation.
9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in The Estates at Mauna Kea Memorandum of Agreement dated January 11, 2002 recorded in said Bureau as Document No. 2002-085014 by and between MAUNA KEA COMMUNITY ASSOCIATION, INC., a Hawaii non-profit corporation, and KOHALA WOODVALE ASSOCIATES, LLC., a Delaware limited liability company.
10. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in unrecorded Agreement dated --/--/--, made by Kohala-Woodvale Associates, LLC, a Delaware limited liability company, "Subdivider", and County of Hawaii, "County" regarding deed restriction or other written disclosure that any additional subdivision improvements and/or easements to be required on the subject property shall be in furtherance of the public health, safety and welfare.
11. Mortgage and Fixture Filing made by Kohala-Woodvale Associates, LLC, a Delaware limited liability company, as Mortgagor, and Fremont Investment & Loan, a California industrial bank, as Mortgagee, dated December 22, 2003, recorded in said Bureau as Document No. 2003-287311, in the amount of \$40,000,000.00, as amended by instrument dated October 4, 2004, recorded in said Bureau as Document No. 2004-218287 and by instrument dated December 23, 2004, recorded in said Bureau as Document No. 2004-264880, increasing the principal amount from \$40,000,000.00 to \$80,610,000.00.
12. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Assignment of Rents (and Leases) dated December 22, 2003, made by Kohala-Woodvale Associates, LLC, a Delaware limited liability company, as Borrower, and Fremont Investment & Loan, a California industrial bank, as Lender, recorded in said Bureau as Document No. 2003-387312.
13. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in Declaration of Protective Covenants, Conditions and Restrictions for Kauna`oa at Mauna Kea dated as of July 14, 2004 and recorded in said Bureau as Document No. 2004-172439. Said Declaration was amended by instrument dated February 14, 2005, recorded in said Bureau as Document No. 2005-056063.

14. AS TO LOT 29:

- (a) Designation of Easement "6" as shown on File Plan No. 236 for slope purposes.
- (b) Designation of Easement "34" as shown on File Plan No. 2366 for fire hydrant purposes.
- (c) Designation of Easement "36" as shown on File Plan No. 2366 for drywell purposes.
- (d) Designation of Easement "37" (10 ft. wide) as shown on File Plan No. 2366 for irrigation purposes.
- (e) Designation of Easement "39" as shown on File Plan No. 2366 for access and utility purposes.

15. AS TO LOT 30:

- (a) Designation of Easement "6" as shown on File Plan No. 2366 for slope purposes.
- (b) Designation of Easement "7" as shown on File Plan No. 2366 for slope purposes.
- (c) Designation of Easement "26" as shown on File Plan No. 2366 for drainage purposes.
- (d) Designation of Easement "27" (20 ft. wide) as shown on File Plan No. 2366 for drainage purposes.
- (e) Designation of Easement "28" as shown on File Plan No. 2366 for drainage purposes.
- (f) Designation of Easement "37" (10 ft. wide) as shown on File Plan No. 2366 for irrigation purposes.
- (g) Designation of Easement "38" as shown on File Plan No. 2366 for access and utility purposes.

16. AS TO LOT 31:

- (a) Designation of Easement "7" as shown on File Plan No. 2366 for slope purposes.
- (b) Designation of Easement "26" as shown on File Plan No. 2366 for drainage purposes.
- (c) Designation of Easement "27" (20 ft. wide) as shown on File Plan No. 2366 for drainage purposes.
- (d) Designation of Easement "31" as shown on File Plan No. 2366 for fire hydrant purposes.
- (e) Designation of Easement "35" as shown on File Plan No. 2366 for drywell purposes.
- (f) Designation of Easement "38" as shown on File Plan No. 2366 for access and utility purposes.

17. Grant to Kauna'oa at Mauna Kea Community Association, a Hawaii non-profit corporation dated effective as of December 6, 2004, recorded in said Bureau as Document No. 2005-056054, granting a perpetual non-exclusive right and easement for Fire Hydrant Maintenance purposes, in, over, under, across, along, upon and through said Easements "32" and "34".

18. Grant to Kauna'oa at Mauna Kea Community Association, a Hawaii non-profit corporation dated effective as of December 6, 2004, recorded in said Bureau as Document No. 2005-056055 granting a perpetual non-exclusive right and easement for Drywell maintenance purposes, in, over, along, upon and through said Easements "35" and "36".

19. Grant to Kauna'oa at Mauna Kea Community Association, a Hawaii non-profit corporation, dated effective as of December 6, 2004, recorded in said Bureau as Document No. 2005-056056 granting a perpetual non-exclusive right and easement in common with others for pedestrian and vehicular ingress and egress to the Kauna'oa Subdivision in, over, under, across, along, upon and through the Hali'a Hale Roadway, being Easements "38" and "39", for the benefit of the Owners of Single Family Residence Lots.

20. Grant to Kauna'oa at Mauna Kea Community Association, a Hawaii non-profit corporation, dated effective as of February 23, 2005, recorded in said Bureau as Document No. 2005-056057, granting a perpetual non-exclusive right and easement in common with others for Irrigation maintenance purposes, in, over, under, across, along, upon and through said Easement "37".

21. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the Declaration of Condominium Property Regime for "Hali'a Hale at Kauna'oa" Condominium Project dated February 14, 2005, recorded in said Bureau as Document No. 2005-056061, as shown on Map 3966 and any amendments thereto.

22. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in By-Laws of The Association of Apartment Owners dated February 15, 2005, recorded in said Bureau as Document No. 2005-056062.

23. Discrepancies, conflicts in boundary lines, shortage in area, encroachments or any other matters which a correct survey or archaeological study would disclose.

24. Any unrecorded leases and matters arising from or affecting the same

25. Claims arising out of the failure to convey the land described herein together with an easement over or interest in Roadway Lot(s) 33, 34, 35 and 36 of File Plan No. 2366.

END OF EXHIBIT H

**EXHIBIT I
ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees:

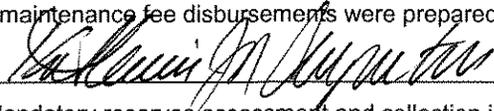
| <u>Apartment</u> | <u>Common Interest</u> | <u>Monthly Fee</u> | <u>Monthly Fee x 12 months = Yearly Total</u> |
|------------------|------------------------|--------------------|---|
| 4A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 4B | 7.6166% | \$4,096.68 | \$49,160.16 |
| 5A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 5B | 7.6166% | \$4,096.68 | \$49,160.16 |
| 6A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 6B | 7.6166% | \$4,096.68 | \$49,160.16 |
| 7A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 7B | 7.6166% | \$4,096.68 | \$49,160.16 |
| 8A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 8B | 7.6166% | \$4,096.68 | \$49,160.16 |
| 9A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 9B | 7.6166% | \$4,096.68 | \$49,160.16 |
| 10A | 6.6691% | \$3,587.03 | \$43,044.36 |
| 10B | 7.6167% | \$4,096.68 | \$49,160.16 |

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency

Estimate of Maintenance Fee Disbursements:

| RECEIPTS | MONTHLY | ANNUALLY |
|---------------------------------|------------------|------------------|
| Maintenance Fees | \$ 27,948 | \$335,376 |
| Master Association Dues | 25,838 | 310,056 |
| TOTAL INCOME | \$ 53,786 | \$645,432 |
| DISBURSEMENTS | | |
| Audit & Tax Preparation Fees | 167 | 2,004 |
| Electricity | 210 | 2,520 |
| General Excise Tax | 2 | 24 |
| Insurance - D & O | 167 | 2,004 |
| Insurance - Liability | 583 | 6,996 |
| Insurance - Other (Bond) | 63 | 756 |
| Insurance - Property | 9,375 | 112,500 |
| Landscaping Services | 6,535 | 78,408 |
| Legal Fees | 100 | 1,200 |
| Maintenance/Repair - Facilities | 140 | 1,680 |
| Master Association Dues | 25,838 | 310,056 |
| Maintenance/Repair - Pool | 3,290 | 39,480 |
| Miscellaneous Project Expense | 125 | 1,500 |
| Pest Control | 612 | 7,344 |
| Property Management Fee | 1,300 | 15,600 |
| Refuse Service | 434 | 5,208 |
| Reserve Study | 156 | 1,872 |
| Sewer | 700 | 8,400 |
| Supplies - Grounds | 140 | 1,680 |
| Taxes - Corporate Income | 0 | 0 |
| Water | 0 | 0 |
| Water - Non-potable | 350 | 4,200 |
| Transfer to Reserves | 3,500 | 42,000 |
| TOTAL EXPENSES | \$53,786 | \$645,432 |

I, Katherine JH Augustine, as agent for/and/or employed by Augustine Realty, condominium managing agent/developer for the Hali`a Hale at Kauna`oia I condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.



Date February 18, 2005

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT J
Summary of Pertinent Provisions of the Sales Contract

1. Sales Contract is Non-Binding. If at the time of the execution of a sales contract by a buyer and the Developer the Real Estate Commission of the State of Hawaii (the "Commission") has not issued an effective date for the Final Public Report, the sales contract shall not be legally binding upon either such buyer or the Developer.

2. When Sales Contract Will Become Binding. Upon the occurrence of the following, each sales contract will become binding contract:

- (a) the Commission shall have issued an effective date for a Final Public Report;
- (b) the buyer under such sales contract shall have receipted for or be deemed to have receipted for a Final Public Report; and
- (c) the buyer under such sales contract shall have waived or be deemed to have waived such buyer's right to cancel the sales contract as more particularly provided in §514A-62 of the Hawaii Revised Statutes, as amended.

3. Termination of Sales Contract. Prior to the time a sales contract becomes a binding sales contract as provided in Section 2 above, it may be terminated at any time, with or without cause, at the option of a buyer or the Developer, by written notice of such termination delivered to the other party. In the event of the termination of a sales contract, the Developer shall cause Escrow to refund all payments previously made thereunder by buyer, without interest, unless buyer has elected to have interest accrue to the benefit of buyer under Section 9.2.2 of the General Terms of a sales contract, and neither buyer nor the Developer shall have any other or further liability under the Sale Contract or with respect to the project; provided, however, that if buyer terminates a sales contract, then, Escrow shall deduct from the refund to buyer the escrow cancellation fee and all costs, up to a maximum of Two Hundred Fifty Dollars (\$250.00), incurred by the Developer, Escrow, or any lending institution in processing a sales contract or the loan application. If the Developer terminates a sales contract, then, the Developer shall pay any and all escrow cancellation fees and costs.

4. Failure of Buyer to Execute Receipt and Notice. If a buyer fails to execute and return the receipt and notice of right to cancel within thirty (30) calendar days after the delivery to such buyer of a copy of the Final Public Report, then, the Developer may, at the Developer's sole option, terminate the sales contract under which such buyer is the buyer. Upon such termination, the Developer shall cause Escrow Agent to refund to such buyer all payments previously made by such buyer (without interest regardless of whether such buyer has elected to have interest accrue to such buyer under Section 9.2.2 of the sales contract), and less Escrow Agent's cancellation fee, and the Developer shall have no further liability under such sales contract.

5. Effect of Issuance of Final Public Report on Buyer's Termination Rights. If a sales contract is entered into after the issuance, of the Final Public Report, then, it shall be a fully binding contract between buyer and the Developer upon acceptance by the Developer, provided that the buyer thereunder has receipted for or is deemed to have receipted for the Final Public Report and has waived or is deemed to have waived such buyer's right to cancel a sales contract as more particularly provided in §514A-62 of the Hawaii Revised Statutes

6. Qualifying for Purchase. Each buyer shall submit to the Developer, within ten (10) days after receipt by such buyer of written notice that a sales contract into which the buyer has entered has been accepted by the Developer, a bank or brokerage statement, in form and content sufficient to provide proof of funds in the amount of the Purchase Price, and/or any other financial data reasonably requested by the Developer. The Developer shall have ten (10) days after receipt of such financial data to notify buyer of its acceptance or rejection of said financial data. If the Developer rejects such financial data, the Developer may, in its sole discretion, terminate a sales contract and cause Escrow Agent to refund to buyer all amounts paid pursuant to a sales contract, without interest regardless of whether buyer has elected to have interest accrue to the benefit of buyer pursuant to Section 9.2.2 of a sales contract, less the cost of any credit report, cancellation fees of Escrow Agent, if any, and other costs incurred by the Developer in reviewing such financial statement.

7. Credit Inquiries. Each buyer authorizes the Developer to make credit inquiries about such buyer, including, but not limited to, obtaining credit reports on such buyer and verifying by any legal means any financial information submitted to the Developer.

8. Reconfirmation of Cash Purchase; Developer's Option to Terminate.

(a) Each buyer is required to submit to the Developer, within thirty (30) calendar days of such buyer's receipt for the Final Public Report, and if the Developer so requires, no later than thirty (30) calendar days and no earlier than ninety (90) calendar days prior to the estimated closing date, written from buyer's bankers or accountants or other persons to reconfirm that buyer is still able to pay the purchase price in cash on the Closing Date.

(b) If the Developer, in its sole discretion, after reviewing such written evidence, is not satisfied as to such buyer's continued ability to make the required cash payments, and if the Developer determines that such buyer has not acted in good faith or otherwise complied with the requirements of the sales contract, then, such buyer shall be in default under said sales contract, and the Developer may then terminate the sales contract, and proceed in accordance with Section 11 below.

(c) If the Developer determines that a buyer has at all times acted in good faith in seeking to fully comply with such buyer's obligations under a sales contract, the Developer has the right and option to cancel said sales contract upon written notice to such buyer, but upon such cancellation, the Developer will direct Escrow Agent to refund to such buyer (without interest, unless such buyer has elected to have interest accrue to its benefit pursuant to Section 9.2.2 of said sales contract), all sums paid by such buyer pursuant to the sales contract, less any cancellation fees of Escrow Agent and any other actual expenses incurred by the Developer by reason of such buyer entering into the sales contract.

9. Developer's Right to Increase Purchase Price in Limited Circumstances. If the development or construction of the project is delayed due to any governmental restrictions or regulations enacted after the date of acceptance of a sales contract by the Developer, or by the occurrence of any contingency, the nonoccurrence of which was a basic assumption on which such sales contract was entered into by the Developer, and if the Developer determines that increases in the development or construction costs of the project because of any such delay require increases in the sales price of apartments to maintain the financial feasibility of the project, then, the Developer may increase the Purchase Price of the apartment purchased by a buyer to the extent necessitated by increases in development and construction costs. The Developer shall notify such buyer in writing of any such increases in the Purchase Price, and said buyer shall have fifteen (15) calendar days from the date of its receipt of such notice within which to affirm or cancel such sales contract. If, within such 15 calendar day period, such buyer does not notify such Developer in writing that such buyer elects to cancel said sales contract, such buyer shall be deemed to have affirmed said sales contract at the increased Purchase Price. If such buyer elects to cancel said sales contract as permitted by the preceding sentence, all sums paid by such buyer, without interest unless such buyer has elected to have interest accrue to it under Section 9.2.2 of the sales contract, after deducting any cancellation fees of Escrow Agent, shall be refunded to such buyer. Upon termination, said sales contract shall be deemed to have been canceled; both the Developer and such buyer shall be released from all obligations and liabilities under the sales contract; and the Developer may sell the apartment to any other person.

10. Interest on Funds Deposited with Escrow Agent.

(a) All interest on a buyer's deposits shall accrue to the benefit of the Developer unless such buyer elects to have interest accrue to it under Section 9.2.2 of the sales contract.

(b) If a buyer elects to have interest accrue to the benefit of such buyer, all funds received by Escrow Agent may be deposited into an interest bearing account or accounts in a federally insured bank or savings and loan institution selected by the Developer, in its sole discretion, with its principal place of business in Honolulu, Hawaii.

(c) If a buyer elects to have interest accrue to the benefit of such buyer, then, such buyer shall pay all costs and expenses of Escrow Agent incurred or charged for the purpose of opening, maintaining and closing such interest bearing account or accounts, including, but not limited to, a fee of Twenty-Five Dollars (\$25.00) for each such account.

(d) Except as provided in Sections 4 and 6 above, and 11(c) below, all interest earned from an account or accounts under which interest accrues for a buyer's benefit shall be credited to such buyer's account from the date of the Developer's acceptance of such sales contract to which such buyer is a party; provided, however, that no interest shall be credited to such buyer for the period prior to the Developer's acceptance of such sales contract, or on funds held by Escrow Agent for less than sixty (60) calendar days after the Developer's acceptance of such sales contract.

11. Default; Liquidated Damages; Delays in Closing.

(a) Default by Buyer. A buyer shall be in default under the sales contract to which such buyer is a party if the following occurs:

(i) Such buyer fails to make a payment when due; or

(ii) Such buyer fails to furnish to the Developer satisfactory evidence of such buyer's ability to pay the Purchase Price, as required in Section 7 above; or

(iii) Such buyer fails to execute and return the receipt and notice of right to cancel in connection with such buyer's receipt of a copy of the Final Public Report within the time period required by §514A-62, Hawaii Revised Statutes; or

(iv) Such buyer fails to perform any other obligation required under such sales contract and such failure continues for fifteen (15) days after the Developer gives written notice to such buyer of such failure.

(b) Default by Buyer Prior to Sales Contract Becoming Binding. If a buyer defaults before the sales contract to which it is a party becomes a binding contract in accordance with §514A-62, Hawaii Revised Statutes, the Developer may, at the Developer's option, terminate the sales contract by written notice to such buyer, and the following shall apply:

(i) all deposits made under such sales contract shall be refunded or the check returned to such buyer, without interest unless such buyer elected to have interest accrue to it under such sales contract, less any cancellation fee imposed by Escrow Agent and any other actual expenses incurred by the Developer by reason of such buyer having signed such sales contract; and

(ii) all costs, including, without limitation, reasonable attorneys' fees, incurred by reason of the default by such buyer shall be paid by such buyer promptly upon the Developer's demand therefor.

(c) Default by Buyer After sales contract Becomes Binding; the Developer's Liquidated Damages. If a buyer defaults after the sales contract to which it is a party becomes a binding contract in accordance with §514A-62, Hawaii Revised Statutes, then, the Developer may at its option terminate such sales contract. As a reasonable estimate of the Developer's damages resulting from any such default occurring after such sales contract becomes a binding contract, the deposits previously made by such buyer under such sales contract together with all accrued interest thereon (regardless of whether such buyer has elected to have interest accrue to such buyer) shall become, at the Developer's option, the sole property of the Developer as liquidated damages.

(d) Default by Developer; Developer's Cure Rights. If the Developer shall fail to perform any obligation required of the Developer under a sales contract prior to Closing, including the obligation to execute promptly all documents necessary to close, the buyer which is a party thereto shall notify the Developer in writing by certified or registered mail of such default. The Developer shall have fifteen (15) days after the date of such notice to cure such default. If the Developer does not cure such default within such fifteen (15) day period, such buyer may elect, at such buyer's sole discretion, to either terminate such sales contract, or seek specific performance. Such buyer shall give written notice of its election to the Developer.

(e) Buyer's Remedies. If a buyer elects to terminate a sales contract due to such Developer's default, the full amount of such buyer's deposits and all interest actually accrued thereon shall be paid to such buyer as such buyer's sole and exclusive remedy, and the Developer shall be released and discharged from any further obligation under such sales contract. If such buyer seeks specific performance, such buyer shall not be entitled to recover any damages from the Developer in such action.

12. Buyer's Rescission Rights.

(a) Basis for Rescission. After a sales contract has become binding as provided therein, the buyer thereunder shall have the right to rescind such sales contract only if there is a material change in the project which directly, substantially and adversely affects the use or value of (i) the apartment being sold under such sales contract or such apartment's appurtenant limited common elements, or (ii) the amenities of the project available for such buyer's use; *provided, however*, that any such material change shall not include any changes, additions, deletions or modifications (including, without limitation, any merger of the project) made by the Developer pursuant to its reserved rights under the Declaration.

(b) Waiver of Buyer's Rescission Rights. If any material change is made to the project after issuance of a Final Public Report that is not provided for in the Declaration, the Developer shall give to each buyer, either personally or by registered or certified mail, return receipt requested, written notice (i) describing the material change and containing a provision for such buyer's written approval or acceptance of such change, (ii) advising such buyer that such buyer has the right to rescind the sales contract within thirty (30) calendar days after delivery of such notice, and (iii) further advising such buyer that if such buyer does not act within such 30 days, such buyer will be deemed to have approved and accepted such material change. After receipt of any notice of any material change, such buyer may rescind such sales contract by giving notice of rescission to the Developer by the earlier of thirty (30) calendar days after the date of delivery of such notice to such buyer, or ninety (90) calendar days after such buyer has accepted or occupied such apartment (but only if such notice of material change is delivered within sixty (60) calendar days after such buyer's occupancy or acceptance of the apartment). If such buyer does not give the Developer notice of such rescission or approval of such material change within such 30- or 90-day time period, as applicable, such buyer will be deemed to have approved the change described in said notice and waived such buyer's right of rescission.

13. Cancellation in the Event of Buyer's Death. If a buyer under a sales contract or, if there is more than one buyer under a sales contract, any one or more of such buyers, dies prior to Closing, the Developer reserves the right to return all deposits paid under such sales contract by such buyer without interest, whereupon such sales contract shall be deemed to have been canceled and both the Developer and such buyer shall be released from all obligations and liabilities under such sales contract.

END OF EXHIBIT J

EXHIBIT K
Summary of Pertinent Provisions of the Escrow Agreement

1. Sales Contracts to be Deposited in Escrow. When the Developer enters into a sales contract, the Developer will deliver an executed copy of such sales contract to Escrow.

2. Receipt of Funds by Escrow.

(a) Deposits by Developer. The Developer will deposit with Escrow any monies received by the Developer from each buyer under a sales contract.

(b) Escrow's Responsibilities. Escrow will receive and hold in escrow and disburse as set forth in the Escrow Agreement:

- (i) all payments made by the Developer under sales contracts to the extent received by Escrow;
- (ii) all funds from any lending institution disbursed pursuant to a mortgage loan made to a buyer for the purchase of an apartment; and
- (iii) all sums received by Escrow from any other source on account of the sale to a buyer of an apartment.

3. Deposit of Escrowed Funds. In accordance with written instructions from the Developer, Escrow will deposit all funds received by it, within a reasonable time of such receipt by Escrow and in reasonably convenient sums, in trust accounts at a federally insured bank, savings and loan association or trust company authorized to do business under an escrow arrangement.

4. Interest on Escrowed Funds. Any interest earned on deposits shall accrue to the credit of the Developer unless buyer elects, pursuant to Section 9.2.2 of the sales contract, to cause interest on such buyer's deposits to accrue for the benefit of such buyer, and if such buyer so elects, all Deposits received by Escrow may be deposited into an interest bearing account or accounts in a federally insured bank or savings and loan institution selected by the Developer, in its sole discretion, provided that such bank or savings and loan institution's principal place of business shall be in Honolulu, Hawaii. Such buyer shall pay all costs and expenses of Escrow incurred or charged for the purpose of opening, maintaining and closing such interest bearing account or accounts, including, but not limited to, a fee of Twenty-Five Dollars (\$25.00) for each such account.

5. Conditions to be Satisfied Prior to Disbursement. No disbursement of funds held by Escrow shall be made unless and until all of the following conditions have been satisfied, which may occur before closing of the sale of an apartment to a buyer:

(a) Final Public Report. The Real Estate Commission shall have issued an effective date for the "Final Public Report" for the project, and such buyer is given a copy of the Final Report and acknowledges receipt of same or is deemed to have acknowledged receipt of same.

(b) Buyer's Rescission Rights. The Developer or the Developer's attorney shall have delivered a written opinion to Escrow stating that the requirements of HRS Sections 514A-62 and 514A-63, as amended, have been satisfied.

(c) Developer's Cancellation Rights. The Developer shall have given Escrow a written waiver of any option reserved in any sales contract to cancel such sales contract.

6. Disbursement of Buyer's Funds. Subject to the provisions of Section 5 above, upon the Developer's written instructions, Escrow may disburse funds held in escrow to pay the following amounts:

(a) Construction Costs. To the Developer, the Developer's general contractor, or the Developer's mortgagee, if any, as specified by the Developer, to pay for construction costs of the buildings and other improvements and fixtures in such amounts and at such times and in proportion to the valuation of the work completed by said general contractor in accordance with the terms of said general contractor's construction contract with the Developer, as certified by a registered architect or professional engineer and as approved by said mortgagee, if any, or a financially disinterested person who shall be designated in writing by the Developer and said mortgagee, if any, and who shall certify to Escrow in writing that such person is financially disinterested (which certification Escrow shall have the right to rely upon).

(b) Other Expenses. To other persons for architectural, engineering, finance and legal fees and other incidental expenses of the project (but not selling expenses or brokerage fees relating to sales of any apartment) to the extent approved by the Developer's mortgagee or said financially disinterested person.

7. Disbursement of Balance. The balance of funds held by Escrow may be disbursed in accordance with the directions of the Developer and said mortgagee, if any, or of said financially disinterested person, only upon completion of the project's buildings being constructed by the Developer's general contractor, or forty-six (46) days after the filing of the affidavit of publication of the notice of completion of construction of the project in the office of the Clerk of the Third Circuit Court of the State of Hawaii, a copy of which shall have been delivered to Escrow; provided, however, that if any notice of a mechanic's or materialmen's lien has been filed, said funds shall be disbursed only when all such mechanics' or materialmen's liens have been released and/or sufficient funds have been set aside to cover the claims for which any notice of lien have been filed.

8. Return of Funds and Documents.

(a) Escrow's Obligations to Return Funds. A buyer shall be entitled to a return of funds, and Escrow shall pay such funds to such buyer, with interest to the extent provided in the sales contract to which such buyer is a party, if any one of the following shall have occurred:

(i) The Developer and such buyer shall have instructed Escrow in writing to return to such buyer funds of such buyer held by Escrow pursuant to this Agreement; or

(ii) The Developer has notified Escrow of the Developer's exercise of the option to cancel or rescind the sales contract entered into by such buyer pursuant to any right of cancellation or rescission provided for therein or otherwise available to the Developer with respect to which, and such buyer is entitled in accordance with the sales contract to a return of funds deposited by such buyer with Escrow; or

(iii) With respect to any buyer whose funds were obtained prior to the issuance of the Final Public Report, such buyer has exercised such buyer's right to cancel the sales contract entered into by such buyer pursuant to HRS Section 514A-62; or

(iv) Such buyer has exercised such buyer's right to rescind the sales contract pursuant to HRS Section 514A-63.

9. Cancellation Fee; Cancellation of Sales Contract. Upon the occurrence of any event described in Sections 8 (a)(i) or 8(a)(ii) above or upon receipt of a written request for a refund from any buyer upon the occurrence of any event described in Sections 8(a)(iii) or 8(a)(iv) above, and unless such buyer has waived or has been deemed to have waived such buyer's right to a refund, Escrow shall deliver to such buyer all funds received from such buyer, less, if so specified in the sales contract entered into by such buyer, a cancellation fee to Escrow of not less than Two Hundred Fifty Dollars (\$250.00) per apartment which is the subject matter of such sales contract. Upon such payment, said sales contract shall be deemed cancelled and any partially executed conveyance document theretofore delivered to Escrow shall be returned to the Developer; provided, however, that no refund shall be made to any buyer prior to Escrow giving the Developer written notice of Escrow's intention to make such refund.

10. Buyer's Default.

(a) Sums Payable by Buyer Under Sales Contract. The Developer shall give notice in writing to Escrow of the occurrence of each event that creates an obligation on the part of any buyer to make any payment to Escrow pursuant to the terms of a sales contract entered into by such buyer, and the amount of and due date for such payment. Upon receipt of any such notice, Escrow shall promptly give such buyer notice of the amount and date on which such required payment is due.

(b) Failure of Buyer to Make Required Payment. If a buyer fails to make any required payment to Escrow on or before the date on which it is due or if such buyer fails to satisfy any obligation or requirement being handled by Escrow, Escrow shall promptly notify the Developer of any such failure on the part of such buyer. If the Developer (i) subsequently certifies in writing to Escrow that the Developer has terminated the sales contract into which such buyer entered in accordance with the terms thereof, and (ii) provides to Escrow a copy of the notice of termination sent to such buyer, Escrow shall thereafter treat all funds of such buyer paid on account of such buyer's sales contract as the property of the Developer, and not as the property of such buyer. Such funds shall be free of the escrow established by the sales contract and Escrow Agreement and shall be held by Escrow for the account of the Developer.

(c) Disbursement of Funds; Delivery to Buyer Upon Termination of Sales Contract. Upon the written request of the Developer, Escrow shall pay to the Developer the funds referred to in Section 10(b) above, less any escrow cancellation fee, shall return to the Developer any partially executed conveyance documents theretofore delivered to Escrow by the Developer, and shall hold all other documents theretofore delivered to Escrow in connection with such buyer's purchase of an apartment for any applicable statutory period.

END OF EXHIBIT K

EXHIBIT L
Summary of Covenants, Conditions and Restrictions to Which the Project is Subject

1. Kauna`oa at Mauna Kea Subdivision. The project is located within the Kauna`oa Subdivision (the "Subdivision"). The land within the Subdivision, including the land upon which the project is located, is be subject to a Declaration of Protective Covenants, Conditions and Restrictions For Kauna`oa at Mauna Kea (the "Kauna`oa CC&Rs") dated July 14, 2004 recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-172439, prior to the Declaration the Declaration of Condominium Property Regime of the project (the "Declaration"). The project and buildings are subject to the Kauna`oa CC&Rs, and the Kauna`oa CC&Rs impose restrictions on use and occupancy of the apartments. The Kauna`oa CC&Rs are superior to the Declaration. If there is a conflict between the Kauna`oa CC&Rs and the Declaration, the Kauna`oa CC&Rs will control. Owners of apartments are subject to the following requirements and have the following rights under the Kauna`oa CC&Rs:

(a) All residents of apartments must become members of and are required to pay dues to the Kauna`oa Community Association (the "Kauna`oa Association") which was formed pursuant to the Kauna`oa CC&Rs. Initially, the monthly dues are estimated to be \$1,454.19. The Kauna`oa Association is required to prepare an annual budget covering its estimated common expenses for each year. The budget will include all of the following:

- (i) a statement of estimated revenue and expenses on an accrual basis;
- (ii) the amount of the total cash reserves held by the Association for the purpose of replacement and major repairs of the common areas of the Subdivision, and for contingencies;
- (iii) an itemized estimate of the remaining life of, and the methods of funding to defray repair or replacement of or additions to, major components of the common areas of the Subdivision for which the Kauna`oa Association is responsible;
- (iv) a general statement setting forth the procedures used by the Association in the calculation and establishment of reserves to defray the costs of future repair, replacement or additions to the common areas for which the Association is responsible.

(b) Members of the Association are permitted to use the common areas of the Subdivision, including a golf facility, clubhouse, and such common facilities are maintained by the Kauna`oa Association at the expense of its members.

(c) Because of the arid climate and limitations on the supply of fresh water available to the Subdivision, all land in the Subdivision, including the land upon which the project is located, is subject to water conservation measures. Under the Kauna`oa CC&Rs not more than one (1) water commitment of six hundred (600) gallons of potable water per day shall be allocated to each apartment in the project.

2. Hapuna Resort. The project is located within the Hapuna Resort. The land within Hapuna Resort, including the land upon which the project is located, is subject to that certain Declaration of Protective Covenants, also Conditions and Restrictions (the "Hapuna CC&Rs") which have been recorded. The project and buildings are subject to the Hapuna CC&Rs, and the Hapuna CC&Rs impose restrictions on use and occupancy of the apartments. The Hapuna CC&Rs are superior to the Kauna`oa CC&Rs and the Declaration, and if there is a conflict between the Hapuna CC&Rs and the Declaration, the Hapuna CC&Rs will control. Owners of apartments are subject to the following requirements of the Hapuna CC&Rs:

(a) All residents of dwelling units within Hapuna Resort are members of and are required to pay dues to the Hapuna Community Association (the "Hapuna Resort Association"), which was formed pursuant to the Hapuna CC&Rs. Initially the monthly dues are estimated to be \$125.42.

(b) All costs and expenses incurred in connection with the upkeep, maintenance, operation and repair of the Hapuna Resort Entry Road, the security station and security patrol are to be shared between the developer of the Hapuna Resort and the Hapuna Resort Association.

EXHIBIT M
Changes to Project

1. Merger of Phases.

(a) Since issuance of an effective date for the Preliminary Public Report for the project, the Developer has elected to construct the project in phases. Phase I, which is covered by this Public Report, will consist of 7 buildings containing 14 apartments.

(b) Developer may construct Phase II of the project pursuant to its reservation in the Declaration to build additional apartments and amend the Declaration to describe such apartments. If Developer builds Phase II of the project, that phase will consist of six apartments in 3 buildings. If Developer builds Phase II of the project consisting of six apartments in three buildings, then the budget for Phases I and II of the Project, consisting of twenty apartments will be the budget attached hereto as Exhibit M-1. The common interests of the twenty apartments in the project will be as follows:

| Apartment | Common Interest |
|------------------|------------------------|
| 1A | 4.6684% |
| 1B | 5.3316% |
| 2A | 4.6684% |
| 2B | 5.3316% |
| 3A | 4.6684% |
| 3B | 5.3316% |
| 4A | 4.6684% |
| 4B | 5.3316% |
| 5A | 4.6684% |
| 5B | 5.3316% |
| 6A | 4.6684% |
| 6B | 5.3316% |
| 7A | 4.6684% |
| 7B | 5.3316% |
| 8A | 4.6684% |
| 8B | 5.3316% |
| 9A | 4.6684% |
| 9B | 5.3316% |
| 10A | 4.6684% |
| 10B | 5.3316% |

(c) If Developer constructs new apartments and adds new apartments to the project Developer will amend the Declaration and the Condominium Map to describe the new apartments, the annexed land and the common interests of all apartments which will be revised to reflect the new apartments. Developer will also amend the Condominium Map showing the location, layouts, dimensions and elevations of the apartments and buildings, to depict the new apartments to be added to the project.

EXHIBIT M-1

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

| <u>Apartment</u> | <u>Common Interest</u> | <u>Monthly Fee</u> | <u>Monthly Fee x 12 months = Yearly Total</u> |
|------------------|------------------------|--------------------|---|
| 1A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 1B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 2A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 2B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 3A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 3B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 4A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 4B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 5A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 5B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 6A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 6B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 7A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 7B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 8A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 8B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 9A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 9B | 5.3316% | \$3,811.54 | \$45,738.48 |
| 10A | 4.6684% | \$3,337.36 | \$40,048.32 |
| 10B | 5.3316% | \$3,811.54 | \$45,738.48 |

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency

Estimate of Maintenance Fee Disbursements:

| RECEIPTS | MONTHLY | ANNUALLY |
|---------------------------------|-----------------|------------------|
| Maintenance Fees | \$38,900 | \$466,800 |
| Master Association Dues | 32,589 | 391,068 |
| TOTAL INCOME | \$71,489 | \$857,868 |
| | | |
| DISBURSEMENTS | | |
| Audit & Tax Preparation Fees | 167 | 2,004 |
| Electricity | 300 | 3,600 |
| General Excise Tax | 2 | 24 |
| Insurance - D & O | 167 | 2,004 |
| Insurance - Liability | 708 | 8,496 |
| Insurance - Other (Bond) | 63 | 756 |
| Insurance - Property | 13,333 | 159,996 |
| Landscaping Services | 9,335 | 112,020 |
| Legal Fees | 100 | 1,200 |
| Maintenance/Repair - Facilities | 200 | 2,400 |
| Master Association Dues | 32,589 | 391,068 |
| Maintenance/Repair - Pool | 4,700 | 56,400 |
| Miscellaneous Project Expense | 150 | 1,800 |
| Pest Control | 765 | 9,180 |
| Property Management Fee | 1,434 | 17,208 |
| Refuse Service | 620 | 7,440 |
| Reserve Study | 156 | 1,872 |
| Sewer | 1,000 | 12,000 |
| Supplies - Grounds | 200 | 2,400 |
| Taxes - Corporate Income | 0 | 0 |
| Water | 0 | 0 |
| Water - Non-potable | 500 | 6,000 |
| Transfer to Reserves | 5,000 | 60,000 |
| TOTAL EXPENSES | \$71,489 | \$857,868 |

I Katherine JH Augustine, as agent for/and/or employed by Augustine Realty, condominium managing agent/developer for the Hali'a Hale at Kauna'oa I condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

 Date February 18, 2005

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.