CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer: **HUALALAI INVESTORS, LLC**
Address: **100 Wilshire Boulevard, Suite 1450, Santa Monica, California 90401**
Project Name (*): **NA HALE AT KAHIKOLE – PHASE II**
Address: **Kahikole Street, Kaupulehu-Kona, Hawaii 96740**

Registration No. **5491**

Effective date: **July 31, 2006**
Expiration date: **August 31, 2007**

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.

_____ **FINAL: (white)** The developer has legally created a condominium and has filed complete information with the Commission.
[ ] No prior reports have been issued.
[ ] This report supersedes all prior public reports.
[ ] This report must be read together with _____

__X__ **SECOND SUPPLEMENTARY: (pink)** This report updates information contained in the:
[ ] Preliminary Public Report dated: _____
[ ] Final Public Report dated: _____
[X] Supplementary Public Report dated: **March 27, 2006**

And

[X] Supersedes all prior public reports.
[ ] Must be read together with _____
[ ] This report reactivates the _____ public report(s) which expired on _____

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.

FORM: RECO-30 1297 / 0298 / 0800 / 0203 / 0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

[X] Required and attached to this report **See Exhibit G**

[ ] 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:

See Exhibit J

SPECIAL NOTICE

This is a condominium project, not a subdivision, and the Project does not involve the sale of individual subdivided lots. The land area appurtenant to each apartment is designated a limited common element and is not a legally subdivided lot.

Facilities and improvements normally associated with County approved subdivisions may not necessarily be provided for and services such as County street maintenance and trash collection will not be available for roads within the Project.

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

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

TABLE OF CONTENTS

		Page
Preparation of this Report		1
Expiration Date of Reports		1
Type of Report		1
Disclosure Abstract		2
Summary of Changes from Earlier Public Reports		2
Table of Contents		3
General Information on Condominiums		4
Operation of the Condominium Project		4
I.	PERSONS CONNECTED WITH THE PROJECT	5
	Developer	
	Attorney for Developer	
	General Contractor	
	Real Estate Broker	
	Escrow Company	
	Condominium Managing Agent	
II.	CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS	
	A. Declaration	6
	B. Condominium Map (File Plan)	6
	C. Bylaws	6
	D. House Rules	7
	E. Changes to Condominium Documents	7
III.	THE CONDOMINIUM PROJECT	
	A. Interest to be Conveyed to Buyer	8
	B. Underlying Land	9
	C. Buildings and Other Improvements	10
	D. Common Elements, Limited Common Elements, Common Interest	13
	E. Encumbrances Against Title	14
	F. Construction Warranties	15
	G. Status of Construction	16
	H. Project Phases	16
IV.	CONDOMINIUM MANAGEMENT	
	A. Management of the Common Elements	17
	B. Estimate of Initial Maintenance Fees	17
	C. Utility Charges for Apartments	17
V.	MISCELLANEOUS	
	A. Sales Documents Filed with the Real Estate Commission	18
	B. Buyer's Right to Cancel Sales Contract	18
	C. Additional Information Not Covered Above	20
	D. Signature of Developer	21
EXHIBIT A:	BOUNDARIES OF EACH APARTMENT	
EXHIBIT B:	PERMITTED ALTERATIONS TO APARTMENTS	
EXHIBIT C:	COMMON ELEMENTS	
EXHIBIT D:	LIMITED COMMON ELEMENTS	
EXHIBIT E:	COMMON INTERESTS AND LIMITED COMMON ELEMENTS	
EXHIBIT F:	ENCUMBRANCES AGAINST TITLE	
EXHIBIT G:	DISCLOSURE ABSTRACT	
EXHIBIT H:	SUMMARY OF SALES AGREEMENT	
EXHIBIT I:	SUMMARY OF ESCROW AGREEMENT	
EXHIBIT J:	**CHANGES TO THE CONDOMINIUM PUBLIC REPORT**	

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: **HUALALAI INVESTORS, LLC**◊ Phone: **(301) 458-3600** (Business)
Name*
100 Wilshire Boulevard, Suite 1450
Santa Monica, California 90401
Business Address

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

◊ **A Delaware limited liability company**

Member: Hualalai Investors Mezz, LLC, a Delaware limited liability company, whose sole member is Hualalai Investors JV, LLC

See Sheet 5-A for a list of the Officers of Hualalai Investors, LLC

Real Estate Broker: **HUALALAI RESIDENTIAL, LLC** Phone: **(808) 325-8500** (Business)
Name
100 Kaupulehu Drive
Kailua-Kona, Hawaii 96740
Business Address

Escrow **TITLE GUARANTY ESCROW SERVICES, INC.** Phone: **(808) 521-0211** (Business)
Name
235 Queen Street, 1st Floor
Honolulu, Hawaii 96813
Business Address

General Contractor: **TINGUELY DEVELOPMENT, INC.** Phone: **(808) 329-8775** (Business)
Name
74-5565 Luhia Street, Suite G
Kailua-Kona, Hawaii 96740
Business Address

Condominium Managing Agent: **AUGUSTINE REALTY** Phone: **(808) 326-7170** (Business)
Name
74-240 Nani Kailua Drive, Suite 9
Kailua-Kona, Hawaii 96740
Business Address

Attorney for Developer: **McCORRISTON MILLER MUKAI MacKINNON LLP** Phone: **(808) 529-7300** (Business)
Name
Five Waterfront Plaza, Suite 400
500 Ala Moana Boulevard
Honolulu, Hawaii 96813
Attn: D. Scott MacKinnon / Sharon H. Nishi
Business Address

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

HUALALAI INVESTORS, LLC

Directors

None

Officers

1.	**President:**	**Barry Sholem**
2.	**Vice President:**	**John Sauter**
3.	**Vice President:**	**Gregory J. Hartman**
4.	**Vice President:**	**William H. Walton III**
5.	**Vice President and Secretary:**	**Marc Lisker**
6.	**Vice President and Assistant Secretary:**	**Patrick K. Fox**

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. **2005-014889**
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. **3927**

[ ] 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. **2005-014890**
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	---	•

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

■ **The Developer's written consent also is required to amend any provision that gives the Developer any right or authority**

• **The House Rules may be amended by action of a majority of the Board of Directors of the Association of Apartment Owners**

2. Developer:

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

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

The Developer may amend the Declaration, By-Laws and Condominium Map (a) at any time prior to the recording of the first apartment conveyance to a party not signatory to the Declaration; (b) to make any amendments required by law, by the Real Estate Commission of the State of Hawaii, by any title insurer issuing title insurance on the Project or any of the apartments, by any institutional lender lending funds on the security of the Project or any of the apartments, or by any governmental agency; (c) to file the "as built" verified statement required by Section 514A-12, HRS; (d) to reflect alterations of the Project which the Developer is permitted to make pursuant to Paragraphs 2 and 3 of Section R of the Declaration; (e) at any time to effect the changes provided in the Declaration of Merger of Condominium Phases referred to in Section S of the Declaration, including the right to merge the Project with one or more condominium projects located or to be located on lands (or a portion or portions thereof) in the vicinity of the Project site.

III. THE CONDOMINIUM PROJECT

A. **Interest to be Conveyed to Buyer:**

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

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

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

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

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

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

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

For Sub-leaseholds:

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

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

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

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

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

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

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

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

[ ] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. **Underlying Land:**

Address: **Kahikole Street**
Kaupulehu-Kona, Hawaii 96740

Tax Map Key (TMK): **(3) 7-2-030-001**

[ ] Address [ ] TMK is expected to change because _____

Land Area: **2.910** [ ] square feet [**X**] acre(s) Zoning: **Kaupulehu Project District**

Fee Owner: **HUALALAI INVESTORS, LLC**
100 Wilshire Boulevard, Suite 1450
Santa Monica, California 90401
Address

Lessor: **Not Applicable**
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: **2 detached guest suite buildings**
4 residential apartment buildings Floors Per Building: **1**

[ ] Exhibit_____ contains further explanations.

3. Principal Construction Material:

[X] Concrete [ ] Hollow Tile [X] Wood

[X] Other **Masonry, steel, gypsum board, glass, other allied construction materials**

4. Uses Permitted by Zoning:

		No. of Apts.	Use Permitted By Zoning	
[X]	Residential	**4**	[X] Yes	[ ] No
[ ]	Commercial		[ ] Yes	[ ] No
[ ]	Mix Res/Comm		[ ] Yes	[ ] No
[ ]	Hotel		[ ] Yes	[ ] No
[ ]	Timeshare		[ ] Yes	[ ] No
[ ]	Ohana		[ ] Yes	[ ] No
[ ]	Industrial		[ ] Yes	[ ] No
[ ]	Agricultural		[ ] Yes	[ ] No
[ ]	Recreational		[ ] Yes	[ ] No
[ ]	Other		[ ] Yes	[ ] No

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

5. Special Use Restrictions:

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

[X] Pets: **No animals, birds, reptiles, poultry, fish or insects of any kind shall be raised, bred or Kept**

[X] Number of Occupants: _____

[X] Other: **See House Rules, which set forth various use restrictions**

[ ] There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: **None** Stairways: **None** Trash Chutes: **None**

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
A	**1**	**3/3.5**	**2,571**	**1,815/469**	**Lanai/Garage**
AR	**1**	**3/3.5**	**2,571**	**1,815/469**	**Lanai/Garage**
B	**1**	**3/3.5**	**2,669**	**1,177/428**	**Lanai/Garage**
BR	**1**	**3/3.5**	**2,669**	**1,177/428**	**Lanai/Garage**

Total Number of Apartments: **4**

*** 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 A

Permitted Alterations to Apartments:

See Exhibit B

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

7. Parking Stalls:

Total Parking Stalls: 8

	Regular		Compact		Tandem		
	Covered	Open	Covered	Open	Covered	Open	TOTAL
Assigned (for **Residential Units**	8*	0	0	0	0	0	8
Residential Guest	0	0	0	0	0	0	0
Assigned (for Commercial Units)	0	0	0	0	0	0	0
Extra for Purchase	0	0	0	0	0	0	0
Other: _____	0	0	0	0	0	0	0
Total Covered & Open:	8		0		0		8

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

[ ] Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

[X] There are no recreational or common facilities.

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

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

[ ] Other: _____

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

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

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

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

Not Applicable

11. Conformance to Present Zoning Code

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

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

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

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

	Conforming	Non-Conforming	Illegal
Uses	X		
Structures	X		
Lot	X		

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

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

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

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

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

[X] described in Exhibit C.

[ ] 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 D*.

[ ] as follows:

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

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

[X] described in Exhibit E.

[ ] 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 June 1, 2006 and issued by First American Title Company, 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 lien(s)of Developer's lender(s)	**Buyer's interest may be subject and subordinate to such liens. If the Developer defaults or the liens are foreclosed before the apartment is conveyed to the buyer, then the Mortgagee may have the right to sell the apartment to the buyer under the Sales Contract or terminate the buyer's interest thereunder. If the Mortgagee terminates the buyer's interest, then the buyer's deposits will be refunded to the buyer, less the escrow cancellation fee.** **NOTE: At the time of the first conveyance of each apartment to a buyer, the lien(s) of the Developer's lender(s) will be paid and satisfied of record, or the apartment being conveyed and its common interests shall be released therefrom.**

F. **Construction Warranties:**

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

See Section 3 of Exhibit G (the Disclosure Abstract).

2. Appliances:

See Section 3 of Exhibit G (the Disclosure Abstract).

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

The estimated date of completion of construction of the Project is September 30, 2006. Actual dates of completion of the individual apartments in the Project may vary.

H. **Project Phases:**

The developer [**X**] Has [ ] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

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

IV. CONDOMINIUM MANAGEMENT

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

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

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

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

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

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

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

Exhibit G 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 ◊ [ ] Sewer [ ] Television Cable

[X] Other **Refuse collection**

◊ **Irrigation only**

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 H contains a summary of the pertinent provisions of the sales contract.

[X] Escrow Agreement dated **June 1, 2006**
Exhibit I contains a summary of the pertinent provisions of the escrow agreement.

[X] Other **Specimen Limited Warranty**

B. **Buyer's Right to Cancel Sales Contract:**

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

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

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

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

A) The Developer delivers to the buyer a copy of:
   1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
   2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;

B) The buyer is given an opportunity to read the report(s); **AND**

C) One of the following has occurred:
   1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
   2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
   3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

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

A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**

B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

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

A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
B) Declaration of Condominium Property Regime, as amended.
C) Bylaws of the Association of Apartment Owners, as amended.
D) House Rules, if any.
E) Condominium Map, as amended.
F) Escrow Agreement.
G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
H) Other **Master Declaration**

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. **5491** Filed with the Real Estate Commission on **October 12, 2004**.

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

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

C. Additional Information Not Covered Above

1. Master Declaration. The Declaration of Condominium Property Regime provides that all present and future apartment owners, tenants and occupants of apartments shall be bound by and subject to the provisions of that certain Master Declaration of Protective Covenants, Conditions and Restrictions and Reservation of Easements for Hualalai at Historic Ka`upulehu recorded in the Bureau of Conveyances the State of Hawaii, as amended from time to time (the "Master Declaration"). The Master Declaration provides, among other things, that each apartment owner, by virtue of being such an owner, shall be a member of the Hualalai Community Association and shall pay assessments to the Hualalai Community Association, as set forth in the Master Declaration.

2. Public Access/Parking. As a condition of its zoning entitlements, the Developer is required to provide beach access, parking and restroom facilities for the public. Public access, parking and restroom facilities are therefore located along a portion of the southern boundary of Hualalai Resort and not located within the Project. There are currently 45 public parking spaces provided within this parking area, however it is contemplated that this public parking area will be expanded to accommodate a total of approximately 95 vehicles. This public access is open from dawn to dusk. The Hualalai Community Association maintains and secures this facility.

3. Non-Potable Water. At the option of the Developer, or its successors and assigns, the Project, or designated portions thereof, shall be irrigated with non-potable water only. The non-potable water shall be, at the Developer's option, either brackish water or reclaimed water.

4. Golf Course. The Project may be in the vicinity of a golf course or courses. Purchasers of apartments in the Project will be deemed to have to have acknowledged, accepted and assumed the "Golf Course Hazards", as such term is defined in the Master Declaration.

5. Wastewater Treatment Plant. The Project is located in the vicinity of a wastewater treatment plant. Additional improvements may be made in the future to expand its capacity (said treatment plant as now or hereafter modified being referred to herein as the "WTP"). The operation of the WTP may result in nuisances or otherwise affect the use and enjoyment of the Project by owners of apartments in the Project.

6. Assignment of Declarant Rights. By that certain Assignment of Declarant Rights dated as of June 1, 2006 and recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") as Document No. 2006-102131, Kaupulehu Makai Venture, the original developer of the Project, and the "Developer" under the Declaration of Condominium Property Regime of Na Hale at Kahikole – Phase II (the "Declaration"), assigned all of its rights, entitlements, exemptions, title, interests, obligations and powers under that certain Declaration of Merger of Condominium Phases recorded in the Bureau as Document No. 2005-010668, the Declaration and various other documents to Hualalai Investors, LLC.

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.

HUALALAI INVESTORS, LLC
a Delaware limited liability company
Printed Name of Developer

By:

By: _____ 7/6/06
Duly Authorized Signatory* Date

John Sauter, Vice President
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, **County of Hawaii**

Planning Department, **County of Hawaii**

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

BOUNDARIES OF EACH APARTMENT

Each apartment consists of the spaces within the perimeter walls, floors and ceilings of the respective apartment as shown on the Condominium Map. The respective apartments shall not be deemed to include the undecorated or unfinished surfaces of the perimeter walls or interior load-bearing walls or partitions, the foundations, columns, girders, beams, floor slabs, footings, supports, roofs and ceilings located within or at the perimeter of or surrounding such apartment, or any pipes, wires, vents, shafts, ducts, conduits or other utility or service lines or enclosed spaces for wiring, pipes or air exhaust running through or otherwise located within such apartment which are utilized for or serve more than one apartment, all of which are deemed common elements. Each apartment shall be deemed to include all of the walls and partitions which are not load-bearing and which are within its perimeter walls; the inner decorated or finished surfaces of all walls, floors, roofs and ceilings; all windows, window frames, louvers (if any), shutters (if any), doors and door frames along the perimeter of the apartment; the lanais, as shown on the Condominium Map; and all of the fixtures and appliances originally installed therein, including the air conditioning system and all appurtenances thereto which shall include the ducts, pipes and condensers, whether located within the building or outside of the building in which the apartment is located.

PERMITTED ALTERATIONS TO APARTMENTS

Except as otherwise provided in the Declaration of Condominium Property Regime for the Project (the "Declaration"), restoration, repair or replacement of the Project or of any Improvement (as defined in the By-Laws of the Association of Apartment Owners of the Project (the "By-Laws")) or construction of any additional Improvement or structural alteration or addition to any structure, different in any material respect from the Condominium Map for the Project (the "Condominium Map"), shall be undertaken by the Association of Apartment Owners of the Project (the "Association") or any apartment owners only pursuant to an amendment of the Declaration, duly executed by or pursuant to the affirmative vote of seventy-five percent (75%) of the apartment owners and accompanied by the written consent of the holders of all liens affecting any of the apartments, and in accordance with all of the requirements of Paragraph 6 of Section I of the Declaration, and promptly upon completion of such restoration, replacement or construction, the Association shall duly file of record such amendment, together with a complete set of floor plans of the Project as so altered, certified as built by a registered architect or professional engineer; PROVIDED, HOWEVER, that notwithstanding any other provision in the Declaration to the contrary, the owner of an apartment may make any alterations or additions within an apartment and the owner of any two adjoining apartments may alter or remove all or portions of the intervening walls, at such owner's expense, if such alterations or additions are not visible from the exterior of the apartments and if the structural integrity of the building is not thereby affected. The alterations or additions permitted by the immediately preceding proviso shall require only the written approval thereof, including approval of the apartment owner's plans therefor, by the Institutional Holders (as defined in the By-Laws) for such apartment (if the Institutional Holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Hawaii if such agencies so require, by the Master Development Review Board or its delegate, by the Board of Directors of the Association, and by all other apartment owners thereby directly affected (as determined in a reasonable manner by the Board of Directors) and such alterations or additions may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered. Prior to the termination of the common ownership of any two adjoining apartments, if the intervening walls shall have been altered or removed pursuant to the foregoing provision and any entrances sealed, the owner of such apartment shall restore such intervening walls and entrances to substantially the same condition in which they existed prior to such alteration or removal.

Notwithstanding any other provision in the Declaration to the contrary, prior to (a) the time that all apartments in the Project have been sold and recorded and (b) the filing by the Developer of the "as-built" verified statement (with plans, if applicable) required by Section 514A-12 of the Hawaii Revised Statutes, the Developer shall have the right to make alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which change the configuration of, alter the number of rooms of, decrease or increase the size of, or change the location of any apartment (and the limited common elements appurtenant thereto) in the Project which is not sold and recorded; or to make other alterations in the Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, which make minor changes in any apartment in the Project or the common elements which do not affect the physical location, design or size of any apartment which has been sold and recorded, including, without limitation, changes to the metes and bounds or dimensions of the limited common elements; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 3 of Section T of the Declaration. As used herein, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project, and the recordation in the Bureau of Conveyances of the State of Hawaii of apartment conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Notwithstanding any other provision in the Declaration to the contrary, prior to the time that all apartments in the Project have been sold and recorded, the Developer shall have the right to make alterations in the

Project (and to amend the Declaration and the Condominium Map accordingly) without the approval, consent or joinder of any apartment owner, as follows: (a) installing a detached guest suite within one or more yard areas; (b) installing a spa within one or more yard areas; (c) installing a dining pavilion within one or more yard areas; (d) installing a barbecue within one or more yard areas; (e) installing a fire pit within one or more yard areas; (f) installing improvements within one or more courtyard areas; (g) installing grass cell paving rather than concrete paving within one or more motor court areas; and (h) making alterations within one or more apartments; PROVIDED, HOWEVER, that any such changes shall be reflected in an amendment to the Declaration as provided in Paragraph 4 of Section T of the Declaration. As used herein, the term "sold and recorded" shall mean and refer to the sale of apartments in the Project and the recordation in the Bureau of Conveyances of the State of Hawaii of Apartment Conveyances transferring interests in the apartments from the Developer to parties not signatory to the Declaration.

Notwithstanding any other provision in the Declaration to the contrary, an apartment owner shall have the right to make alterations in the Project as follows: (a) applicable to the Owners of Apartment Nos. 1, 3 and 4 only, installing a detached guest suite within the yard area that is a limited common element appurtenant to such apartment owner's apartment, of the type as shown on the Condominium Map and in the location provided for on the Condominium Map; (b) installing a spa within the yard area that is a limited common element appurtenant to such apartment owner's apartment, in the configuration as shown on the Condominium Map and in the location provided for on the Condominium Map; (c) installing a dining pavilion within the yard area that is a limited common element appurtenant to such apartment owner's apartment, of the type as shown on the Condominium Map and in the location provided for on the Condominium Map; (d) installing a barbecue within the yard area that is a limited common element appurtenant to such apartment owner's apartment, of the type as shown on the Condominium Map and in the location provided for on the Condominium Map; (e) installing a fire pit within the yard area that is a limited common element appurtenant to such apartment owner's apartment, in the location provided for on the Condominium Map; and (f) installing improvements within the courtyard area that is a limited common element appurtenant to such apartment owner's apartment. The installation of any of the foregoing items shall require only the written approval thereof, including approval of the apartment owner's plans therefore, by the Institutional Holders for such apartment (if the Institutional Holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Hawaii if such agencies so require, by the Master Development Review Board or its delegate, and by the Board of Directors, and such alterations may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project as so altered.

Notwithstanding any other provision in the Declaration to the contrary, an apartment owner shall have the right to make alterations in the Project which consist of installing a lanai or lanais within the yard area that is a limited common element appurtenant to such apartment owner's apartment. The installation of the lanai or lanais shall require only the written approval thereof, including approval of the apartment owner's plans therefor, by the Institutional Holders for such apartment (if the Institutional Holders require such approval), by the appropriate agencies of the State of Hawaii and the County of Hawaii if such agencies so require, by the Master Development Review Board or its delegate, and by the Board of Directors, and such alterations may be undertaken without an amendment to the Declaration or filing of a complete set of floor plans of the Project so altered.

COMMON ELEMENTS

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

(a) The Land in fee simple;

(b) All foundations, columns, girders, beams, footings, floor slabs, supports, unfinished perimeter, party and load-bearing walls and partitions, roofs, walkways, entrances, entry ways and exits of all residential apartment buildings and detached guest suite buildings of the Project;

(c) All walkways, roadways, sidewalks, perimeter walls, retaining walls, fences (if any), gates (if any), driveways, yard areas, courtyard areas, garden court areas, motor court areas, utility enclosure areas, yards, gardens, grounds and landscaping;

(d) All pipes, cables, conduits, ducts, sewer lines, sewage treatment equipment and facilities (if any), electrical equipment, wiring and other central and appurtenant transmission facilities and installations over, under and across the Project which serve more than one apartment for services such as power, light, gas (if any), sewer, water, telephone and television signal distribution (if any);

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

(f) The limited common elements described in Exhibit D to this Condominium Public Report.

LIMITED COMMON ELEMENTS

(a) Each of the yard areas within the Project, together with the detached guest suite, if any, the swimming pool, the spa, if any, the dining pavilion, if any, the barbecue, if any, and the fire pit, if any, located therein, designated on the Condominium Map as Yard Nos. 1Y, 2Y, 3Y and 4Y, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit E attached to this Condominium Public Report.

(b) Each of the courtyard areas within the Project, together with all improvements therein, if any, designated on the Condominium Map as Courtyard Nos. 1CY, 2CY, 3CY and 4CY, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit E attached to this Condominium Public Report.

(c) Each of the garden court areas within the Project, designated on the Condominium Map as Garden Court Nos. 1 GC, 2GC, 3GC, and 4GC, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit E attached to this Condominium Public Report.

(d) Each of the motor court areas within the Project, designated on the Condominium Map as Motor Court Nos. 1MC, 2MC, 3MC, and 4MC, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment to which it is assigned, as set forth in Exhibit E attached to this Condominium Public Report.

(e) Each of the utility enclosure areas within the Project, designated on the Condominium Map as Utility Enclosure Nos. 1U, 2U, 3U, and 4U, shall be a limited common element appurtenant to and reserved for the exclusive use of the apartment or apartments to which it is assigned, as set forth in Exhibit E attached to this Condominium Public Report.

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

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

COMMON INTERESTS AND LIMITED COMMON ELEMENTS

Apartment No.	1	2	3	4
Apartment Type	BR	AR	A	B
Residential Building No.	1	2	3	4
Yard No.	1Y	2Y	3Y	4Y
Courtyard No.	1CY	2CY	3CY	4CY
Garden Court No.	1GC	2GC	3GC	4GC
Motor Court No.	1MC	2MC	3MC	4MC
Utility Enclosure No.	1U	2U	3U	4U
Common Interest	25%	25%	25%	25%

ENCUMBRANCES AGAINST TITLE

1. For any real property taxes that may be due and owing, reference is made to the Office of the Tax Assessor of the County of Hawaii.

2. Title to all mineral and metallic mines is reserved to the State of Hawaii.

3. The terms and provisions contained in the Declaration of Covenants dated October 21, 1981, recorded in the Bureau of Conveyances of the State of Hawaii (the "Bureau") on February 26, 1982 in Book 16186 at Page 148.

4. The terms and provisions contained in the Certificate and Consent dated November 19, 1982, recorded in the Bureau on June 14, 1983 in Book 17109 at Page 766.

   Re: amendment of land use district boundaries and reclassification of land, etc.

5. The terms and provisions contained in the Unrecorded Agreement dated June 5, 1986.

   Re: Covenants and agreements including, without limitation, protective buffer zones surrounding Kona Village Resort Tax Key 7-2-003-002 (3); restrictions on noise, night lighting and views of structures erected on Tax Key 7-2-003-001 (3); restrictions on usage and density of developments on Tax Key 7-2-003-001 (3); restrictions on construction activities, and agreements with respect to access and future developments.

   A Short Form of which is dated June 5, 1986, recorded in the Bureau on June 30, 1986 in Book 19629 at Page 447.

6. The terms and provisions contained in the Certificate of Conditions dated March 28, 1988, recorded in the Bureau on April 25, 1988 in Book 21853 at Page 235.

   Re: reclassification

7. The terms and provisions contained in the Agreement recorded in the Bureau on September 18, 1995 as Document No. 95-146600, as amended.

   Amendment to Agreement recorded in the Bureau on April 3, 1996 as Document No. 96-045786.

8. Terms, provisions, reservations, covenants, conditions and restrictions, but deleting any of the aforementioned indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Chapter 515 of the Hawaii Revised Statutes, as contained in the Master Declaration of Protective Covenants, Conditions and Restrictions and Reservations of Easements for Hualalai at Historic Ka'upulehu recorded in the Bureau on July 31, 1996 as Document No. 96-109954, as supplemented and amended.

9. Designation of Easement "1", for cartpath, utility and wall purposes as shown on File Plan 2390.

10. Designation of Easement "2", for cartpath and utility purposes as shown on File Plan 2390.

11. Designation of Easement "7", for landscaping purposes as shown on File Plan 2390.

12. The terms and provisions contained in the Certificate of Conditions dated September 9, 2002 dated September 9, 2002, recorded in the Bureau on September 16, 2002 as Document No. 2002-163220 thru 2002-163221.

13. The terms and provisions contained in the Limited Warranty Deed with Covenants and Reservations dated December 3, 2004, recorded in the Bureau on December 9, 2004 as Document No. 2004-248305.

14. The terms and provisions contained in the Declaration of Merger of Condominium Phases dated January 10, 2005, recorded in the Bureau on January 19, 2005 as Document No. 2005-010668.

15. Condominium Map No. 3927.

16. The terms and provisions contained in the Declaration of Condominium Property Regime of Na Hale at Kahikole - Phase II, as may be amended dated January 12, 2005, recorded in the Bureau on January 26, 2005 as Document No. 2005-014889.

17. The terms and provisions contained in the Condominium By-Laws of the Association of Apartment Owners of Na Hale at Kahikole - Phase II, as may be amended dated January 12, 2005, recorded in the Bureau on January 26, 2005 as Document No. 2005-014890.

18. The terms and provisions contained in the Supplemental Declaration Dedicating Property (Na Hale at Kahikole - Phase II) dated January 12, 2005 recorded in the Bureau on January 26, 2005 as Document No. 2005-014891.

19. The following matters, as shown on or disclosed by the Survey Map dated May 25, 2006, prepared by Pedro Y. Guzman, Licensed Surveyor No. 8963:

    a) At the Northeast corner of Lot 3 a CRM wall extends into Kahikole Street (Lot 13). Also, the cartpath as well as the CRM wall extends beyond Easement 1, as shown on or disclosed by the Survey Map dated May 25, 2006, prepared by Pedro Y. Guzman, Licensed Surveyor No. 8963.

20. Mortgage, Security Agreement, Financing Statement, Fixture Filing and Assignment of Leases, Rents, Hotel Revenue and Security Deposits to secure an original principal indebtedness of $412,500,000.00, and any other amounts or obligations secured thereby.
Dated: June 1, 2006
Mortgagor: Hualalai Investors, LLC, a Delaware limited liability company
Mortgagee: German American Capital Corporation, a Maryland corporation
Recorded in the Bureau on June 01, 2006 as Document No. 2006-102135.

    Note: Affects the land and other property.

21. The Assignment of Leases, Rents, Hotel Revenue and Security Deposits, as additional security for the payment of the indebtedness secured by the mortgage recorded in the Bureau on June 01, 2006 as Document No. 2006-102135, which was recorded June 01, 2006 as Document No. 2006-102136.

Note: Affects the land and other property.

22. A financing statement
Debtor: Hualalai Investors, LLC, a Delaware limited liability company
Secured Party: German American Capital Corporation, a Maryland corporation
Recorded in the Bureau on June 01, 2006 as Document No. 2006-102137.

Note: Affects the land and other property.

DISCLOSURE ABSTRACT

1. (a) PROJECT: NA HALE AT KAHIKOLE - PHASE II
Kahikole Street, Kaupulehu-Kona, Hawaii

(b) DEVELOPER: HUALALAI INVESTORS, LLC
100 Wilshire Boulevard, Suite 1450
Santa Monica, California 90401
Telephone: (301) 458-3600

(c) MANAGING AGENT: Augustine Realty
74-240 Nani Kailua Drive, Suite 9
Kailua-Kona, Hawaii 96740
Telephone: (808) 326-7170

2. USE OF APARTMENTS:

(a) Number of Apartments in Project for Residential Use: 4

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

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

3. WARRANTIES:

(a) The Developer will provide to the Buyer a limited warranty that for a period of one year from the date of recordation in the Bureau of Conveyances of the State of Hawaii of the deed from the Developer to the Buyer (the "Closing"), the Developer will correct any defect in the appliances, equipment and other items that are "consumer products" for the purposes of the Magnuson-Moss Warranty Act (15 U.S.C., Sections 2301-2312) as well as the plumbing, electrical and air-conditioning systems, and the floors, ceilings, walls and other structural components of the apartment due to defective materials or workmanship of which the Developer receives written notice during such one-year period following the date of Closing.

(b) The Developer shall assign to the Buyer all manufacturers' warranties on appliances or other equipment installed in the apartment.

(c) The Developer does not warrant or assume responsibility for the following items, which are excluded from coverage of the Developer's warranty: (i) defects in any item that was not part of the original apartment constructed by the Developer or its predecessor-in-interest; (ii) any defect caused by or worsened by negligence, improper maintenance, lack of maintenance, improper action or inaction, or willful or malicious acts by any party other than the Developer, its employees, agents or trade contractors; (iii) normal wear and tear of the apartment; (iv) loss or damage caused by acts of God, including but not limited to fire, explosion, smoke, water escape, changes that are not reasonably foreseeable in the level of the underground water table, glass breakage, windstorm, hail, lightning, falling trees, flood, and earthquakes; (v) any defect or damage caused by changes in the grading or drainage patterns or by excessive watering of the ground of the Buyer's property or adjacent property by any party other than the Developer, its employees, agents, or trade contractors; (vi) any damage to the extent it is caused or made worse by the failure of anyone other than the Developer or its employees, agents or trade contractors to comply with the requirements of the Developer's warranty or the requirements of the manufacturers'

warranties; (vii) any defect or damage that is covered by a manufacturer's warranty that has been assigned to Buyer; (viii) failure of the Buyer to take timely action to minimize loss or damage or the Buyer's failure to give the Developer timely notice of the defect; or (ix) insect or animal damage.

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

Attached to this Disclosure Abstract as Exhibit A is a breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, prepared by Augustine Realty, a Hawaii general partnership, for the one-year period commencing July 1, 2006. The attached breakdown of annual maintenance charges and the estimated cost for each apartment are subject to change based on actual costs of the items listed. The Developer can make no assurances regarding the estimated maintenance assessments. Variables such as inflation, uninsured casualty loss or damage, increased or decreased services from those contemplated by the Developer, apartment owner delinquencies and other factors may cause the maintenance assessments to be greater or less than the estimated maintenance assessments. The breakdown of the estimated cost for each apartment contained in this Disclosure Abstract does not include the Buyer's obligation for the payment of the Hualalai Community Association dues (anticipated to be $3,016.00 per year) or real property taxes, and does not include or otherwise take into account the one-time "start-up" fee required to be paid in addition to the normal maintenance charges. Estimates of the real property taxes will be provided by the Developer upon request.

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

5. TEMPORARY ASSUMPTION BY DEVELOPER OF ACTUAL COMMON EXPENSES:

The Developer will assume all the actual common expenses of the Project (and therefore an apartment owner will not be obligated for the payment of its respective share of the common expenses) until such time as the Developer files with the Real Estate Commission of the State of Hawaii an amended Disclosure Abstract which states that after a date certain, the respective apartment owner shall thereafter be obligated to pay for its respective share of common expenses that is allocated to its apartment; provided, however, that such amended Disclosure Abstract shall be filed at least 30 days in advance with the Real Estate Commission, with a copy thereof being delivered either by mail or personal delivery after the filing to each of the apartment owners whose maintenance expenses were assumed by the Developer. The Developer shall have no obligation to pay for any cash reserves or any other reserve amounts with respect to or attributable to the period during which the Developer assumes the actual common expenses of the Project.

6. HUALALAI COMMUNITY ASSOCIATION DUES:

Each apartment owner will be required to be a member of the Hualalai Community Association. As such member, each apartment owner will be required to pay Hualalai Community Association annual dues. The Hualalai Community Association dues are anticipated to be $3,016.00 per year.

CERTIFICATE

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

1. That I am a Partner of Augustine Realty, a Hawaii general partnership, the Managing Agent for the NA HALE AT KAHIKOLE - PHASE II condominium project (the "Project").

2. That I hereby certify that the breakdown of the annual maintenance charges and the monthly estimated cost for each apartment in the Project, as set forth in Exhibit A attached hereto and hereby incorporated herein by reference, were determined pursuant to a reserve study conducted in accordance with Section 514A-83.6 of the Hawaii Revised Statutes and Chapter 107 of the Hawaii Administrative Rules, and are reasonable estimates for the one-year period commencing July 1, 2006, based on generally accepted accounting principles.

DATED: Kailua-Kona, Hawaii, this 29th day of June, 2006.

Katherine J.H. Augustine
Partner

Subscribed and sworn to before me
this 29th day of June 2006.

WENDY MARTINEZ
NOTARY
PUBLIC
STATE OF HAWAII

Print Name: Wendy Martinez
Notary Public, State of Hawaii

My Commission expires: May 25, 2007

EXHIBIT A

NA HALE AT KAHIKOLE - PHASE II
Estimated Common Expenses

Updated: June 2006

	MONTHLY	ANNUAL
Utilities and Services		
Electricity (common elements only)	$275.00	$3,300.00
Pest Control	400.00	4,800.00
Refuse Collection	84.00	1,008.00
Water (Irrigation only)	3,200.00	38,400.00
Maintenance. Repairs and Supplies		
Facilities	2,000.00	24,000.00
Grounds	7,400.00	88,800.00
Management		
Management Fees	867.00	10,404.00
Insurance	6,365.00	76,380.00
Reserves	1,800.00	21,600.00
Audit Fees	117.00	1,404.00
Legal Fees	100.00	1,200.00
Miscellaneous- Project Expense	150.00	1,800.00
TOTAL DISBURSEMENTS	$22,758.00	$273,096.00

ESTIMATED MAINTENANCE CHARGES OR FEES FOR EACH APARTMENT:

The estimated monthly maintenance charge for each apartment is $5,689.50 per month. The estimated monthly maintenance charge does not include the cost to repair and maintain the detached guest suites, spas, if any, dining pavilions, if any, barbecues, if any, fire pits, if any, courtyard area improvements, if any, and motor court areas (collectively, the "Additional Improvements"), or the replacement reserves for the major maintenance, upkeep, repair or replacement of the Additional Improvements, which costs and reserves shall be charged separately to the owner of the apartment to which such Additional Improvement is appurtenant.

In addition, each owner shall pay the Hualalai Community Association annual dues presently established at $3,016.00 per year.

SUMMARY OF SALES AGREEMENT

A specimen Condominium Purchase and Sale Agreement (the "Sales Agreement") has been submitted to the Real Estate Commission and is available in the Sales Office of Seller.

ALL BUYERS AND PROSPECTIVE BUYERS SHOULD CAREFULLY READ THE SALES AGREEMENT IN FULL, since this summary is NOT A COMPLETE DESCRIPTION of their provisions.

The Sales Agreement, among other things, covers in more detail the following items:

1. Seller agrees to provide Buyer with a one-year limited construction warranty pursuant to the terms and conditions set forth in the Limited Warranty to be provided to Buyer prior to the Final Closing.

2. If Buyer's mortgage loan application is rejected or not approved within 45 days after application, then Seller may elect to terminate the Sales Agreement upon written notice to Buyer.

3. Within thirty (30) days after Seller's execution of the Sales Agreement, Buyer shall meet or otherwise communicate in writing with Seller's designees (for example, Seller's options coordinator, architect, interior designer, landscape architect and others) to select from various options offered by Seller ("Options"). Some of the Options shall require that Buyer make additional payments. Subject to the expiration dates on the Options Selection Sheet where applicable (the "Options Expiration"), Buyer shall (a) sign an Options Selection Addendum form confirming the Options selected by Buyer including the price of the Options, and (b) make a nonrefundable payment equal to 50% of the total charges for Options to Escrow Agent for disbursement to Seller at the direction of Seller. Buyer irrevocably instructs Escrow Agent to make such disbursement to Seller on the date and in the manner as directed by Seller to Escrow Agent, which disbursement may occur prior to the Final Closing. The remaining 50% of the total charges for Options shall be deposited with Escrow Agent at least three (3) business days prior to Final Closing, and disbursed by Escrow Agent to Seller upon Final Closing.

4. Buyer understands that delays in decisions regarding Options and change orders may delay completion of the Apartment and agrees that strict enforcement of any deadlines by Seller is reasonable under the circumstances. Buyer agrees to cooperate by responding in writing to Seller with decisions on choices offered by Seller on construction and design issues by any deadlines set by Seller. In the case of Options, the Options Expiration dates shall apply. If Buyer fails to complete Buyer's Options selections in writing by the Options Expiration dates, then Seller shall have the option of (a) proceeding without Options with Buyer being deemed to have waived all rights and claims to make Options selections, or (b) providing Buyer with additional time as specified by Seller. If Seller provides Buyer with additional time but Buyer fails to complete Buyer's Options selection, then Seller shall again have the foregoing options (a) and (b). In other cases where Seller has not set a specific deadline when offering a choice to Buyer, Buyer's ability to make a choice shall automatically expire ten (10) calendar days after the choice is offered. Buyer's choices as to each decision offered to Buyer shall be limited to such choices as are offered in the sole discretion of Seller. For example, if Seller offers Buyer a choice of colors on certain materials, the number and range of colors may be limited by Seller.

5. If Buyer requests changes to the plans for the Apartment, such changes shall be known as "change orders". Change orders shall be subject to Seller's agreement and Buyer's payment of such additional charges as Seller may specify. Change orders shall not be effective unless set forth in a written Change Order Agreement signed by both Buyer and Seller. Buyer understands that Seller is not obligated to agree to any change order. Charges for change orders may

include, among other things, labor costs, insurance costs, bond costs, material costs, design costs, delay costs, restocking costs, taxes, additional costs to Seller and its contractors, administrative costs and Seller's profit Seller may set deadlines for change orders. The charges for any change order approved by Seller shall be paid by Buyer in full as a nonrefundable payment through Escrow Agent for disbursement to Seller at the direction of Seller. Buyer irrevocably instructs Escrow Agent to make such disbursement to Seller on the date and in the manner as directed by Seller to Escrow Agent, which disbursement may occur prior to the Final Closing. Seller shall not be bound to any change order that is not signed by both Seller and Buyer or if Seller is not in receipt of 100% of the funds as set forth in the Change Order Agreement.

6. Buyer agrees that Seller, its officers, employees, agents or real estate brokers or real estate sales persons have made no representations regarding the possibility or probability of rental or other income from the purchase and ownership of an apartment in the Project or other economic benefit to be derived from the rental of the apartment or the tax treatment of Buyer.

7. Buyer will pay for the following closing costs: 50% of the escrow fee, 100% of the costs to be charged by the Title Company for the preliminary title report and the Title Policy, any costs of drafting a mortgage and note, all of Buyer's notary fees, all recording fees, all other costs customarily charged to Buyers in residential real estate transactions in the State of Hawaii, and all other costs and fees to be paid by Buyer under the terms of the Sales Agreement. Proration of Hualalai Community Association assessments, maintenance assessments and other taxes and assessments and any other expenses will be made as of the date of Final Closing.

8. The Sales Agreement shall not be assigned by Buyer without the prior written consent of Seller, which consent may be withheld by Seller for any reason at Seller's sole discretion.

9. Buyer agrees that Seller shall have the right to record a Declaration of Merger of Condominium Phases (hereinafter called the "Declaration of Merger ") against the Property if the merger of additional real property improved with condominium units is authorized pursuant to the Declaration. The Declaration of Merger, among other things, gives Seller the right, in its sole and absolute discretion, to cause and effect an administrative merger of the Project with a condominium project located or to be located on land (or a portion or portions thereof) in the vicinity of the real property on which the Project is located, as part of the same incremental plan of development of the Project, such that the use of the respective common elements, the respective common expenses and the management of the respective affairs of the Project and the additional phase(s) are shared, and the administration of the Project and the additional phase(s) is unified under one association of apartment owners, but the ownership interests of the apartment owners of the Project and the additional phase(s) are not altered or affected. Nothing herein will be deemed to require Seller to develop the additional phase(s) or to merge the additional phase(s) into the Project, or to prohibit Seller from dealing with any lands in the vicinity of the Project not merged with the Project, including without limitation, developing all or any part of such lands for purposes inconsistent with the merger of such lands into the Project.

10. Buyer's rights to use of the golf courses, tennis/spa facility, Canoe Club and beach house outside of the Project but within Hualalai (the "Recreational Facilities") and Buyer's rights to certain privileges in the Four Seasons Hotel at Hualalai (the "Four Seasons Privileges") shall be subject to Buyer's and Seller's execution of one or more agreements separate from the Sales Agreement. (Use of the Recreational Facilities and the Four Seasons Privileges shall be collectively referred to herein as the "Recreational Use Privileges"). Buyer shall not acquire Recreational Use Privileges merely by execution of the Sales Agreement and the purchase of an Apartment. In order to obtain Recreational Use Privileges, Buyer must comply with the terms and conditions established by Seller for the use thereof, including, without limitation, the execution of one or more separate agreements, payment of an initiation fee and periodic use or membership fees established by Seller, and compliance with the rules and regulations established by Seller. Buyer

shall have no ownership interest in the Recreational Facilities; the Recreational Facilities are owned by Seller.

11. If Buyer shall default in any payment when required, or fail to perform any other obligation required of the Buyer, including the obligation to execute promptly all documents necessary to close the transaction, and upon giving notice and opportunity to cure as provided in the Sales Agreement, the Sales Agreement may, at Seller's option, be terminated by written notice to Buyer and the total sums paid by Buyer under the Sales Agreement, and all accrued interest, shall constitute liquidated damages payable to Seller, or, at Seller's option, Seller may pursue any other remedy at law or equity for specific performance or otherwise, and all costs and expenses incurred by reason of default of Buyer shall be borne by Buyer, including but not limited to, reasonable attorneys' fees, costs incurred by any lending institution in processing Buyer's loan application, and the escrow cancellation fee. Seller and Buyer acknowledge that they understand and have agreed that in such event the injury to Seller will be difficult and expensive to measure in view of Seller's financial commitments with respect to the Project, the connection between sale, cancellation or default with respect to one unit and sale, cancellation or default with respect to other units in the Project, and the nature of the real estate market in Hawaii. As a reasonable estimate of Seller's fair compensation for any damages resulting from such default, the parties agree that the total sums paid by Buyer under the Sales Agreement and all accrued interest shall belong to Seller as liquidated damages.

12. In order to ensure the proper development of the Hualalai Resort, Seller has established the "Design and Construction Guidelines for Hualalai" (the "Design Regulations") within the Master Declaration of Protective Covenants, Conditions and Restrictions and Reservations of Easements for Hualalai at Historic Ka'upulehu (the "Master CC&Rs"), as well as a plan approval process. The Design Regulations directly control the nature and scope of any improvements which may be made to the apartment, as well as the entire Project and certain other areas of the Hualalai community. The Design Regulations and the plan approval process are administered by the Hualalai Development Review Board which has been or will be established pursuant to the Master CC&Rs. Buyer acknowledges that all improvements may only be undertaken or constructed after specific approval thereof by the Hualalai Development Review Board. Buyer acknowledges and understands that the Design Regulations are subject to change in the sole discretion of the Hualalai Development Review Board and that the plans and specifications for any improvements to any apartment must be approved in advance by the Hualalai Development Review Board and must be in accordance with the Master CC&Rs and the Design Regulations.

13. Buyer acknowledges that no representations have been made to Buyer by Seller respecting Buyer's ability to obtain any approval of any kind required from the Hualalai Development Board or otherwise. Buyer also agrees, acknowledges and understands that Buyer will be required to pay processing and deposit fees to the Hualalai Development Review Board in connection with the review of plans and specifications for any improvements Buyer proposes to make to an apartment as set forth in the Design Regulations.

14. Buyer shall maintain Buyer's apartment in accordance with the Master CC&Rs, the Declaration, the By-Laws and the Design Regulations. If Buyer fails to comply with the Master CC&Rs, the Declaration, the By-Laws and the Design Regulations, the Hualalai Community Association, the Association and the Hualalai Development Review Board shall have the right to enter into the apartment for the purpose of making the apartment comply with such documents, all at Buyer's sole cost and expense.

15. The costs of all of the water system and related facilities and appurtenances (the "Water System") and the sewer system and related facilities and appurtenances (the "Sewer System"), serving the Project and the Hualalai community are not included in the purchase price of the apartment, and have been or will be paid for, constructed and installed by Seller or its affiliates, except for specific contributions in aid of construction which are memorialized in documents and

agreements concerning adjacent properties outside of the Hualalai community. Unless evidenced in writing, the entire Water System and Sewer System serving the Project and the Hualalai community, including all wells, lines, pumps, machinery, reservoirs, water towers or tanks, and other systems, facilities and appurtenances related thereto and the land or sites and easements therefor which are located within the Hualalai community have not been paid for, in whole or in part, by Buyer or any person or entity other than Seller or its affiliated companies. Water service shall be provided to owners of apartments in the Project and other properties within Hualalai by the Kaupulehu Water Company pursuant to terms and conditions established by the Public Utilities Commission of the State of Hawaii. Sewer service shall be provided to owners of apartments in the Project and other properties within Hualalai by the Kaupulehu Waste Water Company pursuant to terms established by the Public Utilities Commission of the State of Hawaii. As a result of the anticipated improvement and construction of Hualalai in phases, initial water and sewer service charges may be less than the cost of providing water and sewer services and may increase at rates higher than the rate of increase in operating expenses and capital costs as the number of customers in Hualalai increases, until water and sewage service charge reach a level where they fully reimburse the Kaupulehu Water Company and the Kaupulehu Waste Water Company, respectfully, for operating expenses plus (i) with respect to the Kaupulehu Water Company, a fair and reasonable return on capital improvements costs for the Water System and all other property of Kaupulehu Water Company used or useful in providing water services; and (ii) with respect to the Kaupulehu Waste Water Company, fair and reasonable return on capital improvement costs for the Sewer System and all other property of the Kaupulehu Waste Water Company used or useful in providing sewer services.

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

SUMMARY OF THE CONDOMINIUM ESCROW AGREEMENT

The Condominium Escrow Agreement dated as of June 1, 2006, was made by and between Title Guaranty Escrow Services, Inc. ("Escrow Agent") and Hualalai Investors, LLC ("Seller") (the "Escrow Agreement"). The Escrow Agreement contains among other provisions the following (which may be modified or otherwise limited by provisions not summarized herein):

1. Sales Contracts Deposited in Escrow. Whenever Seller enters into a sales contract with a purchaser for the sale of an apartment in the Capitol Place condominium project (the "Project"), Seller shall deliver an executed copy of the sales contract to Escrow Agent. The sales contract shall require that all payments due thereunder be made directly to Escrow Agent to be held and disbursed in accordance with the Escrow Agreement. If the purchaser intends to purchase the apartment as an "owner-occupant" pursuant to Chapter 514A, Part VI, Hawaii Revised Statutes ("H.R.S."), said purchaser shall deliver an owner-occupant affidavit to Escrow Agent in the form and content required by H.R.S. §514A-104.5.

2. Receipt of Funds by Escrow Agent. Escrow Agent shall receive and hold in escrow and disburse in accordance with the Escrow Agreement all payments under sales contracts for apartments in the Project and all sums of money from any other source relating to the Project. Within a reasonable time after receiving any such funds, Escrow Agent shall deposit the same in an interest-bearing account or accounts at a federally insured bank, savings and loan association, or trust company authorized to do business in the State of Hawaii. All interest earned on such deposits shall be credited to the account of Seller, except as otherwise provided in the sales contracts.

3. Conditions to be Met Prior to Disbursement; Disbursement of Purchasers' Funds Held In Escrow to Pay Certain Project Expenses Prior to Completion of Construction. Escrow Agent shall make no disbursement of funds deposited with it unless: (a) the Real Estate Commission has issued an effective date for Seller's Supplementary Condominium Public Report for the Project; (b) Seller or Seller's attorney has notified Escrow Agent that the requirements of H.R.S. §514A-62, §514A-63 and §514A-64.5 have been met; (c) Seller has given Escrow Agent a written waiver of any reserved option to cancel the sales contract; and (d) Seller has delivered to Escrow Agent a statement from Seller's architect that the Project is in compliance with the Federal Fair Housing Amendments Act of 1988. Prior to completion of construction, provided that the requirements set forth in clauses (a) through (e) of the preceding sentence have been satisfied, Escrow Agent shall disburse funds deposited with it to pay for (i) construction costs of the buildings and other improvements and fixtures of the Project, and (ii) architectural, engineering, finance and legal fees and other incidental expense of the Project to the extent approved by Seller's mortgagee.

4. Return of Funds and Documents. Escrow Agent shall return deposited sums, with interest to the extent provided in the sales contract, less Escrow Agent's cancellation fee and other costs up to a maximum of $250.00, to a purchaser if:

(a) Seller and such purchaser instruct Escrow Agent in writing to return such funds to such purchaser; or

(b) Seller notifies Escrow Agent of Seller's exercise of the option to cancel or rescind the sales contract entered into by such purchaser pursuant to any right of cancellation or rescission provided for therein or otherwise available to Seller with respect to which, in accordance with the sales contract, Purchaser is entitled to a return of funds deposited by it with Escrow Agent; or

(c) The purchaser exercises such purchaser's right, pursuant to Section IV, Paragraph 2 of the sales contract, to cancel the sales contract entered into by such purchaser; or

(d) The purchaser exercises such purchaser's right, pursuant to HRS Section 514A-63, to rescind the sales contract entered into by such purchaser.

5. Unclaimed Funds. Escrow Agent shall notify each purchaser entitled to a return of funds by registered, certified or regular mail. If any purchaser does not claim the refund within sixty (60) days, Escrow Agent shall deposit the funds with a bank or depository selected by Escrow Agent in the name of Seller as trustee for the purchaser. Thereafter, Escrow Agent shall have no further obligation or liability with respect to such funds and purchaser.

6. Closing. Except for the sales contract and any note and mortgage, Escrow Agent shall arrange for and supervise the execution, recording, and delivery of all documents, as necessary, related to the Project.

7. Partial Closings. In the event Seller desires partial closings (i.e. closings for some but not all of the apartments), Escrow Agent agrees to cooperate and facilitate such partial closings.

8. Defects in Documents. Within five (5) business days of the date of closing, Escrow Agent shall record all documents necessary to effect the transfer of legal title to the purchaser, provided said documents are not defective in any way. If any documents are defective, Escrow Agent shall notify Seller thereof and correct such defects if they are within Escrow Agent's capacity to correct.

9. Purchaser's Default. Seller shall notify Escrow Agent when payments are due from a purchaser, who shall then be notified by Escrow Agent. Escrow Agent shall notify Seller of any defaults by a purchaser. If Seller certifies to Escrow Agent in writing that Seller has terminated the sales contract in accordance with the terms thereof, then Escrow Agent shall thereafter treat all funds of the purchaser paid on account of such sales contract as funds of Seller. Upon the written request of Seller, Escrow Agent shall pay such funds to Seller, less any cancellation fee. Thereafter, Escrow Agent shall have no further obligation or liability with respect to such funds or purchaser.

10. Protection of Escrow Agent. Escrow Agent shall have no liability for acting in accordance with the terms of the Escrow Agreement, notwithstanding a notice to the contrary from Seller, any purchaser, or any third person. Escrow Agent shall not be responsible for the validity or sufficiency of any documents received by it, shall be entitled to assume that said documents have been properly executed and that any written certification or instrument from Seller is true and accurate. In the event of any dispute, difference, or conflicting demand upon Escrow Agent, Escrow Agent shall not be required to determine the same or take any action in the premises, but may await settlement of the controversy by appropriate legal proceedings or otherwise, including the resolution of an interpleader action initiated by Escrow Agent. Seller and each purchaser shall pay to Escrow Agent on demand, and indemnify and hold harmless Escrow Agent against, all costs and damages arising out of the Escrow Agreement, except for any act or omission of Escrow Agent that is not generally accepted as a reasonable business practice. Escrow Agent shall not be required to mail any notice or keep any records required under the owner/occupant provisions of H.R.S. Chapter 514A.

11. Miscellaneous. The Escrow Agreement is binding upon and inures to the benefit of the parties hereto and their successors and assigns. The Escrow Agreement may be terminated on fifteen (15) days' written notice to either party. In the event of any conflict between the Escrow Agreement and H.R.S. Chapter 514A, the statutory provisions shall control. Escrow Agent shall furnish Seller with semi-monthly reports that cover the status of each sales contract in escrow.

12. Compensation. For each sale of an Apartment closed by Escrow Agent, Escrow Agent shall be paid an escrow fee. The escrow fee shall be based on 50% off of the scheduled rate plus the applicable tax thereon for each Apartment in the Project, on the condition that all sales of Apartments in the Project are closed on or before two years after the date of the Escrow Agreement. The premium

for the standard owner's title insurance policy or ALTA lender's title insurance policy issued with respect to each Apartment shall be based on 50% off of the schedule rate for each apartment in the Project. An additional fee of $100.00 shall be charged to the purchaser for each mortgage loan obtained by the purchaser from a lender not designated by Seller. Seller shall pay an additional charge for any changes to any closing statement or other document that are necessary after the commencement of preclosing or closing proceedings, unless said changes are necessary due to the fault of Escrow Agent.

The compensation to Escrow Agent with respect to the closing of the sale of any apartment shall be due and payable upon the earlier of: (i) transfer to a purchaser of legal title to such apartment; and (ii) final disbursement of the purchase price of such apartment and other sums held by Escrow Agent with respect hereto.

* * * * * *

THE ABOVE SUMMARY IS NOT INTENDED TO BE A THOROUGH AND EXHAUSTIVE EXPLANATION OF ALL TERMS AND PROVISIONS CONTAINED IN THE ESCROW AGREEMENT. WHILE ONE CAN USE THIS SUMMARY AS A GENERAL SUMMARY OF THE ESCROW AGREEMENT, ONE MUST REFER TO THE ACTUAL ESCROW AGREEMENT TO DETERMINE THE RIGHTS AND OBLIGATIONS OF THE PARTIES. IF ANY CONFLICT OR DIFFERENCE EXISTS BETWEEN THIS SUMMARY AND THE ESCROW AGREEMENT, THE ESCROW AGREEMENT WILL CONTROL AND NOT THIS SUMMARY.

CHANGES TO THE CONDOMINIUM PUBLIC REPORT

1. Kaupulehu Makai Venture (the "Original Developer"), whose Managing Agent is Hualalai Development Company, was the original developer who developed the Project and registered it with the Real Estate Commission of the State of Hawaii under Condominium Registration No. 5491. As of June 1, 2006, Hualalai Investors, LLC acquired all four apartments in the Project from the Original Developer. The name, address and telephone number of Hualalai Investors, LLC have been substituted for the name and address of the "Developer" throughout the Second Supplementary Condominium Public Report (the "SSCPR"). [See p. 1; p. 5, §I; p. 10, §III.B; p. 21]

2. A new Exhibit J (changes to the Condominium Public Report) has been added to the SSCPR. [See p. 2; p. 3; Exhibit J]

3. The names of the members and officers of the Hualalai Investors, LLC have been substituted for the names of the General Partners and of the officers and directors of the General Partners of the Original Developer. [See p. 5, §I & p. 5A]

4. Hualalai Residential, LLC has been designated as the Real Estate Broker for the Project. [See p. 5, §I]

5. The full name of the General Contractor for the Project has been substituted for the abbreviated name set forth in the first Supplementary Condominium Public Report for the Project. [See p. 5, §I]

6. McCorriston Miller Mukai MacKinnon LLC has been designated as the Attorney for the Developer, and its address and telephone number have been provided. [See p. 5, §I]

7. Disclosure has been made regarding additional reserved rights of the Developer to change the Declaration of Condominium Property Regime for the Project (the "Declaration") and Condominium Map, provided for under Paragraph 2 of Section R of the Declaration. [See p. 7, §II.E.2]

8. The correct area of the lanais of apartment type BR (as set forth in Exhibit B to the Declaration) has been substituted. [See p. 11, §III.C.6]

9. The date of the updated title report obtained and submitted to the Real Estate Branch together with this SSCPR has been inserted. [See p. 14, §III.E]

10. The disclosure regarding the potential effect on a buyer's interest and deposit in the event of a default by the Developer or foreclosure of the mortgage lien(s) of the Developer's lender(s) has been revised. [See p. 15, §III.E]

11. The estimated date of completion of construction of the Project has been updated, and a disclosure that the actual dates of completion of the individual apartments in the Project may vary has been inserted. [See p. 16, §III.H]

12. The date of the Escrow Agreement between Hualalai Investors, LLC and Title Guaranty Escrow Services, Inc., which Escrow Agreement has been summarized in Exhibit I to this SCPR, and a copy of which has been filed with the Real Estate Commission, has been inserted. [See p. 18, §5.A]

13. An additional disclosure has been made regarding the location of the Project in the vicinity of a golf course or courses. [See p. 20, §V.C.4]

14. An additional disclosure has been made regarding the location of the Project in the vicinity of a wastewater treatment plant. [See p. 20, §V.C.5]

15. An additional disclosure has been made regarding the assignment by the Original Developer of all of its rights, entitlements, exemptions, title, interests, obligations and powers under the Declaration of Merger of Condominium Phases, the Declaration and various other documents to Hualalai Investors, LLC. [See p. 20, §V.C.6]

16. The list of encumbrances against title has been revised to comport with the information set forth in the updated title report submitted to the Real Estate Branch together with this SSCPR. [See Exhibit F]

17. The Disclosure Abstract for the Project has been updated. [See Exhibit G]

18. A summary of the Escrow Agreement between Hualalai Investors, LLC and Title Guaranty Escrow Services, Inc. has been substituted for the summary of the Escrow Agreement between the Original Developer and Title Guaranty Escrow Services, Inc. [See Exhibit I]