CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer KAHANA SUN LLC
Address 635 Kenolio Road, Kihei, HI 96753

Project Name (*): The Villas at Kahana Ridge
Address: Ho'ohui Road, Kahana, Maui, Hawaii (no street address available as of this date)

Registration No. 5228

Effective date: December 21, 2004
Expiration date: January 21, 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.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

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

[X] Changes made are as follows:

1. Section III.E on page 14 and Exhibit "F" ("Encumbrances Against Title") have been revised to reflect an updated title report.

2. Section III.G on page 16 has been revised to reflect an updated estimate of the date of completion of the Project.

3. Exhibit "H" ("Estimate of Initial Maintenance Fees and Estimate of Maintenance Fee Disbursements") has been updated (no change in estimates).

4. Exhibit "I" ("Summary of Sales Contract and Escrow Agreement") has been revised to reflect that the Sales Contract now includes a notice to the Buyer that Hawaii law contains requirements that the Buyer must follow before the Buyer may file a lawsuit or other action against a contractor for defective construction.

5. The Developer has provided the Real Estate Commission with all information and documents required for the issuance of this Final Public Report on the Project.

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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: KAHANA SUN LLC
Name*
635 Kenolio Road
Business Address
Kihei, Hawaii 96753
Phone: (808) 879-5375 (Business)

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

The manager/members of KAHANA SUN LLC are Kahana Star LLC, a Delaware limited liability company, and Kahana Moon LLC, a Hawaii limited liability company. The members of Kahana Star LLC are Raymond M. Phillips and Enrique Landa. The manager of Kahana Star LLC is Raymond M. Phillips. The member/managers of Kahana Moon LLC are Doyle G. Betsill, Dwayne N. Betsill and Randall J. Betsill.

Real Estate Broker*: Clearly Maui, Inc.
Name
635 Kenolio Road
Business Address
Kihei, Hawaii 96753
Phone: (808) 874-6406 (Business)

Escrow: Title Guaranty Escrow Services, Inc., Kahului Office
Name
80 Puunene Avenue
Business Address
Kahului, Hawaii 96732
Phone: (808) 871-2200 (Business)

General Contractor*: Betsill Brothers Construction, Inc.
Name
635 Kenolio Road
Business Address
Kihei, Hawaii 96753
Phone: (808) 879-5375 (Business)

Condominium Managing Agent*: Management Consultants of Hawaii, Inc.
Name
727 Waine'e Street, Suite 106
Business Address
Lahaina, Hawaii 96813
Phone: (808) 661-8795 (Business)

Attorney for Developer: Brooks Tom Porter & Quitiquit, LLP
Name
841 Bishop Street , Suite 2125
Business Address
Honolulu, Hawaii 96813
Attn: Jeffrey D. Watts, Esq.
Phone: (808) 526-3011 (Business)

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

[X] Recorded - Bureau of Conveyances: Document No. 2004-113476
Book _____ Page _____

[ ] Filed - Land Court: Document No. _____

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

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

The Condominium Map for this condominium project is:

[ ] Proposed

[X] Recorded - Bureau of Conveyances Condo Map No. 3773

[ ] Filed - Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

[ ] Proposed

[X] Recorded - Bureau of Conveyances: Document No. 2004-113477
Book _____ Page _____

[ ] Filed - Land Court: Document No. _____

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

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

The House Rules for this condominium are:

[ ] Proposed [X] Adopted [ ] Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents**

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

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

	Minimum Set by Law	This Condominium
Declaration (and Condo Map)	75%*	75%
Bylaws	65%	65%
House Rules	_____	Majority of Board

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

2. Developer:

[ ] No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

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

Under paragraph 23 of the Declaration, the Developer has reserved the right to amend the Declaration and the Condominium Map to withdraw land and/or unsold apartments from the Project, to change the common interests and/or to reconfigure the Project. These reservations are disclosed in Exhibit G attached hereto. Notwithstanding the lease, sale or conveyance of any of the Apartments, the Developer may amend the Declaration and the Condominium Map to file the "as-built" verified statement required by Section 514A-12 of the Act. For so long as the Developer retains any interest in an Apartment in the Project, the Developer shall have the right (but not the obligation) to amend the Declaration and the Bylaws (and the Condominium Map, if appropriate) without the consent or joinder of any Apartment Owner, lienholder or other person or entity, for the purpose of meeting any requirement imposed by (i) any applicable law, (ii) the Real Estate Commission of the State of Hawaii, (iii) any title insurance company issuing a title insurance policy on the Project or any of the Apartments, (iv) any institutional lender lending funds on the security of the Project or any of the Apartments, or (v) any other governmental or quasi-governmental agency including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of Housing and Urban Development or the Veterans Administration; provided, however, that no amendment which would change the common interest appurtenant to an Apartment or substantially change the design, location or size of an Apartment shall be made without the consent of all persons having an interest in such Apartment. Prior to the election of the first Board of Directors, the Developer may amend the Rules and Regulations in any manner without the joinder, consent or approval of any other party.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

[ ] Leasehold or Subleasehold: Individual apartments and the common elements, which 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 Subleaseholds:

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

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

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

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

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

Lease Term Expires: _____ Rent Renegotiation Date(s) _____

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

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: Lot 196 of the "Kahana Ridge Subdivision", as shown on File Plan Number 2209 filed in the Bureau of Conveyances of the State of Hawaii situated at Kahana, District of Lahaina, Island and County of Maui, State of Hawaii

Tax Map Key (TMK): (2) 4-3-21-82

[X] Address [ ] TMK is expected to change because street numbers will be assigned when building permits are issued.

Land Area: approx. 221,232 [X] square feet [ ] acre(s) Zoning: Apartment (A-2)

Fee Owner: Kahana Sun LLC
Name
635 Kenolio Road
Address
Kihei, Hawaii 96753

Lessor: n/a
Name

Address

C. **Buildings and Other Improvements:**

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

2. Number of Buildings: 8 Floors Per Building 3

[X] Exhibit "A" contains further explanations.

3. Principal Construction Material:

[ ] Concrete [ ] Hollow Tile [X] Wood

[X] Other Stucco, glass, composition roofing and allied building materials

4. Uses Permitted by Zoning:

	No. of Apts.	Use Permitted By Zoning	
[X] Residential	117	[X] Yes	[ ] No
[ ] Commercial		[ ] Yes	[ ] No
[ ] Mix Res/Comm		[ ] Yes	[ ] No
[ ] Hotel		[ ] Yes	[ ] No
[ ] Timeshare		[ ] Yes	[ ] No
[ ] Ohana		[ ] Yes	[ ] No
[ ] Industrial		[ ] Yes	[ ] No
[ ] Agricultural		[ ] Yes	[ ] No
[ ] Recreational		[ ] Yes	[ ] No
[ ] Other:		[ ] Yes	[ ] No

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

5. Special Use Restrictions:

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

[X] Pets: No animals whatsoever are permitted except as provided in the Rules and Regulations.

[ ] Number of Occupants: _____

[X] Other: No "time-sharing" (See section 10 of the Declaration); See page 20 and Exhibit "J" re: Affordable Housing Agreement requirements

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 0 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Lanai Area (sf)	Net Combined Area (Living + Lanai) (sf)
2A, 2AR	27	2/2	780	72	852
2B, 2BR (1st & 2nd floor units)	10	2/2	780	72	852
2B, 2BR (3rd floor units)	5	2/2	1040	72	1112
2C, 2CR (1st & 2nd floor units)	10	2/2	790	72	862
2C, 2CR (3rd floor units)	4	2/2	1050	72	1122
2C-Mod	1	2/2	820	72	892
3A, 3AR	15	3/2	960	78	1038
3B, 3BR (1st & 2nd floor units)	16	3/2	900	72	972
3B, 3BR (3rd floor units)	8	3/2	1180	72	1252
3C, 3CR (1st & 2nd floor units)	14	3/2	900	72	972
3C, 3CR (3rd floor units)	7	3/2	1090	72	1162

Total Apartments: 117 SEE EXHIBIT "A"

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

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

Boundaries of Each Apartment:

SEE EXHIBIT "B"

Permitted Alterations to Apartments:

SEE EXHIBIT "C"

Apartments Designated for Owner-Occupants Only:
Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section514A-102, HRS; or include the information here in this public report and in the announcement. Developer has elected to provide the information in a published announcement or advertisement.

7. Parking Stalls:

Total Parking Stalls: 234

	Regular		Compact		Handicap		Tandem		
	covered	open	covered	open	covered	open	covered	open	TOTAL
Assigned (for each unit)*		151		47		1		4	203
Guest		19		11		1			31
Unassigned									
Extra for Purchase									
Other									
Total Covered & Open	170		58		2		4		234

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

[ ] Commercial parking garage permitted in condominium project.

[X] Exhibit "A" 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 [X] Trash Enclosure(s)

[X] Other: Interior roadways to parking areas.

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

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

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

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations (For conversions of residential apartments in existence for at least five years):

N/A

11. Conformance to Present Zoning Code

a. [X] No variances to zoning code have been granted.

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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

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

[X] described in Exhibit "D".

[ ] as follows:

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

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

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

[X] described in Exhibit "E".

[ ] as follows:

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

[X] described in Exhibit "A".

[ ] 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 "F" describes the encumbrances against the title contained in the title report dated November 8, 2004 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

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

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

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

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

Type of Lien	Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed **Prior to Conveyance**
Mortgage	If the Developer defaults before the Apartment is conveyed to Buyer, the Mortgagee will have the right to decide whether to sell the Apartment to the Buyer under the Sales Contract or to terminate the Sales Contract. If the Mortgagee terminates the Sales Contract, Buyer's deposit will be refunded, less any escrow cancellation fee, and Buyer shall have no further interest under the Sales Contract.

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:

The developer intends to require the general contractor to provide a one-year warranty, commencing upon the "Date of Completion" (as defined in section 507-43 of the Hawaii Revised Statutes, as amended), that (a) the materials and equipment furnished for construction of the project will be of good quality and new, unless the construction contract requires or permits that the materials and equipment be otherwise; and (b) the construction and services required by the construction contract (including all labor, materials and equipment to be provided by the general contractor) will be free from defects, except for defects inherent in the quality of the construction and services required or permitted by the construction contract. Without incurring any legal liability, the developer will agree to cooperate with the buyer to try to have the general contractor perform all of the general contractor's warranties. (See section E.7 of the Sales Contract.)

2. Appliances:

Appliance warranty information is not yet available because appliances have not yet been purchased. However, the developer intends to transfer to the buyer any manufacturer's or dealer's warranties that are transferable and cover appliances sold with the apartments.

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

Construction of the Project commenced in September of 2003. The Developer estimates that construction of the Project will be completed by December of 2005.

H. **Project Phases:**

The developer [ ] has [X] 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):

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

B. **Estimate of Initial Maintenance Fees:**

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

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

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

C. **Utility Charges for Apartments:**

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

[ ] None [X] Electricity (__X__ Common Elements only ____ Common Elements & Apartments)
[X] Gas (___ Common Elements only __X__ Common Elements & Apartments)
[X] Water (___ Common Elements only __X__ Common Elements & Apartments)
[X] Sewer (___ Common Elements only __X__ Common Elements & Apartments)
[X] Television Cable
[X] Other: Telephone (Common Elements only); refuse collection (Common Elements & Apartments)

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

[ ] Notice to Owner Occupants

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

[X] Escrow Agreement dated September 26, 2003
Exhibit "I" contains a summary of the pertinent provisions of the escrow agreement.

[X] Other Affordable Housing Agreement dated July 5, 2002, recorded as Document No. 2002-193731

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 given an effective date by the Hawaii Real Estate Commission.
B) Declaration of Condominium Property Regime, as amended.
C) Bylaws of the Association of Apartment Owners, 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 Affordable Housing Agreement dated July 5, 2002, recorded as Document No. 2002-193731

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 law (Chapter 514A, HRS) and the 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 part of Registration No. 5228 filed with the Real Estate Commission on November 13, 2003.

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

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

C. **Additional Information Not Covered Above:**

Affordable Housing Agreement. The Project is being developed subject to and in accordance with the terms of that certain Affordable Housing Agreement dated July 5, 2002, by and between the Developer and the County of Maui, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2002-193731 (the "Affordable Housing Agreement"). The Affordable Housing Agreement requires (among other things) that all of the apartments in the Project shall be offered for sale initially only to persons who fall within certain income levels and meet certain other eligibility requirements, as set forth in the Affordable Housing Agreement. Accordingly, for a certain period of time set forth in the Affordable Housing Agreement, each prospective purchaser shall be required to provide certain information and sign certain applications and other documents as conditions to entering into a sales contract for an apartment. Depending upon a qualified purchaser's income level, the purchaser will be required to own and occupy the apartment for a period of not less than 5 years, 3 years or 1 year. A copy of the Affordable Housing Agreement (together with an explanatory note) is attached hereto as Exhibit "J". EACH PURCHASER IS ENCOURAGED TO READ THE AFFORDABLE HOUSING AGREEMENT AND RELATED SALES MATERIALS TO BE PROVIDED BY THE SELLER UNDER THE SALES CONTRACT VERY CAREFULLY.

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.

KAHANA SUN LLC, a Delaware limited liability company
Printed Name of Developer

By Kahana Star LLC
Its Member/Manager

By _____ Date: 11-11-04

Raymond Phillips Manager
(Printed Name & Title of Signatory*)

By Kahana Moon LLC
Its Member/Manager

By _____ Date: 11-10-04

Doyle G. Betsill Member/Manager
(Printed Name & Title of Signatory*)

Distribution:

Department of Finance, County of Maui
Planning Department, County of Maui

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

DESCRIPTION OF APARTMENTS

The Project contains thirteen (13) different types of Apartments (including identical reverse types indicated by an "R") in eight (8) Buildings. The Buildings, as shown on the Condominium Map, are numbered 1 through 8. The Apartments, as described in the Declaration, are designated as Type 2A (or 2AR), Type 2B (or 2BR), Type 2C (or 2CR), Type 2C-Mod, Type 3A (or 3AR), Type 3B (or 3BR) and Type 3C (or 3CR). The first number of an Apartment's Type indicates the number of bedrooms in the Apartment. The general Types of Apartments are more particularly described as follows:

TYPE 2A and 2AR APARTMENTS:

The Project contains fifteen (15) Type 2A and twelve (12) Type 2AR Apartments. Each Type 2A and 2AR Apartment includes two (2) bedrooms, two (2) bathrooms, a kitchen, a living room, and a dining room for an approximate combined net living area of 780 square feet. The Type 2A and 2AR Apartments include a covered lanai with an approximate net area of 72 square feet.

TYPE 2B and 2BR APARTMENTS:

The Project contains six (6) Type 2B and nine (9) Type 2BR Apartments. Each Type 2B and 2BR Apartment includes two (2) bedrooms, two (2) bathrooms, a kitchen, a living room, and a dining room for an approximate combined net living area of 780 square feet for the Type 2B and 2BR Apartments on the first and second floors, and 800 square feet for the Type 2B and 2BR Apartments on the third floors. The Type 2B and 2BR Apartments include a covered lanai with an approximate net area of 72 square feet. The Type 2B and 2BR Apartments on the third floors include approximately 240 additional square feet of net living area loft space.

TYPE 2C, 2C-Mod and 2CR APARTMENTS:

The Project contains eight (8) Type 2C Apartments, one (1) Type 2C-Mod and six (6) Type 2CR Apartments. Each Type 2C, 2C-Mod and 2CR Apartment includes two (2) bedrooms, two (2) bathrooms, a kitchen, a living room, and a dining room for an approximate combined net living area of 790 for the Type 2C and 2CR Apartments on the first and second floors, and 820 square feet for the Type 2C and 2CR Apartments on the third floors and the Type 2C-Mod Apartment. The Type 2C, 2C-Mod and 2CR Apartments include a covered lanai with an approximate net area of 72 square feet. The Type 2C and 2CR Apartments on the third floors include approximately 230 additional square feet of net living area loft space.

TYPE 3A and 3AR APARTMENTS:

The Project contains nine (9) Type 3A Apartments and six (6) Type 3AR Apartments. Each Type 3A and 3AR Apartment includes three (3) bedrooms, two (2) bathrooms, a kitchen, a living room, and a dining room for an approximate combined net living area of 960 square feet.

The Type 3A and 3AR Apartments also include a covered lanai with an approximate net area of 78 square feet.

TYPE 3B and 3BR APARTMENTS:

The Project contains twelve (12) Type 3B Apartments and twelve (12) Type 3BR Apartments. Each Type 3B and 3BR Apartment includes three (3) bedrooms, two (2) bathrooms, a kitchen, a living room, and a dining room for an approximate combined net living area of 900 square feet for the Type 3B and 3BR Apartments on the first and second floors, and 970 square feet for the Type 3B and 3BR Apartments on the third floors. The Type 3B and 3BR Apartments include a covered lanai with an approximate net area of 72 square feet. The Type 3B and 3BR Apartments on the third floors include approximately 210 additional square feet of net living area loft space.

TYPE 3C and 3CR APARTMENTS:

The Project contains nine (9) Type 3C Apartments and twelve (12) Type 3CR Apartments. Each Type 3C and 3CR Apartment includes three (3) bedrooms, two (2) bathrooms, a kitchen, a living room, and a dining room for an approximate combined net living area of 900 square feet for the Type 3C and 3CR Apartments on the first and second floors, and 970 square feet for the Type 3C and 3CR Apartments on the third floors. The Type 3C and 3CR Apartments include a covered lanai with an approximate net area of 72 square feet. The Type 3C and 3CR Apartments on the third floors include approximately 120 additional square feet of net living area loft space.

The chart that follows on the next page discloses (among other things) the number of each Apartment. The first numeral in each Apartment number indicates the Building in which the Apartment is located. The chart also discloses whether the Apartment is on the first, second or third floor of its Building, the net living area for the Apartment and the area of the lanai. The net living areas and lanai areas of Apartments of the same Type may vary slightly from floor to floor, and some third-floor Apartments contain loft spaces while Apartments of the same Type on lower floors do not. The chart further discloses assigned limited common element parking stalls and each Apartment's appurtenant undivided percentage interest in the common elements of the Project.

Apt. Number	Apt. Type	Apt. Floor Number	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx. Lanai Area	Assigned Parking Stall(s)	Common Interest
111	3CR	1	3/2	900	72	44C, 45C	0.85%
112	3BR	1	3/2	900	72	46C, 52	0.85%
113	3A	1	3/2	960	78	47C, 53	0.91%
114	3B	1	3/2	900	72	48, 54	0.85%
115	3C	1	3/2	900	72	49, 50	0.85%
121	3CR	2	3/2	900	72	18, 19	0.85%
122	3BR	2	3/2	900	72	13C, 15	0.85%
123	3A	2	3/2	960	78	9C, 10C	0.91%
124	3B	2	3/2	900	72	5, 6	0.85%
125	3C	2	3/2	900	72	3, 4	0.85%
131	3CR	3	3/2	1,090	72	20, 51	1.04%
132	3BR	3	3/2	1,180	72	16, 17	1.12%
133	3A	3	3/2	960	78	11C, 12C	0.91%
134	3B	3	3/2	1,180	72	7, 8	1.12%
135	3C	3	3/2	1,090	72	1, 2	1.04%
211	3CR	1	3/2	900	72	97, 98	0.85%
212	3BR	1	3/2	900	72	99, 100	0.85%
213	3A	1	3/2	960	78	95, 96	0.91%
214	3B	1	3/2	900	72	93, 94	0.85%
215	3C	1	3/2	900	72	91, 92	0.85%
221	3CR	2	3/2	900	72	22, 23	0.85%
222	3BR	2	3/2	900	72	24, 25	0.85%
223	3A	2	3/2	960	78	26, 27	0.91%
224	3B	2	3/2	900	72	28, 29	0.85%
225	3C	2	3/2	900	72	30, 31	0.85%
231	3CR	3	3/2	1,090	72	36C, 37	1.04%
232	3BR	3	3/2	1,180	72	35C, 38, 41, 75H, 84C, 85C, 126, 177, 186C, 209, 224	1.12%
233	3A	3	3/2	960	78	34C, 39	0.91%
234	3B	3	3/2	1,180	72	14, 33, 42, 74, 82C, 83C, 127, 161, 178, 223	1.12%
235	3C	3	3/2	1,090	72	32, 43C	1.04%
311	3CR	1	3/2	900	72	101, 117	0.85%

Apt. Number	Apt. Type	Apt. Floor Number	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx. Lanai Area	Assigned Parking Stall(s)	Common Interest
312	3BR	1	3/2	900	72	102, 119	0.85%
313	3AR	1	3/2	960	78	103, 123	0.91%
321	3CR	2	3/2	900	72	55, 80	0.85%
322	3BR	2	3/2	900	72	57, 78	0.85%
323	3AR	2	3/2	960	78	59, 76	0.91%
331	3CR	3	3/2	1,090	72	56, 79	1.04%
332	3BR	3	3/2	1,180	72	58, 77	1.12%
333	3AR	3	3/2	960	78	60, 73	0.91%
411	3A	1	3/2	960	78	115, 129	0.91%
412	3B	1	3/2	900	72	116, 133C	0.85%
413	3C	1	3/2	900	72	136C, 137C	0.85%
421	3A	2	3/2	960	78	61, 72C	0.91%
422	3B	2	3/2	900	72	64, 69C	0.85%
423	3C	2	3/2	900	72	65, 68C	0.85%
431	3A	3	3/2	960	78	62, 71C	0.91%
432	3B	3	3/2	1,180	72	63, 70C	1.12%
433	3C	3	3/2	1,090	72	66, 67C	1.04%
511	3CR	1	3/2	900	72	145, 146	0.85%
512	3BR	1	3/2	900	72	140T, 141T	0.85%
513	3AR	1	3/2	960	78	148, 149	0.91%
514	3B	1	3/2	900	72	153, 154	0.85%
521	3CR	2	3/2	900	72	104, 105	0.85%
522	3BR	2	3/2	900	72	108, 109	0.85%
523	3AR	2	3/2	960	78	120, 142	0.91%
524	3B	2	3/2	900	72	122, 147	0.85%
531	3CR	3	3/2	1,090	72	106, 107	1.04%
532	3BR	3	3/2	1,180	72	138T, 139T	1.12%
533	3AR	3	3/2	960	78	111, 118	0.91%
534	3B	3	3/2	1,180	72	110, 121	1.12%
611	2A	1	2/2	780	72	155	0.74%
612	2A	1	2/2	780	72	156	0.74%
613	2B	1	2/2	780	72	157	0.74%
614	2C	1	2/2	790	72	159C	0.75%
621	2A	2	2/2	780	72	130	0.74%
622	2A	2	2/2	780	72	131	0.74%
623	2B	2	2/2	780	72	134C	0.74%
624	2C	2	2/2	790	72	135C	0.75%
631	2A	3	2/2	780	72	124	0.74%

Apt. Number	Apt. Type	Apt. Floor Number	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx. Lanai Area	Assigned Parking Stall(s)	Common Interest
632	2A	3	2/2	780	72	125	0.74%
633	2B	3	2/2	1,040	72	128, 158	0.99%
634	2C	3	2/2	1,050	72	132, 160C	1.00%
711	2CR	1	2/2	790	72	193	0.75%
712	2BR	1	2/2	780	72	194	0.74%
713	2AR	1	2/2	780	72	195	0.74%
714	2AR	1	2/2	780	72	200	0.74%
715	2A	1	2/2	780	72	201	0.74%
716	2A	1	2/2	780	72	202	0.74%
717	2B	1	2/2	780	72	203	0.74%
718	2C	1	2/2	790	72	207	0.75%
721	2CR	2	2/2	790	72	143	0.75%
722	2BR	2	2/2	780	72	144	0.74%
723	2AR	2	2/2	780	72	183	0.74%
724	2AR	2	2/2	780	72	181	0.74%
725	2A	2	2/2	780	72	179	0.74%
726	2A	2	2/2	780	72	175	0.74%
727	2B	2	2/2	780	72	174	0.74%
728	2C	2	2/2	790	72	169C	0.75%
731	2CR	3	2/2	1,050	72	185C, 196	1.00%
732	2BR	3	2/2	1,040	72	184C, 197	0.99%
733	2AR	3	2/2	780	72	182	0.74%
734	2AR	3	2/2	780	72	180	0.74%
735	2A	3	2/2	780	72	176	0.74%
736	2A	3	2/2	780	72	171	0.74%
737	2B	3	2/2	1,040	72	170, 198	0.99%
738	2C	3	2/2	1,050	72	168C, 199	1.00%
811	2C	1	2/2	790	72	234C	0.75%
812	2CR	1	2/2	790	72	231C	0.75%
813	2BR	1	2/2	780	72	228C	0.74%
814	2AR	1	2/2	780	72	227C	0.74%
815	2A	1	2/2	780	72	204	0.74%
816	2BR	1	2/2	780	72	208	0.74%
817	2AR	1	2/2	780	72	216	0.74%
821	2C	2	2/2	790	72	233C	0.75%
822	2CR	2	2/2	790	72	230C	0.75%
823	2BR	2	2/2	780	72	225C	0.74%
824	2AR	2	2/2	780	72	222	0.74%

Apt. Number	Apt. Type	Apt. Floor Number	Bedrooms/ Bathrooms	*Approx. Net Living Area	*Approx. Lanai Area	Assigned Parking Stall(s)	Common Interest
825	2A	2	2/2	780	72	221	0.74%
826	2BR	2	2/2	780	72	218	0.74%
827	2AR	2	2/2	780	72	214	0.74%
831	2C-Mod	3	2/2	820	72	232C	0.78%
832	2CR	3	2/2	1,050	72	205C, 229C	1.00%
833	2BR	3	2/2	1,040	72	206C, 226C	0.99%
834	2AR	3	2/2	780	72	220	0.74%
835	2A	3	2/2	780	72	219	0.74%
836	2BR	3	2/2	1,040	72	215, 217	0.99%
837	2AR	3	2/2	780	72	213	0.74%

Total Common Interest: 100.000%

*The approximate net living areas and lanai areas shown above are in square feet.

COMMON INTERESTS

The common interest for each Apartment was determined by dividing the Apartment's approximate net living area by the aggregate approximate net living areas of all of the apartments, and converting the resulting fraction to a percentage.

PARKING

Assigned Stalls. The assigned parking stalls shown above are limited common elements. Assigned parking stalls with numbers that end with "C" are compact stalls. Assigned parking stalls with numbers that end with "T" are tandem stalls. Assigned parking stall number 75H is a handicap stall. All other assigned stalls are standard sized stalls.

Unassigned Stalls. The Project includes thirty-one (31) unassigned common element visitor parking stalls. Visitor stalls with numbers that end with "V" are standard sized stalls. Visitor stalls with numbers that end with "CV" are compact stalls. Visitor stall number 40HV is a handicap stall. The following are all of the Project's visitor parking stalls:

21V, 40HV, 81V, 86CV, 87CV, 88CV, 89CV, 90CV, 112V, 113V, 114V, 150V, 151V, 152V, 162V, 163V, 164V, 165CV, 166CV, 167CV, 172V, 173V, 187CV, 188CV, 189CV, 190V, 191V, 192V, 210V, 211V and 212V

Transfer of Stalls. Apartment Owners may transfer assigned limited common element parking stalls pursuant to the Declaration. Under certain circumstances described in paragraph 9.2 of the Declaration, the Owner of an Apartment to which a handicap parking

stall is assigned may be required to transfer such stall to another Apartment in exchange for a non-handicap stall.

NOTE: THE TRANSFER OF ASSIGNED PARKING STALLS IN ACCORDANCE WITH THE DECLARATION, INCLUDING THE RECORDATION OF ANY AMENDMENTS TO THE DECLARATION TO ACCOMPLISH SUCH TRANSFER(S), WILL NOT REQUIRE THE DEVELOPER TO ISSUE A SUPPLEMENTARY PUBLIC REPORT FOR THE PROJECT.

BOUNDARIES OF APARTMENTS

Each Apartment shall be deemed to include: (i) all the walls and partitions which are not load-bearing within its perimeter walls, (ii) the interior decorated or finished surfaces of all walls, floors and ceilings, including floor coverings, (iii) any doors and door frames, windows or panels along the perimeters, window frames, (iv) all fixtures originally installed therein, (v) the air space within and bounded by the interior decorated or finished surfaces of the perimeter walls, floors and ceilings, and (vi) the decorated or finished surface of the floor, walls (if any) and ceiling of the lanai(s) appurtenant to the Apartment, the railing (if any) of such lanai(s) and the lanai air space. The respective Apartments shall not be deemed to include: (a) the undecorated or unfinished interior surfaces of the perimeter walls, floors and ceilings, (b) the interior load-bearing walls, (c) the exterior portions and components of the Building in which the Apartment is located, including walls, siding, roofs, attic space, stairways, breezeways, landings and utility rooms and areas outside of the perimeter walls of the Apartment, and (d) any pipes, shafts, wires, conduits or other utility or services lines running through such Apartment, the same being deemed common elements as provided in the Declaration.

Should the descriptions and divisions set forth in the Declaration conflict with the depictions and divisions shown on the Condominium Map, the Condominium Map shall control. The Condominium Map, however, is intended to show only the layout, location, Apartment numbers and dimensions of the Apartments and elevations of the buildings and is not intended and shall not be deemed to contain or make any other representation or warranty.

The approximate areas of the Apartments are set forth in Exhibit "A" of this Public Report and are based on measurements taken from the interior surface of all perimeter walls, except that no reduction is made to account for interior walls, ducts, vents, shafts, and the like located within the perimeter walls. The areas set forth in Exhibit "A" are not exact but are approximations based on the floor plans of each type of apartment. The measurements set forth in Exhibit "A" may not follow the designation of the limits of the apartments (the legally designated areas of the apartments) set forth above and the net living areas set forth in Exhibit "A" may be greater than the floor areas of the apartments as so designated and described above.

PERMITTED ALTERATIONS

Subject to the provisions of the Declaration and Chapter 514A of the Hawaii Revised Statutes (the "Act"), and except as otherwise provided in the Bylaws, no Owner of an Apartment shall, without the prior written approval of the Board of Directors of the Association (the "Board") make any structural alterations in or additions to his Apartment or make any alterations in or additions to the exterior of his Apartment (including painting, awnings, jalousies and screens) or to the common elements.

An Owner may make non-structural alterations and additions solely within his Apartment, or solely within a limited common element appurtenant to and for the exclusive use of his Apartment, at the Owner's sole cost and expense, provided that such alterations or additions do not affect any other Apartment or other common elements or change the exterior or appearance of the Project, and provided, further, that any building permit required for such alterations or additions is first duly obtained and filed with the Board and the proposed alteration or addition will not adversely affect the Project's insurance rating or premiums.

No Apartment Owner shall, without the prior written approval of the Board, install any wiring for electrical or telephone installations, television antenna, machines or air-conditioning units, or other equipment, fixtures, appliances or appurtenances whatsoever on the exterior of the Building in which the Apartment is located or protruding through the walls, windows or roofs thereof.

No Apartment Owner shall, without the prior written approval of the Board, make any structural modifications, changes, additions or alterations to the Apartment's lanai(s) or add any awnings, screens, sunscreens, louvers or enclosures of any kind, exhaust vents, wind baffles, or drain.

It is intended that the exterior of the Project present a uniform appearance. To effect that end, all interior window coverings (including curtains, drapes and screens of any kind) visible from outside of the Apartment shall include a backing of a type, color and appearance approved by the Board. In addition, Owners may not, without the prior written approval of the Board: (i) apply any substance, material or process to the exterior or interior surfaces of the Apartment's windows which may alter the exterior color, appearance or reflectivity of the windows; or (ii) paint or repaint perimeter doors, door frames, window frames, window sills or any part of the Apartment or limited common elements appurtenant to the Apartment that is visible from outside the Apartment except in a color and with a paint type approved in writing by the Board.

The Owner of any two or more adjacent Apartments separated by a common element wall may alter or remove all or portions of such wall if the structural integrity of the building in which the Apartments are located is not thereby affected and if the finish of the remaining common element(s) is restored to a condition substantially comparable to that of the common element prior to such alterations. Such alteration shall require only the written approval of the Board, including the Board's approval of the Owner's plans for such alteration, together with the approval of the holders of first mortgages on all Apartments affected by such alteration, and the

approval of the appropriate agencies of the State of Hawaii and/or the County of Maui if such agencies so require. The Board's approval may be conditioned upon the Board having first received a certified written statement of a registered Hawaii architect or engineer that the proposed alterations shall not adversely affect the structural integrity of any part of the Project or jeopardize the soundness or safety of the Project in any way. Such alteration may be undertaken without an amendment to the Bylaws or to the Declaration or the filing of a complete set of floor plans of the Project as so altered. If, in the reasonable judgment of the Board, the alterations or additions are substantial in nature, the Board may require that the Owner of the Apartments affected provide evidence satisfactory to the Board of sufficient financing to complete such alterations or additions or, in lieu thereof, require that the Owner obtain a performance and lien payment bond, naming as obligees the Board, the Association and all Apartment Owners and their mortgagees of record, as their interests may appear, for a penal sum of not less than one hundred percent (100%) of the estimated cost of such construction. Prior to the termination of the common ownership of any such adjacent Apartments, the Owner of such Apartments shall be obligated to restore the intervening wall between the Apartments to substantially the same condition in which the wall existed prior to its alteration or removal.

Notwithstanding anything to the contrary contained in the Bylaws, the Declaration or the Rules and Regulations, Owners with disabilities shall be permitted to make reasonable modifications to their Apartments and/or common elements, at their expense (including the cost of obtaining any bonds required by the Declaration, the Bylaws or the Act), if such modifications are necessary to enable them to use and enjoy their Apartments and/or the common elements, as the case may be, provided that any Owner with a disability desiring to make such modifications shall make such request, in writing, to the Board of Directors. That request shall set forth, with specificity and in detail, the nature of the request and the reason that the requesting party needs to make such modifications. The Board of Directors shall not unreasonably withhold or delay their consent to such request, and any such request shall be deemed to be granted if not denied in writing, within forty-five (45) days of the Board's receipt thereof, or within forty-five (45) days of the Board's receipt of additional information reasonably required in order to consider such request, whichever shall last occur.

Article VIII of the Bylaws contains additional information regarding alterations to the Apartments, the common elements and the limited common elements.

COMMON ELEMENTS

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

(a) The Project's land (the "Land"), in fee simple;

(b) The limited common elements described in paragraph 5 of the Declaration and in Exhibit "E" of this Public Report;

(c) All foundations, columns, girders, beams, supports, perimeter walls, load-bearing walls, roofs, exterior stairs and stairways, breezeways, landings, pumps, ducts, pipes, wires, conduits, or other utility or service lines located outside of the Apartments, and generally all equipment, apparatus, installations and personal property existing for common use in any of the buildings or located on the Land;

(d) All pipes, wires, ducts, conduits or other utility or service lines running through an Apartment;

(e) All recreational facilities and other amenities of the Project;

(f) All roadways, driveways and other common ways, all parking and loading spaces, all gates and kiosks or gatehouses (if any) at the entryway to the Project, all storage areas not located within an Apartment, all landscaping, courtyards, fences, gates, wells, retaining walls, mailboxes, trash areas, maintenance structures and facilities and accessory equipment areas, including electrical and mechanical rooms or facilities located on the Land or within any of the buildings and serving more than one Apartment;

(g) All other parts of the Project and improvements on the Land that are not part of any Apartment.

LIMITED COMMON ELEMENTS

The limited common elements set aside and reserved for the exclusive use of the Apartments to which they are assigned are as follows:

(a) Each Apartment shall have appurtenant thereto as limited common elements all pipes, wires, ducts, conduits or other utility or service lines located within or running through the Apartment and utilized by or serving only that Apartment.

(b) Each Apartment located on a third floor shall have appurtenant thereto as a limited common element the air space (if any) between the Apartment's ceiling and that portion of the Building's roof immediately above the Apartment.

(c) Each Apartment shall have appurtenant thereto as limited common element(s) the parking stall(s) assigned to the Apartment and identified on Exhibit "C" attached to the Declaration and Exhibit "A" attached to this public report.

(d) Each Apartment shall have appurtenant thereto as a limited common element the mail box located in the proximity of the Apartment's building (as shown on the Condominium Map) bearing the same number as the Apartment.

(e) Any other common element of the Project which is rationally related to less than all of the Apartments shall be deemed a limited common element appurtenant to and for the exclusive use of the Apartment or Apartments to which such common element is rationally related; provided, however, that the Buildings shall be deemed common elements and not limited common elements, notwithstanding that each Building may be deemed to be rationally related to less than all of the Apartments in the Project.

ENCUMBRANCES AGAINST TITLE

That certain Preliminary Report dated **November 8, 2004**, issued by Title Guaranty of Hawaii, Inc., discloses that the land of the Project is subject to the following encumbrances:

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

2. NOTICE OF AIRPORT AND AIRCRAFT OPERATIONS dated November 26, 1984, recorded in Liber 18291 at Page 140, made by MAUI LAND & PINEAPPLE COMPANY, INC., a Hawaii corporation ("MLP"); re: MLP entered into a Development Agreement with HAWAIIAN AIRLINES, INC., a Hawaii corporation ("HAL"), for the development and construction of an airstrip, comprising approximately 50 acres, together with easements and other rights affecting adjacent lands as described in said Development Agreement between MLP and HAL.

3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

   INSTRUMENT : PRIVATE WATER SYSTEM AND ELEVATION AGREEMENT

   DATED : December 23, 1986
   RECORDED : Liber 20250, Page 172
   PARTIES : MAUI LAND AND PINEAPPLE COMPANY, INC., and HAWAIIAN AIRLINES, INC., and the COUNTY OF MAUI and its Department of Water Supply

4. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

   INSTRUMENT : DEFERRAL OF SUBDIVISION REQUIREMENTS

   DATED : October 17, 1989
   RECORDED : Liber 23924, Page 329
   PARTIES : GEORGE NUINUI KAAE, Trustee representing the Heirs of Kaae, et al., and the DEPARTMENT OF WATER SUPPLY of the County of Maui

5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

   INSTRUMENT : UNILATERAL AGREEMENT AND DECLARATION FOR CONDITIONAL ZONING

   DATED : August 10, 1992
   RECORDED : Document No. 92-155436

6. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : DECLARATION OF CONDITIONS

DATED : January 22, 1993
RECORDED : Document No. 93-027389

Said Declaration was amended by instrument dated March 25, 1993, recorded as Document No. 93-054396.

7. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : UNILATERAL AGREEMENT AND DECLARATION FOR PARK USE

DATED : October 30, 1997
RECORDED : Document No. 98-008687

8. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

DATED : January 12, 1998
RECORDED : Document No. 98-008688

Said Declaration was amended by instruments dated June 25, 1998, recorded as Document No. 98-096565, and dated March 9, 2000, recorded as Document No. 2001-038386.

ASSIGNMENT OF RIGHTS OF DECLARANT UNDER KAHANA RIDGE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS dated September 24, 2002, recorded as Document No. 2002-225951, by and between MAUI USA, INC., a Nevada corporation, "Assignor", and KAHANA RIDGE ASSOCIATION, INC., a Hawaii non-profit corporation, "Assignee".

Said above assignment was re-recorded as Document No. 2002-233380.

TRANSFER OF DRAINAGE, WATERLINE, LANDSCAPE, IRRIGATION AND SEWER EASEMENTS AND GRANT OF FACILITIES dated September 24, 2002, recorded as Document No. 2002-233377, made by and between MAUI USA INC., a

Nevada corporation, "Grantor", and KAHANA RIDGE ASSOCIATION, INC., a Hawaii non-profit corporation, "Grantee", granting all of Grantor's right, title and interest in and to easements over easement areas described in Exhibit "A" attached thereto.

Said instrument was re-recorded as Document No. 2003-045364.

9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT	:	UNILATERAL AGREEMENT AND DECLARATION OF COVENANTS AND CONDITIONS CONCERNING DEDICATION TO PARK USE UNDER MAUI COUNTY CODE, SECTION 18.16.320E
DATED	:	October 30, 1997
RECORDED	:	Document No. 99-156118
PARTIES	:	MAUI USA, INC.

10. DESIGNATION OF EASEMENT "18"

PURPOSE	:	Electrical Switchgear purposes
SHOWN	:	on File Plan No. 2209

11. DESIGNATION OF EASEMENT "41"

PURPOSE	:	Drainage and sanitary sewer
SHOWN	:	on File Plan No. 2209

12. DESIGNATION OF EASEMENT "45"

PURPOSE	:	Telephone purposes
SHOWN	:	on File Plan No. 2209

13. GRANT

TO	:	MAUI ELECTRIC COMPANY, LIMITED and VERIZON HAWAII INC.
DATED	:	November 13, 1996
RECORDED	:	Document No. 98-008684
GRANTING	:	an easement over said Easements "18 & 45"

14. GRANT

TO	:	KAHANA RIDGE ASSOCIATION, INC.

DATED : September 24, 2002
RECORDED : Document No. 2002-233377
GRANTING : easements for drainage, waterline, landscape, irrigation and sewer purposes

15. GRANT

TO : KAHANA RIDGE ASSOCIATION, INC.

DATED : September 24, 2002
RECORDED : Document No. 2003-045364
GRANTING : easements for drainage, waterline, landscape, irrigation and sewer purposes

16. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : AFFORDABLE HOUSING AGREEMENT

DATED : July 5, 2002
RECORDED : Document No. 2002-193731
PARTIES : KAHANA SUN LLC, a Delaware limited liability company, "Developer", and the COUNTY OF MAUI, "County"

17. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : DECLARATION OF CONDOMINIUM PROPERTY REGIME FOR "THE VILLAS AT KAHANA RIDGE" CONDOMINIUM PROJECT

DATED : May 28, 2004
RECORDED : Document No. 2004-113476
MAP : 3773 and any amendments thereto

18. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : BY-LAWS OF THE ASSOCIATION OF APARTMENT OWNERS

DATED : May 28, 2004
RECORDED : Document No. 2004-113477

19. MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT

LOAN/ACCOUNT NO. 90-20342-9-450

MORTGAGOR	:	KAHANA SUN LLC, a Delaware limited liability company
MORTGAGEE	:	FINANCE FACTORS, LIMITED, a Hawaii corporation
DATED	:	October 14, 2004
RECORDED	:	Document No. 2004-213592
AMOUNT	:	$9,500,000.00

20. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT	:	ASSIGNMENT OF DEVELOPMENT RIGHTS
DATED	:	October 14, 2004
RECORDED	:	Document No. 2004-213593
PARTIES	:	KAHANA SUN, LLC, a Delaware limited liability company, "Assignor", and FINANCE FACTORS, LIMITED, a Hawaii corporation, "Assignee"

21. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT	:	ASSIGNMENT OF SALES CONTRACTS AND DEPOSITS
DATED	:	October 14, 2004
RECORDED	:	Document No. 2004-213594
PARTIES	:	KAHANA SUN, LLC, a Delaware limited liability company, "Assignor", and FINANCE FACTORS, LIMITED, a Hawaii corporation, "Assignee"

22. FINANCING STATEMENT

DEBTOR	:	KAHANA SUN LLC
SECURED PARTY	:	FINANCE FACTORS, LIMITED, a Hawaii corporation
RECORDED	:	Document No. 2004-213595
RECORDED ON	:	October 19, 2004

23. Real Property taxes as may be due and owing. Refer to the County of Maui Director of Finance for further information.

DEVELOPER'S RESERVED WITHDRAWAL AND ALTERATION RIGHTS

Paragraph 23 of the Declaration provides as follows:

23. **Reservation to Withdraw Land and Apartments and Reconfigure the Project.**

23.1 Any other provision in this Declaration to the contrary notwithstanding, the Developer shall have the right (but shall not be obligated) in its sole discretion under this paragraph 23, without being required to obtain the consent or joinder of any person or group of persons, including the Association, any Apartment Owner or any mortgagee, lien holder, Apartment purchaser, or any other person who may have an interest in the Project or in any Apartment, to change the type, layout and dimensions of any unbuilt and unsold Apartment and/or the limited common elements appurtenant thereto, and/or to remove and delete from the Project and from the effect of this Declaration and the Act unimproved portions of the Land, all or any unbuilt and unsold Apartments and any related unbuilt or unimproved common elements and limited common elements; provided, however, that the right to withdraw shall not apply to the recreational amenities of the Project (if any), nor to any roadways, walkways, parking areas, landscaped areas, easements or any other part of or interest in the Project actually utilized by or serving any Apartment owned by any person other than the Developer at the time of such withdrawal. For purposes of this paragraph 23, "unsold Apartment" shall mean an Apartment owned by the Developer and for which no sales contract for the purchase and sale of the Apartment has become binding upon both the seller and the buyer under the contract.

23.2 Upon such removal and deletion as set forth in this paragraph 23, and with no further action required, no Apartment Owner, mortgagee, lien holder, Apartment purchaser or any other person (other than the Developer and the holder of any blanket mortgage covering the unsold portion of the Project) who may have an interest in the Project or any Apartment shall have any legal or equitable interest in the portion of the Land and the Apartments so removed and deleted (it being the intent hereof that upon such removal and deletion, fee simple title to the Land and Apartments so removed and deleted will be vested solely in the Developer). If deemed necessary to effect the intent of this Paragraph 23, each Apartment Owner, mortgagee, lien holder and any other person who may have an interest in the Project or any Apartment shall, if requested by the Developer, unconditionally quitclaim and/or release its interest (if any) in that portion of the Land and common elements so removed and deleted to the Developer.

23.3 In the exercise of the rights reserved in this paragraph 23, the Developer may at any time (i) file and process to final approval an application with the County of Maui for the legal subdivision of that portion of the Project to be withdrawn, (ii) file or record supporting file plans, maps or other instruments in the Bureau, (iii) record one or more amendments to this Declaration in the Bureau containing an amended description of the Land and/or Apartments covered by this Declaration and deleting therefrom that portion of the Land and/or the Apartments removed and deleted from the Project (if any), and amending the common interests appurtenant to the remaining Apartments (by increasing such common interests if necessary) so that the aggregate common interest appurtenant to all remaining Apartments equals 100%, (iv)

file in the Bureau an amended Condominium Map reflecting the changes to the Apartments and/or the removal and deletion of the withdrawn Land and/or Apartments, and (v) if deemed appropriate, apply for and obtain from the Real Estate Commission of the State of Hawaii a Supplementary Public Report describing the changes made in the Project pursuant to the terms of this paragraph 23. Any changes to the Apartments and/or the common interests and/or removal and deletion of any portion of the Land and/or Apartments made pursuant to this paragraph 23 shall be deemed effective for all purposes upon the recordation in the Bureau of the amendment(s) to this Declaration and Condominium Map referenced herein.

23.4 The Developer shall have the absolute right, notwithstanding the lease, sale or conveyance of any Apartment, and without being required to obtain the consent or joinder of any Apartment Owner, lien holder or other persons, to effect the changes to the Apartments and/or limited common elements and/or the removal and deletion of portions of the Project in accordance with this paragraph 23, and to execute, record and/or file the herein described application, amendments, quitclaims, releases and any and all other instruments necessary or appropriate for the purpose of effecting the changes and/or removal and deletion of portions of the Land and/or Apartments as contemplated hereby. Any such action shall be deemed taken by the Developer as the true and lawful attorney-in-fact of the respective Apartment Owners and lien holders. Each and every person acquiring an interest in any Apartment, the Project or the Land covered by this Declaration, by such acquisition, consents to such changes (including an increase in the common interest appurtenant to any Apartment owned by such person and a concomitant increase in such person's ownership interest in the Project's remaining common elements), deletion and/or removal and to the recordation of such documents as may be necessary to effect the same; agrees to execute such documents and do such other things as may be necessary or convenient to effect the same; and appoints the Developer his, her or its attorney-in-fact with full power of substitution to execute such documents and do such other things on his, her or its behalf, which grant of such power, being coupled with an interest, is irrevocable and shall not be affected by the disability of any such person.

23.5 The rights of the Developer under this paragraph 23 shall extend to the Developer and its respective successors and assigns.

23.6 Notwithstanding any provision herein to the contrary, this paragraph 23 may not be amended without the written consent and joinder of the Developer for so long as the Developer retains an ownership interest in any Apartment in the Project.

ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS
FOR
THE VILLAS AT KAHANA RIDGE

Estimate of Initial Maintenance Fees:

Apartment Type	Monthly Fee	X 12 Months = Yearly Total
111	$287.77	$3,453.21
112	$287.77	$3,453.21
113	$308.08	$3,696.97
114	$287.77	$3,453.21
115	$287.77	$3,453.21
121	$287.77	$3,453.21
122	$287.77	$3,453.21
123	$308.08	$3,696.97
124	$287.77	$3,453.21
125	$287.77	$3,453.21
131	$352.09	$4,225.10
132	$379.18	$4,550.11
133	$308.08	$3,696.97
134	$379.18	$4,550.11
135	$352.09	$4,225.10
211	$287.77	$3,453.21
212	$287.77	$3,453.21
213	$308.08	$3,696.97
214	$287.77	$3,453.21
215	$287.77	$3,453.21
221	$287.77	$3,453.21
222	$287.77	$3,453.21
223	$308.08	$3,696.97
224	$287.77	$3,453.21
225	$287.77	$3,453.21
231	$352.09	$4,225.10
232	$379.18	$4,550.11
233	$308.08	$3,696.97
234	$379.18	$4,550.11

235	$352.09	$4,225.10
311	$287.77	$3,453.21
312	$287.77	$3,453.21
313	$308.08	$3,696.97
321	$287.77	$3,453.21
322	$287.77	$3,453.21
323	$308.08	$3,696.97
331	$352.09	$4,225.10
332	$379.18	$4,550.11
333	$308.08	$3,696.97
411	$308.08	$3,696.97
412	$287.77	$3,453.21
413	$287.77	$3,453.21
421	$308.08	$3,696.97
422	$287.77	$3,453.21
423	$287.77	$3,453.21
431	$308.08	$3,696.97
432	$379.18	$4,550.11
433	$352.09	$4,225.10
511	$287.77	$3,453.21
512	$287.77	$3,453.21
513	$308.08	$3,696.97
514	$287.77	$3,453.21
521	$287.77	$3,453.21
522	$287.77	$3,453.21
523	$308.08	$3,696.97
524	$287.77	$3,453.21
531	$352.09	$4,225.10
532	$379.18	$4,550.11
533	$308.08	$3,696.97
534	$379.18	$4,550.11
611	$250.53	$3,006.32
612	$250.53	$3,006.32
613	$250.53	$3,006.32
614	$253.91	$3,046.95
621	$250.53	$3,006.32
622	$250.53	$3,006.32

623	$250.53	$3,006.32
624	$253.91	$3,046.95
631	$250.53	$3,006.32
632	$250.53	$3,006.32
633	$335.16	$4,021.97
634	$338.55	$4,062.60
711	$253.91	$3,046.95
712	$250.53	$3,006.32
713	$250.53	$3,006.32
714	$250.53	$3,006.32
715	$250.53	$3,006.32
716	$250.53	$3,006.32
717	$250.53	$3,006.32
718	$253.91	$3,046.95
721	$253.91	$3,046.95
722	$250.53	$3,006.32
723	$250.53	$3,006.32
724	$250.53	$3,006.32
725	$250.53	$3,006.32
726	$250.53	$3,006.32
727	$250.53	$3,006.32
728	$253.91	$3,046.95
731	$338.55	$4,062.60
732	$335.16	$4,021.97
733	$250.53	$3,006.32
734	$250.53	$3,006.32
735	$250.53	$3,006.32
736	$250.53	$3,006.32
737	$335.16	$4,021.97
738	$338.55	$4,062.60
811	$253.91	$3,046.95
812	$253.91	$3,046.95
813	$250.53	$3,006.32
814	$250.53	$3,006.32
815	$250.53	$3,006.32
816	$250.53	$3,006.32
817	$250.53	$3,006.32

821	$253.91	$3,046.95
822	$253.91	$3,046.95
823	$250.53	$3,006.32
824	$250.53	$3,006.32
825	$250.53	$3,006.32
826	$250.53	$3,006.32
827	$250.53	$3,006.32
831	$264.07	$3,168.83
832	$338.55	$4,062.60
833	$335.16	$4,021.97
834	$250.53	$3,006.32
835	$250.53	$3,006.32
836	$335.16	$4,021.97
837	$250.53	$3,006.32

Apartment owners shall not be obligated for the payment of their respective shares of the common expenses until such time as the Developer files with the Real Estate Commission an amended abstract providing that, commencing upon a date certain stated in the amended abstract, each apartment owner shall become obligated to pay his respective share of the common expenses.

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:

	Monthly Fee	X 12 Months	= Yearly Total
Utilities and Services			
Cable	$3,450.00		$41,400.00
Electricity (common elements only)	$2,360.00		$28,320.00
Gas/Propane	$120.00		$1,440.00
Refuse	$1,150.00		$13,800.00
Sewer	$3,159.00		$37,908.00
Telephone (common elements only)	$105.00		$1,260.00
Water	$2,550.00		$30,600.00
Maintenance, Repairs and Supplies			
Building	$1,126.00		$13,512.00
Grounds	$4,746.00		$56,952.00

Payroll and Benefits		
Wages and Salaries	$3,147.00	$37,764.00
Insurance	$446.00	$5,352.00
Taxes	$241.00	$2,892.00
Health Care	$342.00	$4,104.00
Management		
Residential Concierge		
Director's expense	$65.00	$780.00
Audit/Tax fees	$180.00	$2,160.00
Legal fees	$100.00	$1,200.00
Management fees	$1,828.00	$21,936.00
Office Supplies	$ 375.00	$4,500.00
Taxes-income	$13.00	$156.00
Insurance		
Common Elements and Liability	$5,212.00	$62,544.00
Directors and Officers, Bond	$167.00	$2,004.00
Other: GET, Miscellaneous	$183.00	$2,196.00
Reserves (*)	$2,791.00	$33,492.00
TOTAL	$33,856.00	$406,272.00

I, David A. Ferguson , as agent and employed by Management Consultants of Hawaii, Inc., the condominium managing agent for The Villas at Kahana Ridge 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.

D A F

Dated: Nov. 10, 2004

(*) 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.

EXPLANATION REGARDING RESERVES

In arriving at the figure for "Reserves" in this Exhibit "H", the Developer 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.

SUMMARY OF SALES CONTRACT AND ESCROW AGREEMENT

The Sales Contract provides for the sale of a condominium apartment (the "Apartment") by the Developer to a Buyer. The Escrow Agreement provides how the funds paid by the Buyer under the Sales Contract to Escrow are to be held and released. Both the Sales Contract and Escrow Agreement contain many important provisions which are not set out here and should be carefully reviewed by every prospective Buyer.

The Sales Contract provides for the number, amount and timing of payments the Buyer is to make to Escrow. The Escrow Agreement provides that Escrow is to collect these payments and hold them in accounts with banks or savings institutions that are federally insured. The Sales Contract and Escrow Agreement provide who gets to keep interest that may be earned on the funds with Escrow. If the Sales Contract is signed before the Real Estate Commission has issued an effective date for a Final (or Supplementary) Public Report covering the Apartment and before certain other things have happened (as described in the Sales Contract), the Sales Contract shall not be binding on the Buyer or the Seller, and either of them may cancel it at any time before it becomes binding. After the Sales Contract becomes binding, it may be cancelled by the Developer, among other reasons, if the Buyer is obtaining financing and fails to obtain a lender commitment within a certain time period specified in the Sales Contract, or if the Buyer is a cash buyer and fails to furnish satisfactory evidence of ability to pay within other time periods. In certain cases, the Buyer may be responsible for cancellation fees.

The Sales Contract provides that commencing upon the date the Sales Contract becomes binding between Buyer and Seller in accordance with Section F.1(b) of the Sales Contract, Escrow may disburse to Seller all or portions of Buyer's funds deposited with Escrow (i) prior to closing and completion of construction of Buyer's Apartment to pay construction costs of the building(s) and other improvements of the Project, and (ii) after closing but prior to completion of construction of Buyer's Apartment to pay construction and other costs (including architectural, engineering, finance and legal fees and other incidental expenses of the Project), in accordance with and subject to the requirements of Hawaii's condominium law (Chapter 514A of the Hawaii Revised Statutes, as amended) and the Escrow Agreement. The Sales Contract provides that no interest will be earned or paid on Buyer's funds that are used to pay construction costs in accordance with the Sales Contract and the Escrow Agreement and the condominium law.

The Escrow Agreement provides for the closing or settlement of the sale. Escrow collects all payments and other amounts owed under the Sales Contract, including closing costs which are shared between the Developer and the Buyer as set forth in the Sales Contract.

If the Buyer defaults under the Sales Contract after an effective date is issued for a Final Public Report for the Project and the Final Public Report is "accepted" by the Buyer, the Buyer may lose all of the deposits with Escrow and the Developer, at its option, may pursue other legal remedies. If the Developer defaults under the Sales Contract, the Buyer shall be entitled to specific performance of the Sales Contract, or shall have the right to cancel and terminate the Sales Contract. Under the Sales Contract, the Developer promises to complete construction of

the Apartment within two (2) years from the effective date of the Sales Contract, provided that the two (2) year period may be extended under certain circumstances specified in Section F.6 of the Sales Contract.

If the Buyer cancels and terminates the Sales Contract because of the Developer's default, the Developer shall repay to the Buyer all sums the Buyer has paid to the Developer or to Escrow under the Sales Contract, and the Buyer may pursue other legal or equitable remedies.

The Sales Contract confirms that the Buyer has had the opportunity to read and approve certain important legal documents for the Project, including the Declaration, Bylaws, and Rules and Regulations. The Sales Contract also provides that the rights of any construction lender with a mortgage against the Project will be superior to the rights of the Buyer under the Sales Contract.

The Sales Contract limits the Buyer's right to assign the Sales Contract and provides that the Seller may require a consent fee for any transfer. The Sales Contract provides for "pre-closing." "Pre-closing" means that Escrow may set a time for the Buyer to sign all of the documents Escrow asks the Buyer to sign, including the Apartment Deed and other closing documents, and the Buyer will pay the Buyer's share of the closing costs, as estimated by Escrow, even though the Buyer's Apartment may not be ready for occupancy. Buyer's share of closing costs include one-half of Escrow's fee, all recording fees, real property taxes and other prorations, Buyer's notary fees, up to four (4) months' maintenance start-up fees, title report and title insurance fees, conveyance tax, and fees charged by a lender if the Buyer is financing the purchase of his Apartment with a loan. Escrow then handles the closing, the transfer of title in accordance with the Escrow Agreement. The Apartment must be conveyed to the Buyer free and clear of any blanket liens, such as mortgages covering more than one apartment.

By signing the Sales Contract, the Buyer will acknowledge and agree that the Buyer's Apartment is being offered and sold in accordance with and subject to certain eligibility and occupancy requirements set forth in that certain Affordable Housing Agreement, a copy of which is attached to this public report as Exhibit "J". The Sales Contract provides that if the Seller or the County of Maui determine that the Buyer does not meet all of the eligibility requirements set forth in the Affordable Housing Agreement, the Seller shall have the right to cancel the Sales Contract.

By signing the Sales Contract, the Buyer acknowledges that sales and construction activity at the Project by the Developer may continue after closing of the Buyer's purchase.

The Escrow Agreement provides certain protections to Escrow in the event of a dispute between the Buyer and the Developer. These protections include the right to file an "interpleader" and the right to recover certain fees and costs. In an interpleader action the escrow deposit is given to the court to decide what action to take. The Escrow Agreement sets out escrow fees, escrow cancellation fees and the fees for certain policies of title insurance.

The Sales Contract gives notice to the Buyer that Hawaii law contains important requirements that the Buyer must follow before the Buyer may file a lawsuit or other action for defective construction against the contractor who designed or constructed the Buyer's Apartment.

THIS SUMMARY IS NOT COMPLETE AND WILL NOT CONTROL IN THE EVENT OF ANY CONFLICT WITH A PROVISION IN THE SALES CONTRACT OR THE ESCROW AGREEMENT. PROSPECTIVE BUYERS ARE CAUTIONED AND ENCOURAGED TO READ CAREFULLY THE SALES CONTRACT AND ESCROW AGREEMENT.

IMPORTANT NOTE REGARDING

AFFORDABLE HOUSING AGREEMENT

The Affordable Housing Agreement that begins on the following page includes an Exhibit "A" titled "Allocation of affordable housing units." Exhibit "A" contains a chart showing, among other things, an "Anticipated price range" for units that will be offered to buyers that fall within various median income levels, also as shown on the chart.

The amounts listed in the "Anticipated price range" column of the chart on Exhibit "A" were established in 2002 and were based on then-current median income levels and interest rates. Accordingly, the price ranges listed on Exhibit "A" attached to the Affordable Housing Agreement may no longer be accurate and may be below the actual price ranges for apartments in the Project.

THE BUYER IS ENCOURAGED TO READ THE AFFORDABLE HOUSING AGREEMENT CAREFULLY AND TO CONSULT WITH THE SELLER REGARDING ELIGIBILITY, OCCUPANCY AND OTHER REQUIREMENTS UNDER THE AFFORDABLE HOUSING AGREEMENT, AND ALSO TO DETERMINE THE ACTUAL SALES PRICE FOR THE BUYER'S CHOSEN APARTMENT.

Kahana Ridge

THE ORIGINAL OF THE DOCUMENT RECORDED AS FOLLOWS: STATE OF HAWAII

BUREAU OF CONVEYANCES

DATE 10/29/2002 TIME 8:02 a.m.

DOCUMENT NO. 2002-193732

LAND COURT SYSTEM REGULAR SYSTEM

Return by Mail (x) Pickup ( )
To:
Department of Housing and
Human Concerns
County of Maui
200 South High Street
Wailuku, Maui Hawaii 96793

AFFORDABLE HOUSING AGREEMENT

This Affordable Housing Agreement ("Agreement") is made this 5th day of July, 2002, by and between Kahana Sun LLC, a Delaware Limited Liability Corporation authorized to do business in Hawaii, whose principal place of business and mailing address is 3220 South Kihei Road, Kihei, Maui, Hawaii, 96753 hereinafter referred to as "Developer", and the COUNTY OF MAUI, a political subdivision of the State of Hawaii, the principal place of business and mailing address of which is 200 South High Street, Wailuku, Hawaii 96793, hereinafter referred to as the "County".

RECITALS

WHEREAS, Maui USA was the original developer of the Kahana Ridge Subdivision, consisting of a total of approximately fifty (50) acres ("Property"); and

WHEREAS, Ordinance Number 2252, effective July 2, 1993, established R-1 residential zoning for approximately 44.684 acres of the Property for single family residential housing; and

WHEREAS, Ordinance Number 2182, effective October 30, 1992, established Conditional A-2 Apartment District Zoning for property situated at Kahana, Lahaina, Maui, Hawaii, identified for real property tax purposes as tax map key number (2) 4-3-001: portion of 70,

WHEREAS, Ordinance Number 2182 established Conditional A-2 Apartment District Zoning for property situated at Kahana, Lahaina, Maui, Hawaii, identified for real property tax purposes as tax map key number (2) 4-3-001: portion of 70,

WHEREAS, to date, Maui USA has not constructed or provided any affordable housing pursuant to Ordinance Number 2182; and

WHEREAS, Kahana Sun LLC has purchased the Multi-family site and intends to construct a minimum of 88, and potentially up to 120, affordable multi-family housing units on the Multi-family site; and

WHEREAS, pursuant to Ordinance Number 2182, the Developer is required to enter into an affordable housing agreement approved by the Maui County Council;

NOW, THEREFORE, Developer and the Maui County Council desire to enter into this Affordable Housing Agreement and further set forth the details for the implementation of the Agreement as follows:

ARTICLE I - DEFINITIONS

Unless the context clearly indicates otherwise:

A. "Affordable Buyer" means a person or family who, individually or collectively, as the case may be:

1. Is a citizen of the United States or a permanent resident alien;
2. Is a bonafide full-time resident preferably of the County of Maui and of the State of Hawaii;
3. Does not own or hold, individually or jointly with a spouse, a fifty percent (50%) or greater interest in real property anywhere in the United States that is suitable for residential use (as determined by DHHC);
4. Is at least eighteen (18) years of age;
5. Must have the financial ability to purchase an affordable housing unit; and
6. Must meet the income restrictions specified in Section B of this Article.

7. "Affordable Housing Unit" or "Unit" means a housing unit that is available for purchase by an affordable buyer at a selling price as set forth in Article II, Section B of this Agreement.

8. "Affordable Sales Period" means the seventy-five (75) consecutive calendar day period commencing on the first (1st) calendar day on which Developer offers to enter into binding sales contracts to sell the Affordable Housing Units to Affordable Buyers.

9. "Affordable Selling Price" means a price that is affordable to an affordable buyer under the criteria set forth in Article II, Section B of this Agreement.

10. "Council" means the Maui County Council as established pursuant to Maui County Charter Article 3.

11. "County" means the Executive Branch of the government of the County of Maui as set forth in Maui County Charter Article 6 and, where signatures or approvals are required, are acting through the Mayor and/or the Director of the Department of Housing and Human Concerns, as required pursuant to this Agreement.

12. "DHHC" means the Department of Housing and Human Concerns of the County of Maui.

13. "Gross Annual Income" means the aggregate of the income of each adult member (age 18 and above) of a single household derived from whatever source within a calendar year.

14. "Gross Monthly Income" means the amount that is derived by dividing the gross annual income by twelve (12).

15. "Housing Unit" means a dwelling which is designed or intended for occupancy by one family or persons living together or by a person living alone, which includes complete living facilities for sleeping, recreation, cooking, sanitation and laundry.

16. "Median Annual Income" means the applicable median annual family income for the County of Maui, as established by the U.S. Department of Housing and Urban Development (HUD). The applicable Maui County median annual family income shall be the median annual family income that is established by HUD for that calendar year in which the affordable housing units are marketed for sale. If HUD ceases to provide data on the median annual family income for the County of Maui, the last HUD established median annual family income for the County of Maui shall be increased or decreased, as the case may be, by the rate(s) of change of the Honolulu Consumer Price Index as determined by the U.S. Department of Labor.

ARTICLE II - AFFORDABLE HOUSING PROGRAM

A. NUMBER OF AFFORDABLE HOUSING UNITS. Developer desires to construct at least eighty-eight (88) affordable housing units, and potentially up to 120 affordable housing units, for purchase in fee simple, to satisfy the requirements of Ordinance Number 2182.

B. AFFORDABLE HOUSING UNITS. All of the units constructed on the Multi-

Family Site shall be developed and sold as Affordable Housing Units, except as provided in Section E., below.

The Affordable Housing Units shall be marketed and sold as set forth in Exhibit "A", attached hereto and incorporated herein by this reference.

Not less than fifteen (15) consecutive calendar days prior to the commencement of the Affordable Sales Period, Developer shall submit to DHHC the sales prices proposed by the Developer for the Affordable Housing Units ("Proposed Sales Prices"). If the DHHC fails to disapprove in writing the Proposed Sales Prices and specify the reasons for such disapproval within fifteen (15) consecutive calendar days after receipt thereof, the Proposed Sales Prices shall be deemed approved by the DHHC.

C. MARKETING OF AFFORDABLE HOUSING UNITS. Developer shall be responsible for marketing and selling the Affordable Housing Units.

Not less than fifteen (15) consecutive calendar days prior to the commencement of the Affordable Sales Period, Developer shall submit to the DHHC for its written approval (1) a marketing plan specifying how the Developer intends to announce and promote to the general public the sale of the Affordable Housing Units to Affordable Buyers ("Proposed Marketing Plan"); and (2) all advertising materials which the developer intends to use to solicit Affordable Buyers to purchase the Affordable Housing Unite (the "Proposed Advertising"). If the DHHC fails to disapprove in writing the Proposed Marketing Plan and the Proposed Advertising (together the "Marketing/Advertising") and specify its reasons for disapproval within fifteen (15) consecutive calendar days after receipt thereof, the Marketing/Advertising shall be deemed approved.

D. AFFORDABLE BUYER DOCUMENTATION. Within thirty (30) days after the closing of the purchase of each affordable housing unit, Developer shall provide to the DHHC the following:

1. A copy of the affordable buyer's fully completed and signed application form; and
2. A copy of the affordable buyer's signed federal and State tax returns for the last tax year with a copy of the appropriate W-2 form or third party verification from a lending institution; and
3. A copy of the Seller's Closing Statement from the escrow company; and
4. A copy of the recorded deed.

E. SALE OF AFFORDABLE HOUSING UNITS Developer shall deliver to the DHHC not less than fifteen (15) calendar days prior written notice of the commencement date of the Affordable Sales Period.

Affordable Buyers shall be selected on a first-come first-served basis, based on the date and time that the applications are received by the Developer.

In the event that any Affordable Housing Unit is not sold during the Affordable Sales Period, and provided Developer has made a reasonable effort to widely advertise and publicize on Maui the availability of the Affordable Housing Units, the sales offering of the remaining Affordable Housing Units shall be conducted by the Developer in accordance with the following procedure:

1. For the next sixty (60) consecutive calendar day period immediately following the Affordable Sales Period, Affordable Housing Units shall be offered for sale at the same price to families in the next higher income target group ("Extended Affordable Sales Period"). Affordable Housing Units targeted for families earning 0% to 80% or less of the median annual income shall be offered for sale to families earning between 81% to 101% of the median annual income. Affordable Housing Units targeted for families earning 81% to 100% of the median annual income shall be offered for sale to families earning between 101% to 120% of the median annual income. Affordable Housing Units targeted for families earning 101% to 120% of the median annual income shall be offered for sale to families earning between 121% to 140% of the median annual income.
2. If any Affordable Housing Units have not been sold during the Extended Affordable Sales Period, Developer may request and, after securing written approval from the DHHC, sell the remaining affordable housing units without any-restrictions. If within fifteen (15) consecutive calendar days after receipt of the request to sell the unsold Affordable Housing Units without restrictions, the DHHC does not disapprove the request in writing and specifying the reasons for the disapproval, such request shall be deemed approved.

F. OWNER OCCUPANCY. The Affordable Housing Units shall be available for occupancy upon completion of the project and concurrently with the availability of all the other units in the project for occupancy. Those persons qualifying and purchasing an Affordable Housing Unit within (1) the 0% - 80% median income range, (2) the 81% to 100% median income range, and (3) the 101% to 120% median income range must own and occupy the Affordable Housing Unit for a period of not less than five (5) years from the date of purchase. Those persons qualifying and purchasing an Affordable Housing Unit within the 121% to 140% median income range must own and occupy the Affordable Housing Unit for a period of not less than three (3) years from the date of purchase. Those persons qualifying and purchasing an Affordable Housing Unit within the 141% to 160% median income range must own and occupy the Affordable Housing Unit for a period of not less than one (1) year from the date of purchase. Developer shall make a good faith effort to ensure that all affordable buyers comply with this provision.

ARTICLE III - AFFORDABLE BUYER DOCUMENTATION AND VERIFICATION

Within thirty (30) consecutive calendar days after the closing of a sale of an Affordable Housing Unit to an Affordable Buyer, Developer shall provide the DHHC with the following:

1. A copy of the fully completed application executed by the Affordable Buyer and

submitted to Developer for the purchase of an Affordable Housing Unit;

2. A Copy of the Affordable Buyer's executed federal and Hawaii state income tax returns for the tax year immediately preceding the closing date of the sale of the Affordable Housing Unit, together with either a copy of all W-2, 1099 and other forms or information evidencing the Affordable Buyer's Gross Annual Income for such tax year, or written verification by a recognized lending institution of the Affordable Buyer's Gross Annual Income for such tax year;
3. A copy of Seller's closing statement issued by an escrow company showing among other things, the sales price for the Affordable Housing unit sold to the Affordable Buyer; and
4. A copy of the recorded deed conveying the Affordable Housing Unit to the Affordable Buyer.

The DHHC shall have the right to require Developer to provide such information as may be reasonably required for the administration and enforcement of this Agreement.

Developer Agrees that, in the event the County determines that the buyer of an Affordable Housing Unit does not qualify as an Affordable Buyer or that an Affordable housing Unit is sold at a price in excess of that approved by the DHHC pursuant to this Agreement, the sale of such Affordable Housing Units shall not satisfy the requirements of this Agreement.

ARTICLE IV - TERM OF AGREEMENT

Except as approved by the Council by Resolution, this Agreement shall remain in full force and effect until either sales of all of the affordable housing units to an affordable buyer are closed or the Units have been offered for sale for at least one hundred thirty five (135) calendar days following the commencement of the affordable sales period set forth in Article II, Section E., above, whichever occurs sooner.

ARTICLE V - GOVERNING LAW

This Agreement and the rights and obligations of Developer and County shall be interpreted in accordance with the laws of the State of Hawaii.

ARTICLE VI - CONSENTS; APPROVALS; WAIVERS; NOTICES

A. CONSENTS, WAIVERS, APPROVALS. Whenever under this Agreement the consent, waiver or approval of any party is required or permitted, such consent, waiver or approval shall be evidenced by a writing signed by such party and shall not be unreasonably withheld or delayed. Except where otherwise provided, consent from the County shall mean the consent or approval of the Mayor and/or the director of the DHHC, and any other consent required by law. No consent or waiver, express or implied, by Developer or County to or of any breach or default by the other party in the performance of the obligations hereunder shall be construed to be a consent or waiver to or of any other or further breach or default. Failure on the part of Developer or County to complain of any act or omission by the other party or to declare

the other party in default, irrespective of the duration of such failure, shall not constitute a waiver by such party of any of its rights hereunder.

B. NOTICES. All notices, demands, requests, consents, approvals, or other communications ("notices") required or permitted to be given under this Agreement or which are given with respect to this Agreement shall be in writing and shall be delivered personally or sent either by facsimile transmission, telegram, or by registered or certified mail, return receipt requested, postage prepaid, addressed to the party to be notified at the following address, or to such other address as the party to be notified shall have specified most recently by like notice:

If to Developer, then to:

Kahana Sun LLC
3200 South Kihei Road
Kihei, Maui, Hawaii 96753

and also to

Kahana Sun LLC
635 Kenolio Road
Kihei, Hawaii 96753

IF to the County then to:

Mayor, County of Maui
200 South High Street
Wailuku, Maui, Hawaii 96793

With a copies to:

Chair, Maui County Council
200 South High Street
Wailuku, Maui, Hawaii 96793

Director of Housing and Human Concerns
County of Maui
200 South High Street
Wailuku, Hawaii 96793

Planning Director
County of Maui
200 South High Street
Wailuku, Hawaii 96793

Notices given as provided in this section shall be deemed given on delivery if by personal delivery, telegram or facsimile transmission, or on the fourth business day following the mailing thereof if by mail.

ARTICLE VII - OTHER PROVISIONS; RESTRICTIONS

A. NO PARTNERSHIP OR JOINT VENTURE. Nothing contained in this Agreement shall constitute, or be construed to constitute or create, a partnership, joint venture, or lease by and between the parties.

B. BINDING EFFECT. Subject to the limitations on transferability contained herein, each and all of the covenants, terms, and provisions contained herein shall be binding upon Developer and its successors and assigns. Developer may without prior consent or approval of County, assign the benefits, obligations, covenants, representations, and burdens contained in this Agreement to a wholly-owned subsidiary or an affiliate of Developer [an affiliate shall be an entity in which Developer or its parent corporation owns more than fifty percent (50%) of the voting rights], which subsidiary or affiliate shall assume and thereafter be responsible to perform each and every covenant, obligation, representation, and burden to be observed and performed by Developer as set forth in this Agreement. Developer shall notify the County of its intent thirty (30) days prior to the event of any assignment of benefits, obligations, covenants, representations and burdens contained in the agreement. Such notification shall include a description of the assignment and the name, mailing address and telephone number of the individual or organization to whom it will be assigned.

C. INDEMNIFICATION. Developer will indemnify the County and hold the County harmless against all claims, including reasonable attorneys' fees, made by any person or entity for: (1) failure of Developer or its agents to make any required disclosures to the prospective buyer or any other person as required by law; (2) any misrepresentations made by Developer or its agents, including but not limited to a sales agent, prospective buyer or any other person; (3) loss or damage, including property damage, bodily injury and wrongful death, arising out of or in connection with the construction and development of the affordable housing units, including proper sub-base preparation and building foundation construction or during the performance of this Agreement caused, in whole or in part, by Developer, its agents, employees, contractors, subcontractors or invitees, or any failure by Developer to keep its property or any improvements thereon in a safe condition; and (4) any warranty pertaining to the affordable housing units so long as such claim did not result from the negligence in whole or in part by the County, its agents, employees, contractors or subcontractors.

D. RECORDATION. The County may record this Agreement with the Bureau of Conveyances, State of Hawaii, as an encumbrance on the 8.861 acre parcel of land at Kihei, Maui, Hawaii, identified as Tax Map Key No. 3-9-18:17, so long as Developer or its successor in interest has not fully satisfied the affordable housing requirements that are specified in Article II of this Agreement.

E. SATISFACTION AND RELEASE. Once the Developer has satisfied the affordable housing requirements specified in this Agreement, or the Agreement is terminated under Section G of this Article, the County will, upon the recommendation of the Director of the DHHC and approval of the Mayor, promptly execute and record a Satisfaction and Release of this Agreement.

F. THIRD PARTY BENEFICIARY. This Agreement is made exclusively for the benefit of Developer and County, and no other persons or entities shall acquire any rights, powers, privileges, remedies, or claims thereby; provided however, that insofar as this Agreement is incorporated into or referenced by a separate but related agreement between Developer and County but only to the extent provided in such separate and related agreement.

G. AMENDMENTS. This Agreement, or any provision thereof, may not be modified, altered or changed except by approval of the Developer and a Resolution passed by the Council.

H. REMEDIES NOT EXCLUSIVE. Developer agrees that the County has the right to enforce or prosecute any breach of the terms of this Agreement by Developer, its successors or assigns. Except as otherwise specifically set forth herein, any remedies herein provided for breaches of obligations hereunder shall not be exclusive, and shall not impair the right of the County to exercise any other right or remedy it may have, whether for damages, injunction or otherwise.

I. ATTORNEYS' FEES. In the event that any party brings an action or proceeding against any other party to enforce or to prevent the breach of any provision of this Agreement or for damages by reason of any breach of this Agreement, or for any other judicial or administrative remedy, then the prevailing party shall be entitled to be reimbursed by the non-prevailing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees and expenses.

J. SEVERABILITY. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby.

K. CAPTIONS. Section titles or captions contained in this Agreement are inserted as a matter of convenience and for reference and do not define, limit, extend or describe the scope of this Agreement or the intent of any provision thereof.

L. IDENTIFICATION. Whenever required by the context in which it is used, any pronoun shall include both the singular and plural, and any gender shall include the masculine, the feminine, and the neuter genders.

M. NEITHER PARTY DEEMED DRAFTER. The parties agree that neither party

shall be deemed the drafter of this Agreement, and further, that if this Agreement is ever construed by a court of law, such court shall not construe this Agreement or any provision thereof against any party as the drafter of this Agreement.

N. APPROVAL BY RESOLUTION OF THE COUNCIL IN LIEU OF SIGNATURE. This Agreement may be approved by the Council by Resolution pursuant to Maui County Charter Section 4-1. Approval by Resolution, with a copy of the Resolution certified by the Maui County Clerk attached to this Agreement, shall be as valid as if signed by an authorized signatory of the Council and shall be binding on the Council for all purposes, including but not limited to obtaining bonding, financing, and other requirements that are necessary for the construction of the Development.

O. EFFECTIVE DATE. The effective date of this Agreement shall be the date on which the Council adopts the Resolution approving this Agreement.

OWNER
Kahana Sun LLC

By: _____
for Kahana Star LLC
Its Member

By: _____
for Kahana Moon LLC
Its Member

APPROVED AS TO FORM AND LEGALITY:

_____

Deputy Corporation Counsel
County of Maui

C:\Files\Kahana Ridge\affordable housing agreement\affd hsng agreement 061702 wpd

STATE OF HAWAII)
)
COUNTY OF MAUI)

On this ___ day of _____, 2002, before me appeared Ray Phillips, to me personally known, who, being by me duly sworn, did say that he is the Managing Member of Kahana Star LLC, a Delaware Limited Liability Corporation authorized to do business in the state of Hawaii, and Doyle G. Betsill, to me personally known, who, being by me duly sworn, did say that he is the Managing Member of Kahana Moon LLC, a Hawaii Limited Liability Corporation, and that said instrument was respectively signed on behalf of said Limited Liability Corporations, with each of the said Managing Members acknowledging that said instrument is the free act and deed of said Limited Liability Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____
Notary Public, State of Hawaii

My commission expires: _____

See Attached Special Power of Attorney by Ray Phillips for Kahana Star LLC and Attached Letter of Authorization by Doyle G. Betsill for Kahana Moon LLC.

Allocation of affordable housing units

Percentage of units	Median income range[1]	Number of units	Anticipated price range
10%	80% median income or less	12	$165,700 or less
10%	81% - 100% median income	12	$165,700 - $211,700
10%	101% - 120% median income	12	$211,700 - $262,500
20%	121% - 140% median income	24	$262,500 - $313,200
50%	141% - 160% median income	60[2]	$313,200 - $375,800

Exhibit "A"

[1] To be based on the Department of Housing and Urban Development median annual income for the County of Maui. The 2002 affordable sales price guidelines for Maui County is $58,300.

[2] It is anticipated that 120 units total will be constructed. If there is a decrease in the number of units constructed they will be deleted from this portion.

After Recordation Return by Mail ( ) Pickup ( ) To:

TOTAL NUMBER OF PAGES:

SPECIAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That, I RAYMOND M. PHILLIPS have made, constituted and appointed and by these presents do make, constitute and appoint DOYLE G. BETSILL, JR., OR GARY W. ZAKIAN my true and lawful attorneys in fact, for me and in my name, place and stead, to SIGN, BARGAIN, CONTRACT, AUTHENTICATE, DEAL WITH, OR GIVE ASSURANCES (INCLUDING AUTHORITY TO SPEAK AND MAKE COMMITMENTS IN MY BEHALF) AT ANY LAND USE COMMITTEE MEETING OR COUNCIL MEETING as EITHER shall think fit, in regards to THAT AFFORDABLE HOUSING AGREEMENT RELATING TO THE KAHANA RIDGE PROJECT, LAND USE COMMITTEE AGENDA ITEM LU-32. They are hereby authorized to take any action related to the above grant of authority that, in their own judgment, is necessary to carry the above into effect.

HEREBY GIVING AND GRANTING unto my attorneys in fact full power and authority to do and perform all and every act and thing whatever is requisite and necessary to be done so as fulfill all intents and purposes as I might or could do if personally present

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a the doing thereof, hereby ratifying and confirming all that my said attorney in fact may or shall lawfully do or cause to be done under and by virtue of these presents.

This Special Power of Attorney shall commence on June 22, 2002 and shall terminate on July 10, 2002.

IN WITNESS WHEREOF, I have hereunto set my hand on June 21, 2002 at Kihei, Maui, Hawaii.

06/21/2002
RAYMOND M. PHILLIPS

STATE OF HAWAII)
) SS.
COUNTY OF MAUI)

On June 21, 2002, before me personally appeared RAYMOND M. PHILLIPS personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

Margaret A. Joynson
MARGARET A. JOYNSON
Notary Public, in and for said
County and State
My commission expires:

05

Kahana Moon LLC
635 Kenolio Road
Kihei, Maui, Hawaii 96753
Phone (808) 879-5375
Fax (808) 879-5159

July 9, 2002

Re: Letter of Authorization for Gary W. Zakian to sign the Affordable Housing Agreement in behalf of Kahana Moon LLC Building Permit applications

To: Whom it may Concern:

The Maui County Council, acting through Resolution No. 02-87, agreed to enter into an Affordable Housing Agreement with Kahana Sun LLC, a Delaware Limited Liability Corporation ("Agreement").

Kahana Moon LLC is a member of Kahana Sun LLC. I, Doyle G. Betsill, am the managing member of Kahana Moon LLC. This letter authorizes Gary W. Zakian to sign the Agreement referenced above in behalf of Kahana Moon LLC. I intend that Mr. Zakian's signature in behalf of Kahana Moon LLC shall be binding on Kahana Moon LLC as if the Agreement were signed by me personally.

This Letter of Authorization also authorizes Mr. Zakian to also sign any other documents necessary to put into effect the Agreement.

Copies of this Letter are intended to be treated as if they were an original.

By: _____
Doyle G. Betsill
Managing Member
Kahana Moon LLC

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STATE OF HAWAII)
) SS.
COUNTY OF MAUI)

On this 7th day of July, 2002, before me personally appeared Doyle G. Betsill, to me personally known, who, being by me duly sworn or affirmed, did say that he is the managing member of Kahana Moon LLC, that he executed the foregoing instrument as his free act and deed in the capacity shown on the instrument, having been duly authorized to execute such instrument in such capacity.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Margaret A Joynson
Notary Public, State of Hawaii

MARGARET A. JOYNSON
(Print Name)

cs

My commission expires 10.16.03

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STATE OF HAWAII)
) SS.
COUNTY OF MAUI)

On this 10th day of July, 2002, before me personally appeared Gary W. Zakian, to me personally known, who, being by me duly sworn or affirmed, did say that he executed the foregoing instrument as his free act and deed in behalf of Kahana Star LLC pursuant to the Special Power of Attorney dated June 21, 2002, the ORIGINAL of which is attached to the Affordable Housing Agreement, and in behalf of Kahana Moon LLC pursuant to the Letter of Authorization dated July 9, 2002, the ORIGINAL of which is attached to the Affordable Housing Agreement.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Margaret A. Joynson
Notary Public, State of Hawaii

MARGARET A. JOYNSON
(Print Name)

cs

My commission expires 10-16-03