

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Hale Kanani Associates, LLC
Address 1043 Makawao Avenue, Suite 208, Makawao, HI 96768
Project Name (*): HALE KANANI
Address: 40, 62 and 70 Kanani Road, Kihei, HI 96753

Registration No. 5290

Effective date: November 10, 2004
Expiration date: December 10, 2005

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports: Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

- PRELIMINARY: (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report.
CONTINGENT FINAL: (green) The developer has legally created a condominium and has filed information with the Commission for this report which EXPIRES NINE (9) MONTHS after the above effective date.
X FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY: (pink) This report updates information contained in the: Preliminary Public Report dated; Final Public Report dated; Supplementary Public Report dated.
And Supersedes all prior public reports. Must be read together with This report reactivates the public report(s) which expired on

(*) Exactly as named in the Declaration
This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.
FORM RECC-30 1297 / 0298 / 0800 / 0203 / 0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report Not Required - Disclosures covered in this report.
(See Exhibit "A")

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:
(See Exhibit "J")

SPECIAL ATTENTION

This Contingent Final Public Report has been prepared by the Developer pursuant to §514A-39.5, HRS. The Real Estate Commission issued this report before the developer submitted certain documents and information as more fully set forth in the statutory notice below. Sales contract executed pursuant to this report are binding on the buyer under those conditions specified immediately below and in Part V. B. of this report found on pages 18 & 19 of this report. This report expires nine (9) months after the effective date of the report and may not be extended or renewed.

STATUTORY NOTICE

"The effective date for the Developer's Contingent Final Public Report was issued before the Developer submitted to the Real Estate Commission: the executed and recorded deed or master lease for the project site; the executed construction contract for the project; the building permit; satisfactory evidence of sufficient funds to cover the total project cost; or satisfactory evidence of a performance bond issued by a surety licensed in the State of not less than one hundred percent of the cost of construction, or such other substantially equivalent or similar instrument or security approved by the Commission. Until the Developer submits each of the foregoing items to the Commission, all Purchaser deposits will be held by the escrow agent in a federally-insured, interest-bearing account at a bank, savings and loan association, or trust company authorized to do business in the State. If the Developer does not submit each of the foregoing items to the Commission and the Commission does not issue an effective date for the Final Public Report before the expiration of the Contingent Final Public Report, then:

- (1) The Developer will notify the Purchaser thereof by certified mail; and
- (2) Either the Developer or the Purchaser shall thereafter have the right under Hawaii law to rescind the Purchaser's sales contract. In the event of a rescission, the Developer shall return all of the Purchaser's deposits together with all interest earned thereon, reimbursement of any required escrow fees, and, if the Developer required the Purchaser to secure a financing commitment, reimburse any fees the Purchaser incurred to secure that financing commitment." (§514A-64.5, HRS)

The developer is not required to submit but has for this registration submitted the following documents and information:

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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: HALE KANANI ASSOCIATES, LLC Phone: (808) 572-3011
Name* 1043 Makawao Avenue #208 (Business)
Business Address Makawao, HI 96768

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):

KRS Development, Inc., Member-manager
Kent R. Smith, President, Vice President, Secretary,
Treasurer and Director, KRS Development, Inc.
(sole officer and board member)

Real Estate CBIP, Inc.
Broker* : dba Coldwell Banker Island Properties Phone: (808) 879-5233
Name 2463 South Kihei Road (Business)
Business Address Kihei, HI 96753

Escrow Title Guaranty Escrow Services, Inc. Phone: (808) 879-1551
Name 41 E. Lipoa Street, Suite 29 (Business)
Business Address Kihei, HI 96753

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

Condominium Managing Agent* : Hawaiiana Management Company, Ltd. Phone: (808) 593-9100
Name 711 Kapiolani Boulevard, Suite 700 (Business)
Business Address Honolulu, HI 96813

Attorney for Developer: David M. Jorgensen, Esq. Phone: (808) 242-4555
Ing, Horikawa & Jorgensen, LLP (Business)
Name 2145 Wells Street, Suite 204
Business Address Wailuku, HI 96793-2222

* 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:

<input type="checkbox"/>	Proposed			
<input checked="" type="checkbox"/>	Recorded -	Bureau of Conveyances:	Document No. <u>2004-072129</u>	
			Book _____	Page _____
<input type="checkbox"/>	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:

<input type="checkbox"/>	Proposed			
<input checked="" type="checkbox"/>	Recorded -	Bureau of Conveyances Condo Map No. <u>3745</u>		
<input type="checkbox"/>	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:

<input type="checkbox"/>	Proposed			
<input checked="" type="checkbox"/>	Recorded -	Bureau of Conveyances:	Document No. <u>2004-072130</u>	
			Book _____	Page _____
<input type="checkbox"/>	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 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:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	—	<u>majority of Board</u>

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

2. Developer:

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

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

The developer has reserved the right to dedicate land to the County of Maui and/or to create easements for utility and/or access purposes for the service and benefit of the subject property, the Hale Kanani project and its owners and residents.

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

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

Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: Month Year

For Sub-leaseholds:

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

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

Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

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

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

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

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: Month Year

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: 40, 62 and 70 Kanani Road Tax Map Key (TMK): (2) 3-9-016: 002, 003
Kihei, Maui, Hawaii 96753 and 006

[X] Address [X] TMK is expected to change because the lots will be consolidated.

Land Area: 2.51 [] square feet [X] acre(s) Zoning: A-2 Apartment District

Fee Owner: Hale Kanani Associates, LLC
 Name
1043 Makawao Avenue #208
 Address
Makawao, HI 96768

Lessor: n/a
 Name

 Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 4 Floors Per Building: 3
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

- Concrete Hollow Tile Wood
 Other _____

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>72</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

5. Special Use Restrictions:

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

Pets: See Article VIII, Section 1(j) of the By-Laws

Number of Occupants: _____

Other: No apartment owner shall offer, sell or transfer any time-share interest

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 1/bldg Stairways: 2/bldg Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
A	24	2/2	889.54	105.37	lanai
B	24	3/2	929.06	112.54	lanai
C	12	3/2	1058.29	113.14	lanai
D	12	3/2	1059.21	112.00	lanai

Total Number of Apartments: 72

* 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:

The perimeter of each of the apartments is established by the floor area computed in accordance with Condominium Rule 16-107-6. This floor area is the net living area of the enclosed portion of the apartment measured from the interior undecorated surface of the apartment perimeter walls, plus lanai areas. Each apartment includes: all walls, partitions, floors, ceilings and other improvements enclosed within its perimeter; the adjacent lanai as shown on the Condominium Map; all air space within the perimeter and the floors and ceilings of the unit; the interior decorated or finished surfaces of the perimeter walls, floors and ceilings; all pipes, plumbing, wires, conduits or other utility or service lines serving only the unit; and all glass, windows and window frames doors and door frames along the perimeter of the unit.

Permitted Alterations to Apartments: None

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of residential apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has _____ elected to provide the information in a published announcement or advertisement.

NOTE: Owner-Occupants' Presale Notice was published on March 11, 13, 18 and 20, 2004 in the Honolulu Star-Bulletin and on March 11, 13, 18 and 23, 2004 in the Maui News. Please see Exhibit "I".

7. Parking Stalls:

Total Parking Stalls:	<u>152</u>			
	<u>Regular</u>	<u>Compact</u>	<u>Tandem</u>	
	<u>Covered</u> <u>Open</u>	<u>Covered</u> <u>Open</u>	<u>Covered</u> <u>Open</u>	TOTAL
Assigned (for each unit)	_____	_____	_____ <u>144</u>	<u>144</u>
Guest	_____ <u>5</u>	_____ <u>2</u>	_____	<u>7</u>
Unassigned	_____	(parking stall nos. 136 & 137)	_____	<u>0</u>
Extra for Purchase	_____	_____	_____	<u>0</u>
Other: <u>handicapped</u>	_____ <u>1</u>	_____	_____	<u>1</u>
Total Covered & Open:	_____ <u>6</u>	_____ <u>2</u>	_____ <u>144</u>	<u>152</u>

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

Commercial parking garage permitted in condominium project.

Exhibit C contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute/Enclosure(s)

Other: public park; mail boxes

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

There are no violations. Violations will not be cured.

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

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

n/a

11. Conformance to Present Zoning Code

- a. No variances to zoning code have been granted.
 Variance(s) to zoning code was/were granted as follows:

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

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

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>all</u>	_____	_____
Structures	<u>all</u>	_____	_____
Lot	<u>all</u>	_____	_____

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

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

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

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

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

described in Exhibit _____.

as follows:

- a. the underlying land as described in Exhibit "B" attached hereto;
- b. the foundations, floor slabs, columns, girders, beams, supports, bearing walls, corridors, stairways, fire escapes, entrances and exits of the buildings, and all structural and bearing surfaces;
- c. the roofs, elevators and elevator shafts;
- d. the mailboxes, trash areas and storage rooms;
- e. the swimming pool, driveways and guest/handicapped parking stalls;
- f. the small public community park;
- g. the central and appurtenant installations for services such as power, lights, air conditioning, hot and cold water and like utilities; and
- h. all of the parts of the project existing for the common use and that are necessary to the existence, maintenance and safety of the project.

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

There are no limited common elements in this project.

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

described in Exhibit C.

as follows:

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

described in Exhibit D.

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 E describes the encumbrances against the title contained in the title report dated as of July 30, 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.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage by and between Hale Kanani Associates, LLC, as Mortgagor, and City Bank, as Mortgagee, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-071159.	No effect: Buyer's deposit will be held in escrow until conveyance. If lien is foreclosed prior to conveyance, all of Buyer's deposit will be refunded by escrow.
Financing Statement by and between Hale Kanani Associates, LLC, as Debtor, and City Bank, as Secured Party, recorded as Document No. 2004-071161.	

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:
One year from the County of Maui's issuance of Certificate of Occupancy. The developer makes no warranties with respect to the buildings and other improvements; such warranties will be made by the contractor(s).
2. Appliances:
Per manufacturer's warranty; buyers will have an option to extend this warranty period at an additional cost.

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

Construction began in April 2004 and is anticipated to be completed in July 2005. These dates are estimates and are not within the control of the developer; the developer makes no representations or warranties with respect to these dates.

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 [] the Developer or Developer's affiliate
[] self-managed by the Association of Apartment Owners [] Other: _____

- B. Estimate of Initial Maintenance Fees:

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, 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 A contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

- C. Utility Charges for Apartments:

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

- [] None [X] Electricity (X Common Elements only ___ Common Elements & Apartments)
[] Gas (___ Common Elements only ___ Common Elements & Apartments)
[X] Water [X] Sewer [] Television Cable
[X] Other refuse collection; office telephone _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

- [X] Notice to Owner Occupants (Exhibit "I")
- [X] Specimen Sales Contract
Exhibit F contains a summary of the pertinent provisions of the sales contract.
- [X] Escrow Agreement dated April 13, 2004
Exhibit G contains a summary of the pertinent provisions of the escrow agreement.
- [X] Other Specimen Owner-Occupant Affidavit (Exhibit "H")

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other Easement Agreement for cable purposes dated 06/22/04, recorded as Doc. No. 2004-149040, and Grant of Easement for utility purposes dated 07/09/04, recorded as Doc. No. 2004-156340

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 a part of Registration No. 5920 filed with the Real Estate Commission on January 28, 2004.

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

YELLOW paper stock

WHITE paper stock

PINK paper stock

C. Additional Information Not Covered Above

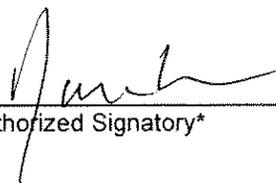
It is hereby disclosed as follows:

1. That the State of Hawai'i has enacted a law requiring sex offenders to register with the Attorney General's office and allowing public access to relevant information regarding sex offenders. A sex offender must provide certain relevant information including street name and zip code of the sex offenders current and future residence and place of employment. This information is available at the Hawai'i Criminal Justice Data Center and at one or more designated police stations in each county. Neither Hale Kanani Associates, LLC, nor any real estate agent, is required to obtain information regarding sex offenders.
2. That a Special Management Area Use Permit ("SMA Permit") approving the development of Hale Kanani was granted on September 9, 2003 by the Maui Planning Commission. The SMA Permit imposed general standard conditions related to impacts of construction of the project on the coastal zone. *Project-specific conditions relate to traffic and roadway issues, water conservation and irrigation issues, park and education issues, and drainage and soil erosion issues. Hale Kanani Associates, LLC will comply with these requirements. Hale Kanani Associates, LLC reserves the right to seek amendments to the SMA Permit pursuant to applicable law. Any future improvements within the project may require Special Management Area use permit approval as well. Hale Kanani owners association shall be perpetually responsible for maintenance of street trees and landscaped areas up to the roadway pavement and for the small community park. The public nature of the community park is expected to have no discernible impact on the owners association in regard to liability, insurance and maintenance responsibilities and costs (only the small community park is open for public use; the swimming pool area is private).*
3. The subject property is situated in Flood Zone "C" as determined by maps prepared by the Federal Emergency Management Agency. This flood zone designation is characterized as areas with minimal flooding.

- 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.

Hale Kanani Associates, LLC

Printed Name of Developer

By:  August 9, 2004
 Duly Authorized Signatory* Date

David Goode, Vice President of Development Operations,

Printed Name & Title of Person Signing Above

KRS Development, Inc.
 Its Manager-member

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.***

Exhibit "A"

Disclosure Abstract

1. NAME OF PROJECT: Hale Kanani
Kanani Road
Kihei, Maui, Hawai'i 96753
2. DEVELOPER: Hale Kanani Associates, LLC
1043 Makawao Avenue, Suite 208
Makawao, Maui, Hawai'i 96768
3. MANAGING AGENT: Hawaiiiana Management Co., Ltd.
711 Kapiolani Boulevard, Suite 700
Honolulu, Hawai'i 96813
4. REAL ESTATE BROKER: Coldwell Banker Island Properties
2463 South Kihei Road, Suite A-22
Kihei, Maui, Hawai'i 96753
5. GENERAL CONTRACTOR: Betsill Brothers Construction, Inc.
635 Kenolio Road
Kihei, Maui, Hawai'i 96753
6. USE OF APARTMENTS: Residential

The seventy-two (72) apartments in the project may be occupied and used only for long-term (six months or longer) residential purposes. No apartment may be used for commercial purposes or for short-term (less than six months) residential purposes. The apartments are subject to additional restrictions on their use as set forth in (a) the Declaration of Condominium Property Regime of Hale Kanani; (b) the By-Laws of the Association of Owners of Hale Kanani; (c) the Apartment Deed for the individual apartments; (d) the sales contract for the individual apartments; and (e) the project House Rules. Copies of the foregoing documents are on file with the Real Estate Commission of the State of Hawai'i.

7. WARRANTIES:

The developer makes no warranties, express or implied, with respect to the apartment, common elements, appliances or other products, or anything installed in or upon the premises or used in connection with the project in any manner, including but not limited to warranties of merchantability, habitability, workmanlike construction or fitness for a particular purpose or use.

8. ESTIMATED MAINTENANCE FEES:

The estimated initial maintenance fees and maintenance fee disbursements are subject to revisions based on actual cost for the items enumerated. The developer can make no assurances regarding the estimated maintenance fees and maintenance fee disbursements. Variables such as inflation, uninsured casualty loss or damages, increased or decreased services from those contemplated by the developer, apartment owner delinquencies and other factors may cause the actual maintenance fees to be greater or lesser than the estimated maintenance fees. The fees and disbursements. The estimated initial maintenance fee disbursements are provided on page 3. The estimated initial maintenance fees for each of the four apartment types are as follows:

Unit Type A: \$370.37 per month or \$4444.44 per year.

Unit Type A includes units 1-103, 1-105, 1-203, 1-205, 1-303, 1-305, 2-102, 2-105, 2-202, 2-205, 2-302, 2-305, 3-102, 3-105, 3-202, 3-205, 3-302, 3-305, 4-102, 4-104, 4-202, 4-204, 4-302, and 4-304.

Unit Type B: \$387.75 per month or \$4653.00 per year.

Unit Type B includes units 1-102, 1-104, 1-106, 1-202, 1-204, 1-206, 1-302, 1-304, 1-306, 2-103, 2-104, 2-203, 2-204, 2-303, 2-304, 3-103, 3-104, 3-203, 3-204, 3-303, 3-304, 4-103, 4-203, and 4-303.

Unit Type C: \$436.09 per month or \$5,233.08 per year.

Unit Type C includes units 1-107, 1-207, 1-307, 2-101, 2-201, 2-301, 3-101, 3-201, 3-301, 4-101, 4-201, and 4-301.

Unit Type D: \$436.00 per month or \$5,232.00 per year.

Unit Type D includes units 1-101, 1-201, 1-301, 2-106, 2-206, 2-306, 3-106, 3-206, 3-306, 4-105, 4-205, and 4-305.

NOTE: THE DEVELOPER ADVISES THAT COSTS AND EXPENSES OF MAINTENANCE AND OPERATION OF A CONDOMINIUM PROJECT ARE DIFFICULT TO ESTIMATE INITIALLY AND, EVEN IF THE MAINTENANCE FEES ARE ACCURATELY ESTIMATED, SUCH FEES WILL INTEND TO INCREASE IN AN INFLATIONARY ECONOMY AND AS THE IMPROVEMETS AGE. MAINTENANCE FEES CAN VARY DEPENDING ON SERVICES DESIRED BY APARTMENT OWNERS. THE BUYERS SHOULD CHECK THE ATTACHED MAINTENANCE FEE SCHEDULE TO SEE WHAT SERVICES ARE INCLUDED THEREIN. THE INITIAL ESTIMATES HAVE BEEN MADE WELL IN ADVANCE OF THE COMPLETION OF THE PROJECT AND MAY BE SUBJECT TO SUBSTANTIAL REVISION PRIOR TO OR UPON COMPLETION.

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

Air Conditioning - included in electricity
 Electricity
 [] common elements only \$ 2,000.00 x 12 = \$ 24,000.00
 [] common elements and apartments
 Elevator - included in electricity
 Gas n/a
 [] common elements only
 [] common elements and apartments
 Refuse Collection \$ 700.00 x 12 = \$ 8,400.00
 Telephone - included in office expense
 Water and Sewer \$ 4,000.00 x 12 = \$ 48,000.00

Maintenance, Repairs and Supplies

Building includes a/c and elevators \$ 1,875.00 x 12 = \$ 22,500.00
 Grounds includes pool and pest control \$ 4,650.00 x 12 = \$ 55,800.00

Management

Management Fee \$ 1,303.00 x 12 = \$ 15,636.00
 Payroll and Payroll Taxes includes benefits \$ 3,237.00 x 12 = \$ 38,844.00
 Office Expenses \$ 1,330.00 x 12 = \$ 15,960.00

Insurance

\$ 4,805.00 x 12 = \$ 57,660.00

Reserves (*) includes parking lot, exterior
 paint, roofing, pool deck \$ 2,000.00 x 12 = \$ 24,000.00

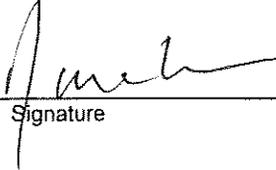
Taxes and Government Assessments
 included in office expense

Audit Fees
 included in office expense

Other - manager's unit mortgage \$ 2,760.00 x 12 = \$ 33,120.00

TOTAL \$28,660.00 x 12 = \$343,920.00

I, David Goode as agent for/and/or employed by KRS Development, Inc., the
 condominium managing agent/developer for the Hale Kanani
 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.



 Signature

August 9, 2004

 Date

(*) 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. See the following Section 9.

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.

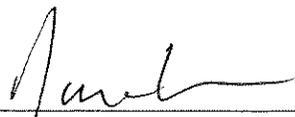
9. RESERVES:

The developer of Hale Kanani conducted a reserve study in accordance with Sec. 514A-83.6, Hawai'i Revised Statutes, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawai'i Administrative Rules, as amended, to estimate the remaining useful lives and the replacement costs of the common elements. The developer has estimated the funding for such major repairs and replacements over the estimated useful lives of the common elements based on the study's estimates of current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Board of Directors of the Association of Owners does have the right, subject to owners' approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The present study shows that the necessary funding amount is \$24,000.00 per year.

IN WITNESS WHEREOF, the undersigned has executed these presents the day and year noted below.

HALE KANANI ASSOCIATES, LLC

By: KRS DEVELOPMENT, INC.
Its Member-manager

By: 

DAVID GOODE
Its Vice President of
Development Operations

Date: August 9, 2004

48", the direct azimuth and chord distance being

140° 05' 30" 269.39 feet
to the point of beginning and
containing an area of 1.50
acres, more or less.

PARCEL SECOND:

All of that certain parcel of land (being a portion of the land described in and covered by Grant 11,677 to Yuk Oi Tom Dang) situate, lying and being at Kamaole, Kula, Makawao, Island and County of Maui, State of Hawaii, being LOT A, being portion of Lot 22-B of the "KAMAOLE HOMESTEADS", and thus bounded and described as per survey of Edgardo V. Valera, Registered Professional Land Surveyor No. 5076, dated December 7, 1987, to-wit:

Beginning at a ½ inch pipe at the northwesterly corner of this lot, being also the northeasterly corner of Lot 22-B-1-A, and at the south side of Kanani Road, the coordinates of said point of beginning being South 1,063.23 feet, West 21,043.26 feet, referred to Government Survey Triangulation Station "PUU O KALI" and running by azimuths measured clockwise from true South:

1. 272° 09' 147.80 feet
along the south side of
Kanani Road, to a ½ inch
pipe, thence
2. 2° 09' 200.00 feet
along Lot B of this
subdivision to a ½ inch pipe,
thence
3. 92° 09' 147.80 feet
along Lots 20 and 19 of
Kalama Heights Apartment
Subdivision, File Plan 986 to
an "X" mark on concrete at
base of wall, thence
4. 132° 09' 200.00 feet
along Lot 22-B-1-A to the

point of beginning and containing an area of 29,560 square feet, more or less.

Being the same premises as to PARCEL FIRST and PARCEL SECOND conveyed to Developer herein by Warranty Deed dated October 13, 2003, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2003-230363.

PARCEL THIRD:

All of that certain parcel of land (being a portion of the land described in and covered by Grant 11677 to Yuk Oi Tom Dang) situate at Kamaole, Island and County of Maui, State of Hawaii, being Lot B, being a portion of the subdivision of Lot 22-B-1-B of Machida Tract, more particularly described as follows:

Beginning at a pipe on the northeast corner of this lot, south side of Kanani Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "PUU-O-KALI" being 1071.39 feet south and 20,825.60 feet west and running by azimuth measured clockwise from true South:

1. 2° 09' 200.00 feet
along remainder of Grant
11677 to Yuk Oi Tom Dang to a
pipe;
2. 92° 09' 70.00 feet
along same to a pipe;
3. 182° 09' 200.00 feet
along Lot A, remainder of
Grant 11677 to Yuk Oi Tom
Dang to a pipe;
4. 272° 09' 70.00 feet
along Kanani Road to the
point of beginning and
containing an area of 14,000
square feet, more or less.

Being the same premises conveyed to Developer herein by Warranty Deed dated December 12, 2003, recorded in the

Bureau of Conveyances of the State of Hawaii as Document No. 2003-285892.

SUBJECT, HOWEVER, AS TO PARCELS FIRST, SECOND AND THIRD to the following:

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

2. The restrictions on use and other restrictions and all other of the covenants, agreements, obligations, conditions, reservations, easements and other provisions set forth in Declaration of Condominium Property Regime of Hale Kanani dated April 5, 2004, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-072129, as the same may hereafter be amended in accordance with law or with said Declaration. (Project covered by Condominium Map No. 3745.)

3. By-Laws of the Association of Owners of the Condominium Project known as "Hale Kanani" dated April 5, 2004, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2004-072130, as the same may hereafter be amended.

Exhibit "C"

Assignment of Parking Stalls (Limited Common Elements)

APARTMENT NO.	TYPE OF UNIT	PARKING STALL NOS.	UNDIVIDED PERCENTAGE INTERESTS
1-101	D	29, 30	1.52129%
1-102	B	25, 26	1.35294%
1-103	A	21, 22	1.29229%
1-104	B	17, 18	1.35294%
1-105	A	13, 14	1.29229%
1-106	B	11, 12	1.35294%
1-107	C	9, 10	1.52158%
1-201	D	27, 28	1.52129%
1-202	B	23, 24	1.35294%
1-203	A	19, 20	1.29229%
1-204	B	15, 16	1.35294%
1-205	A	123, 124	1.29229%
1-206	B	125, 126	1.35294%
1-207	C	127, 128	1.52158%
1-301	D	7, 8	1.52129%
1-302	B	5, 6	1.35294%
1-303	A	3, 4	1.29229%
1-304	B	1, 2	1.35294%
1-305	A	129, 130	1.29229%
1-306	B	131, 132	1.35294%
1-307	C	133, 134	1.52158%
2-101	C	31, 32	1.52158%
2-102	A	33, 34	1.29229%
2-103	B	35, 36	1.35294%
2-104	B	37, 38	1.35294%
2-105	A	97, 98	1.29229%
2-106	D	39, 40	1.52129%
2-201	C	113, 114	1.52158%
2-202	A	111, 112	1.29229%
2-203	B	109, 110	1.35294%
2-204	B	107, 108	1.35294%
2-205	A	101, 102	1.29229%
2-206	D	99, 100	1.52129%

2-301	C	121, 122	1.52158%
2-302	A	119, 120	1.29229%
2-303	B	117, 118	1.35294%
2-304	B	115, 116	1.35294%
2-305	A	105, 106	1.29229%
2-306	D	103, 104	1.52129%
3-101	C	41, 42	1.52158%
3-102	A	43, 44	1.29229%
3-103	B	45, 46	1.35294%
3-104	B	47, 48	1.35294%
3-105	A	49, 50	1.29229%
3-106	D	51, 52	1.52129%
3-201	C	95, 96	1.52158%
3-202	A	91, 92	1.29229%
3-203	B	87, 88	1.35294%
3-204	B	83, 84	1.35294%
3-205	A	79, 80	1.29229%
3-206	D	75, 76	1.52129%
3-301	C	93, 94	1.52158%
3-302	A	89, 90	1.29229%
3-303	B	85, 86	1.35294%
3-304	B	81, 82	1.35294%
3-305	A	77, 78	1.29229%
3-306	D	73, 74	1.52129%
4-101	C	53, 54	1.52158%
4-102	A	59, 60	1.29229%
4-103	B	65, 66	1.35294%
4-104	A	147, 148	1.29233%
4-105	D	143, 144	1.52129%
4-201	C	55, 56	1.52158%
4-202	A	61, 62	1.29229%
4-203	B	67, 68	1.35294%
4-204	A	151, 152	1.29229%
4-205	D	145, 146	1.52129%
4-301	C	57, 58	1.52158%
4-302	A	63, 64	1.29229%
4-303	B	69, 70	1.35294%
4-304	A	71, 72	1.29229%
4-305	D	149, 150	1.52129%

Exhibit "D"

Statement Regarding Common Interest

Each unit at Hale Kanani 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 unit's share of the maintenance fees and other common profits and expenses of the project.

The common interest for each unit at Hale Kanani is calculated based upon each unit's area percentage of the total project area (the total of all units' areas).

Unit Type A has 889.54 square feet of living area and 105.37 square feet of lanai.
Unit Type B has 929.06 square feet of living area and 112.54 square feet of lanai.
Unit Type C has 1058.29 square feet of living area and 113.14 square feet of lanai.
Unit Type D has 1059.21 square feet of living area and 112.00 square feet of lanai.

Each unit also has approximately 4 square feet of area on the lanai for the air conditioning shaft.

The total area for 24 Type A units is 23,877.84 square feet.
The total area for 24 Type B units is 24,998.40 square feet.
The total area for 12 Type C units is 14,057.16 square feet.
The total area for 12 Type D units is 14,054.52 square feet.
The total project area is 76,987.92 square feet.

Each unit's area is divided by the total project area to determine the percentage of each unit's common interest. This is also shown in Exhibit "C."

Each Type A unit has 1.29229% of the project area and common interest.*
Each Type B unit has 1.35294% of the project area and common interest.
Each Type C unit has 1.52158% of the project area and common interest.
Each Type D unit has 1.52129% of the project area and common interest.

*note: Unit 4-104, which is a Type A unit, has 1.29233% of the project area and common interest so that the total percentage interest equals 100.00%.

Exhibit "E"

Encumbrances Against Title

1. Real property taxes which may be due and owing. Reference is made to the Tax Assessor's Office, County of Maui.
2. Reservations in favor of the State of Hawai'i of all mineral and metallic mines.
3. The restrictions on use and other restrictions and all other covenants, agreements, obligations, conditions, reservations, easements and other provisions set forth in Declaration of Condominium Property Regime of Hale Kanani, dated April 5, 2004, recorded in the Bureau of Conveyances of the State of Hawai'i as Document No. 2004-072129 as the same may hereafter be amended in accordance with law or with said Declaration. (Project covered by Condominium Map No. 3745.)
4. By-Laws of the Association of Owners of Hale Kanani, dated April 5, 2004, recorded in the Bureau of Conveyances of the State of Hawai'i as Document No. 2004-072130 as the same may hereafter be amended.
5. Mortgage, Security Agreement and Fixture Filing dated March 25, 2004, recorded in the Bureau of Conveyances of the State of Hawai'i as Document No. 2004-071159.
6. Financing Statement recorded in the Bureau of Conveyances of the State of Hawai'i on April 7, 2004 as Document No. 2004-071161.
7. Easement Agreement, dated June 22, 2004, recorded in the Bureau of Conveyances of the State of Hawai'i as Document No. 2004-149040, for utility purposes (Oceanic Time Warner Cable).
8. Grant, dated July 9, 2004, recorded in the Bureau of Conveyances of the State of Hawai'i as Document No. 2004-156340, for utility purposes (Maui Electric Company, Ltd. and Verizon Hawai'i, Inc.)

Exhibit "F"

Summary of Sales Contract

A summary of the pertinent provisions of the sales contract for Hale Kanani (a standard Deposit Receipt Offer and Acceptance, or "DROA," and its Special Terms Addendum), is as follows:

1. The sales contract contains the price and other terms and conditions under which a buyer will agree to buy a unit in the project.
2. The sales contract provides for the buyer to get a copy of certain legal documents that buyer should closely examine.
3. The sales contract provides for severe penalties if the buyer fails to comply with the terms and conditions of the contract.
4. The buyer must complete the purchase of the unit by a certain date and pay closing costs, in addition to the purchase price.
5. The buyer's money will be held in escrow under the terms of the Escrow Agreement for the project.
6. The sales contract and the rights of the buyer under the sales contract is subordinate to the lien of mortgages on the property.
7. Hale Kanani Associates, LLC is making no warranties or representations in connection with the sale of the units, except for its written limited warranty set forth in this report.

This is merely a summary of a few of the terms and conditions of the sales contract, and the buyer should carefully read and review all of the terms and conditions of the sales contract before signing.

Exhibit "G"

Summary of Escrow Agreement

The Condominium Escrow Agreement for Hale Kanani, dated April 13, 2004, establishes an arrangement under which the payments which a buyer makes under a sales contract will be held by a neutral party ("Escrow"). Under the Escrow Agreement, the following things will or may happen:

1. Escrow will let buyers know when payments are due.
2. Escrow will arrange for buyers to sign all necessary documents.
3. The Escrow Agreement says under what conditions a refund will be made to a buyer.
4. The Escrow Agreement says what will happen to a buyer's funds upon a default under the sales contract.

EXHIBIT "H"

OWNER – OCCUPANT AFFIDAVIT

FOR DEVELOPER'S USE (chronological system):		
COMPLETED AFFIDAVIT SUBMITTED	DATE:	_____
	TIME:	_____
EARNEST MONEY DEPOSIT SUBMITTED	DATE:	_____
	TIME:	_____

NOTICE TO ALL PERSONS SIGNING THE AFFIDAVIT: This Affidavit is being provided to you pursuant to Part VI of the Condominium Property Act (Chapter 514A of the Hawaii Revised Statutes). Part VI is referred to as the "Owner-Occupant Law" in this Affidavit, and various Sections of part VI are referenced in this Affidavit. This Affidavit is a legal document that contains promises which are binding on you. If these promises are broken you could be subject to various penalties that are described in the Owner-Occupant Law and in this Affidavit. Therefore, it is strongly recommended that you seek the advice of an attorney or the Developer's representatives if you do not understand anything contained in the Affidavit, or have questions about anything contained in this Affidavit, or do not understand the references to the Owner-Occupant Law or other provisions of the Condominium Property Act which are contained in this Affidavit.

**AFFIDAVIT
OF INTENT TO PURCHASE AND RESIDE IN AN
OWNER-OCCUPANT DESIGNATED CONDOMINIUM RESIDENTIAL UNIT**

We, the undersigned "owner-occupants," on this ____ day of _____, 200____, do hereby declare that it is our intention to purchase and reside in a condominium residential unit designated for an "Owner-Occupant" in the Hale Kanani condominium project ("Project") proposed by Hale Kanani Associates, LLC ("Developer").

We understand, affirm, represent and agree by signing this Affidavit that:

1. It is our intent to reserve and purchase an owner-occupant designated residential unit ("designated unit") pursuant to section 514A-103 of the Owner-Occupant Law, and upon closing escrow, to reside in the designated unit as our principal residence for 365 consecutive days.
2. The term "owner-occupant" as used herein is defined in section 514A-101 of the Owner-Occupant Law as:
". . . any individual in whose name sole or joint legal title is held in a residential unit which, simultaneous to such ownership, serves as the individual's principal residence, as defined by the state department of taxation, for a period of not less than three hundred and sixty-five consecutive days, provided that the individual retains complete possessory control of the premises of the residential unit during this period. An individual shall not be deemed to have complete possessory control of the premises if the individual rents, leases or assigns the premises for any period of time to any other person in whose name legal title is not held."
(Emphasis added).
3. We understand that if two or more prospective owner-occupants intend to reside jointly in the same designated unit, only one owner-occupant's name shall be placed on the reservation list for either the chronological system or lottery system.
4. Should we require financing from a financial institution to purchase the designated unit, the financing shall be an owner-occupant mortgage loan. The financial institution is required to take all reasonable steps necessary to determine whether the borrower intends to become an owner-occupant.
5. At any time after obtaining adequate financing or a commitment for adequate financing up until the expiration of this Affidavit, (365 days after recordation of the instrument conveying the designated unit to us), we shall notify the Real Estate Commission immediately upon any decision to cease being an owner-occupant of the designated unit.

6. At closing of escrow, we shall file a claim for and secure an owner-occupant property tax exemption with the appropriate county office for the designated unit.
7. We have personally executed this Affidavit and we are all of the prospective owner-occupants for the designated unit. This Affidavit shall not be executed by an attorney-in-fact.
8. This Affidavit shall be reaffirmed by us no earlier than our receipt for the Project's Final Public Report and no later than the closing of escrow for the unit. The developer shall cancel our sales contract or reservation if we fail to make the reaffirmation. If the sales contract has become binding pursuant to section 514A-62 of the Condominium Property Act, we may be considered to be in default under our sales contract and the Developer may exercise the default or other remedies provided for in the sales contract and any other remedies provided by law.
9. We shall not sell or offer to sell, lease or offer to lease, rent or offer to rent, assign or offer to assign, convey or otherwise transfer any interest in the designated unit until at least 365 consecutive days have elapsed since the recordation of the instrument conveying title to the designated unit to us. Furthermore, we understand that we have the burden of proving our compliance with the law.
10. We understand that it is the affirmative duty of any developer, employee or agent of a developer, and real estate licensee, to report immediately to the Real Estate Commission any person who violates or attempts to violate the Owner-Occupant Law. No developer, employee or agent of a developer, or Real estate licensee shall violate or aid any person in violating the Owner-Occupant Law.
11. The Real Estate Commission may require verification of our owner-occupant status and if we fail to submit such verification, we may be

Exhibit "I"

IN THE MATTER OF
HALE KANANI OWNER-OCCUPANTS

)
)
)
) AFFIDAVIT OF PUBLICATION
)
)
)
)
)

STATE OF HAWAII)
) SS.
City and County of Honolulu)

Carrie-Ann M. Asuncion being duly sworn,
deposes and says that she is a clerk, duly authorized to
execute this affidavit of MidWeek Printing, Inc., publisher
of MidWeek and the Honolulu Star-Bulletin, that said
newspapers are newspapers of general circulation in the
State of Hawaii, and that the attached notice is true notice
as was published in the aforementioned newspapers as
follows:

MidWeek _____ times on _____

Honolulu Star-Bulletin 4 times on _____
03/11/2004,03/13/2004,03/18/2004,03/20/2004

And that affiant is not a party to or in any way interested in
the above entitled matter.

C. Asuncion

Subscribed to and sworn before me this 22ND day
of March A.D. 20 04

Patricia K. Reese
Notary Public of the First Judicial Circuit
State of Hawaii

My commission expires October 07, 2006

Ad# 05512952

**HALE KANANI
OWNER-OCCUPANTS' PRESALE NOTICE**

This notice is published pursuant to Section 514A-102 of the Hawaii Revised Statutes, as amended, to inform prospective owner-occupant purchasers that Hale Kanani Associates, LLC, a Hawaii limited liability company ("Developer"), is developing and intends to offer for sale a 72-unit fee simple condominium project to be located at 40, 62 and 70 Kanani Road, Kihei, Maui, Hawaii, TMK Nos. (2) 3-9-016: 002, 003 and 006, and to be known as HALE KANANI.

The project consists of seventy-two (72) residential units in four (4) buildings. All apartments in the project are intended for residential use.

The following is the Developer's statement of the approximate apartment sizes and price ranges of the apartments in the project:

Apt. Type	Bdrms/Baths	Approximate Net Living Area	Approximate Lanai Area	Price Range
A	2/2	882.04 sq. ft.	105.05 sq. ft.	\$235,000 - \$410,000
B	3/2	919.79 sq. ft.	108.25 sq. ft.	\$265,000 - \$430,000
C	3/2	1047.14 sq. ft.	113.14 sq. ft.	\$270,000 - \$480,000
D	3/2	1048.95 sq. ft.	108.25 sq. ft.	\$260,000 - \$430,000

Fifty (50) percent of the apartments will initially be offered for sale for 30 days after the first publication of this notice only to prospective owner-occupants who will use the residential apartments as their principal residence for a period of not less than 365 consecutive days.

The following apartments have been designated for owner-occupants only; the Developer has a right to substitute similar apartments for those already designated (apartment type is noted in parentheses): 1-105 (A), 1-106 (B), 1-107 (C), 1-202 (B), 1-203 (A), 1-302 (B), 2-103 (B), 2-104 (B), 2-105 (A), 2-202 (A), 2-203 (B), 2-204 (B), 2-205 (A), 2-303 (B), 2-304 (B), 2-305 (A), 3-102 (A), 3-103 (B), 3-104 (B), 3-105 (A), 3-106 (D), 4-101 (C), 4-102 (A), 4-103 (B), 4-104 (A), 4-105 (D), 4-201 (C), 4-202 (A), 4-203 (B), 4-204 (A), 4-205 (D), 4-301 (C), 4-302 (A), 4-303 (B), 4-304 (A), and 4-305 (D).

The price ranges are subject to change by the Developer prior to entering into binding sales contracts. The method of computing the square footages disclosed above are described in the Public Report.

All of the apartments in the project are "adaptable", as the term is defined and interpreted in Section 100 et seq. of Volume 24 of the Code of Federal Regulations for persons with disabilities.

All of the owner-occupant apartments shall be offered to prospective purchasers chronologically in the order in which the prospective purchasers submit to the Developer's broker a completed owner-occupant affidavit, an executed sales contract, and an earnest money deposit. In order to obtain the owner-occupant affidavit form and a copy of the Public Report, or for further information, contact the Developer's broker, Coldwell Banker Island Properties, Attention Paul Dunn ☎, or Alan Craig ☎, at 2463 South Kihei Road, Suite A-22, Kihei, Maui, Hawaii 96753; Telephone (808) 283-2000; Hours: 9:00 a.m. to 5:00 p.m. daily. (S8955-2952 3/11, 3/13, 3/18, 3/20/04)

PATRICIA K. REESE
Notary Public
State of Hawaii

Exhibit "J"

Changes from Contingent Final Public Report

Since the issuance of the effective date for the Contingent Final Public Report for Hale Kanani, changes have been made to the Final Public Report and its supporting documents. The changes are as follows:

Section I: Final Public Report

Page 5: The General Contractor, Betsill Brothers Construction, Inc., has been added.

Page 14: A new date for the updated title report was provided.

Page 16: A clarification was made to indicate that construction began in April 2004. It is still anticipated that construction will be completed in July 2005.

Page 19: Two documents were added under section 2H: Easement Agreement for utility purposes dated June 22, 2004 and Grant for utility purposes dated July 9, 2004.

The date of filing of the Preliminary Public Report was added.

Page 20: Section C2 was revised to clarify that the small public park would not impact the owners' association's liability, insurance and maintenance responsibilities and costs.

A new paragraph was added to indicate that the property is designated Flood Zone C, an area of minimal flooding.

Ex. A: The General Contractor, Betsill Brothers Construction, Inc., has been added.

Ex. E: The list of encumbrances was revised to include two utility easements: an easement agreement for Oceanic Time Warner Cable and a perpetual right and easement for Maui Electric Company, Ltd. and Verizon Hawai'i, Inc.

Section II – Escrow Agreement

No changes.

Section III - Title Reports

Current title reports have been provided.

Section IV – Verified Statement of Costs and Estimated Time of Completion

No changes.

Section V – Statement of Program of Financing

In addition to the loan commitment letter that was previously provided (no changes), the construction mortgage, executed construction contracts and performance bonds have been provided.

Section VI – Condominium Map

No changes have been made to the condominium map or floor plans. The following information has been added:

- (a) the number and type of parking stalls have been more clearly described.
- (b) the living areas and lanai areas (in square footage) have been added to each unit type.