

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer WALAKA PROPERTY LLC
Address P.O. Box 1163, Wailuku, Hawaii 96793

Project Name (*): WALAKA APARTMENTS
Address: 52 Walaka Street, Kihei, Maui, Hawaii 96753

Registration No. 5538
(conversion)

Effective date: December 21, 2004
Expiration date: January 21, 2006

Preparation of this Report:

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

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

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

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

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

Type of Report:

PRELIMINARY: (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

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

SUPPLEMENTARY: (pink) This report updates information contained in the:
[] Preliminary Public Report dated:
[] Final Public Report dated:
[] Supplementary Public Report dated:

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

(*) Exactly as named in the Declaration

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

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

This is a **CONDOMINIUM PROJECT**, not a subdivision. It does not involve the sale of individual subdivided lots. The land area beneath and immediately appurtenant to each unit is designated a **LIMITED COMMON ELEMENT** and not a legally subdivided lot.

1. 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 necessarily been complied with.

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

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

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General Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: WALAKA PROPERTY LLC Phone: (808) 244-7142
Name* (Business)
P.O. Box 1163
Business Address
Wailuku, Hawaii 96793

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

The members of WALAKA PROPERTY LLC are Van Waki and Russ Nakanishi

Real Estate Broker*: Shore to Shore Realty, Inc. Phone: (808) 244-7142
Name (Business)
331 Hookahi Street, Suite 105
Business Address
Wailuku, Hawaii 96793

Escrow: First American Title Company Phone: (808) 871-9502
Name (Business)
173 Hoohana Street, Suite 1
Business Address
Kahului, Hawaii 96732

General Contractor*: n/a Phone: ---
Name (Business)

Business Address

Condominium Managing Agent*: Commercial Properties of Maui, Management, Inc. Phone: (808) 243-8600
Name (Business)
1962 Wells Street
Business Address
Wailuku, Hawaii 96793

Attorney for Developer: LAWRENCE N. C. ING Phone: (808) 242-4555
ING, HORIKAWA & JORGENSEN (Business)
Name
2145 Wells Street, Suite 204
Business Address
Wailuku, Hawaii 96793

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

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

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

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

The Declaration for this condominium is:

Proposed

Recorded - Bureau of Conveyances:

Document No. 2004-159951

Book _____ Page _____

Filed - Land Court:

Document No. _____

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

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

The Condominium Map for this condominium project is:

Proposed

Recorded -

Bureau of Conveyances Condo Map No. 3815

Filed -

Land Court Condo Map No. _____

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

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

The Bylaws for this condominium are:

Proposed

Recorded - Bureau of Conveyances:

Document No. 2004-159952

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 Adopted Developer does not plan to adopt House Rules

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

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

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

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

2. Developer:

- No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

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: 52 Walaka Street Tax Map Key (TMK): (2) 3-9-016-014
Kihei, Hawaii 96753

Address TMK is expected to change because _____

Land Area: 10,008 square feet acre(s) Zoning: Apartment District (A-2)

Fee Owner: Walaka Property LLC
 Name
P.O. Box 1163
 Address
Wailuku, Hawaii 96793

Lessor: n/a
 Name
 Address

C. Buildings and Other Improvements:

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

2. Number of Buildings: 1 Floors Per Building 2

Exhibit _____ contains further explanations.

3. Principal Construction Material:

Concrete Hollow Tile Wood

Other _____

4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input type="checkbox"/> Residential	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input checked="" type="checkbox"/> Other: Apartment District (A-2)	<u>10</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

Yes No

5. Special Use Restrictions:

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

Pets: No animals are allowed or kept in any part of the Condominium

Number of Occupants: n/a

Other: No "time-sharing interest" in any apartment in the project.

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: 0 Stairways: 2 Trash Chutes: 0

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)*	(Identify)
A	10	1/1	431	n/a	n/a

Total Number of Apartments: 10

***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:

The owner of each apartment may make any alterations within any apartment with the prior written approval of the Board of Directors.

Apartments Designated for Owner-Occupants Only:

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

**WALAKA APARTMENTS
OWNER-OCCUPANTS' PRESALE NOTICE**

This notice is published pursuant to Section 514A-102 of the Hawaii Revised Statutes, as amended, to inform prospective owner-occupant purchasers that **WALAKA PROPERTY LLC**, a Hawaii limited liability company, Developer, is developing and intends to offer for sale a 10-unit fee simple condominium project to be located at 52 Walaka Street, Kihei, Maui, Hawaii, TMK No. (2) (2) 3-9-016-014, and to be known as the WALAKA APARTMENTS.

The project consists of one (1) residential building. All apartments in the project are intended for residential use.

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

Number of Apartment	Bdrms/ Baths	Approx. Net Living Area	Price Range
Five (5)	1/1	431 sq. ft.	\$135,000.00

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

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

There are no apartments in the project that are "accessible" and "adaptable", as those terms are defined and interpreted in Section 100 et seq. of Volume 24 of the Code of Federal Regulations for persons with disabilities.

All of the apartments shall be offered to prospective purchasers chronologically in the order in which the prospective purchasers submit to the Developer's broker a completed owner-occupant affidavit, an executed sales contract, and an earnest money deposit. In order to obtain the form of owner-occupant affidavit and a copy of the Public Report, or for further information, contact the Developer's broker, Shore to Shore Realty, Inc., Attention Van Waki ®, at 331 Hookahi Street, Suite 105, Wailuku, Maui, Hawaii 96793, Telephone (808) 244-7142, Hours: 8:00 a.m. to 5:00 p.m. daily.

(HA: ___/___/___, MN: ___/___/___)

7. Parking Stalls:

Total Parking Stalls: 13

	Regular		Compact		Handicap		Tandem		TOTAL
	covered	open	covered	open	covered	open	covered	open	
Assigned (for each unit)*		10							10
Guest									
Unassigned									
Extra for Purchase									
Other: Guests		3							3
Total Covered & Open:	13		0		0		0		13

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

Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool

Storage Area

Recreation Area

Laundry Area

Tennis Court

Trash Area

Other: _____

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

There are no violations.

Violations will not be cured.

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

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

The present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the apartments are in sound and good condition and the seller makes no representations as to the expected useful life of said apartments.

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

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

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

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

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

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

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

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

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

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

described in Exhibit "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.

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

described in Exhibit "D".

as follows:

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

described in Exhibit "B".

as follows:

- E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit "E" describes the encumbrances against the title contained in the title report dated OCT 29 2004 and issued by First American Title Company.

Blanket Liens:

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

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

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

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

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
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(See Exhibit "F" attached hereto and made a part hereof.)

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:

None

2. Appliances:

None

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

The Project was built in 1977.

H. Project Phases:

The developer 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):

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:

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

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

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

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

Exhibit "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 Electricity (Common Elements only Common Elements & Apartments)
- Gas (Common Elements only Common Elements & Apartments)
- Water Sewer Television Cable
- Other: Refuse

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

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

Notice to Owner Occupants

Specimen Sales Contract

Exhibit "I" contains a summary of the pertinent provisions of the sales contract.

Escrow Agreement dated February 9, 2004

Exhibit "J" contains a summary of the pertinent provisions of the escrow agreement.

Other _____

B. Buyer's Right to Cancel Sales Contract:

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

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

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

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

A) The Developer delivers to the buyer a copy of:

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

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

C) One of the following has occurred:

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

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

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

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

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

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been given an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

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

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

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

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

This Public Report is part of Registration No. 5538 the Real Estate Commission on December 2, 2004
_____.

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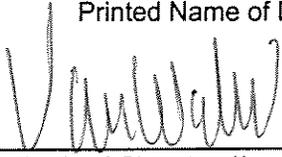
C. Additional Information Not Covered Above:

It is hereby disclosed as follows:

1. Mailboxes. Mail deliveries for the apartments are as shown on the Condominium Map.
2. Special Management Area (SMA). The project was constructed prior to the SMA requirement. Any future improvements within the Project may require SMA approval.
3. Flood Information. The Project is located in a Flood Hazard Area Zone C. Any future improvements within the Project may require a Flood Development Permit if any work is done in any drainage facility.
4. Pre-Existing Buildings. That every purchaser of any interest in residential apartment which was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase. Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the project. Seller also has no reports or records pertaining to lead-based paint and/or lead-based hazards in the project.
5. Sex Offenders. That Hawaii has enacted a law requiring sex offenders to register with the Attorney General's office and allowing public access to relevant information regarding sex offenders. A sex offender must provide certain relevant information including the street name and zip code of the sex offender's current and future residence and place of employment. This information is available at the Hawaii Criminal Justice Data Center and at one or more designated police stations in each county. Neither Developer, nor any real estate agent is required to obtain information regarding sex offenders.
6. Parking Stalls. The project was constructed prior to the current Maui County Ordinance, which requires two (2) parking stalls per apartment. Any future improvements or reconstruction of the project may require the minimum of two (2) stalls per apartment to comply with the current Maui County Ordinance.

- 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.

WALAKA PROPERTY LLC, limited liability company
 Printed Name of Developer

By  _____
 (Duly Authorized Signatory*)

SEP 21 2004

 Date

 VAN WAKI, Its Member
 (Printed Name & Title of Signatory*)

Distribution:

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

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

EXHIBIT "A"

Boundaries of Apartments

The perimeter of each of the apartments is established by the floor area computed in accordance with Condominium Rule 16-107-6. This floor area is (i) the net area of the enclosed portion of the apartment measured from the interior undecorated surface of the apartment perimeter walls. Each apartment includes: all walls, partitions, floors, ceilings and other improvements enclosed within its perimeter all air space within the perimeter and the floors and ceilings of the unit; the interior decorated or finished surfaces of the perimeter walls, floors and ceilings; all pipes, plumbing, wires, conduits or other utility or service lines serving only the unit; and all glass, windows and window frames, doors and door frames along the perimeter of the unit. An apartment unit does not include any common elements within it.

Note: As stated and referred to in the Declaration, the "net areas" of apartments have been determined from the Condominium Map. As constructed, the net area of each apartment may, and indeed most probably will, vary to a minor degree from the area indicated on the Condominium Map. Purchasers and prospective purchasers should also be aware that "net area" calculated in accordance with Condominium Rule 16-107-6 may be significantly less than "apartment area" calculated according to some other method or methods with which purchasers and prospective purchasers may be familiar.

EXHIBIT "B"

Parking Assignments

<u>Unit No.</u>	<u>Parking Stall Nos.</u>
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10

Common Interest

<u>Unit No.</u>	<u>Undivided Fractional Interest</u>
1	1/10
2	1/10
3	1/10
4	1/10
5	1/10
6	1/10
7	1/10
8	1/10
9	1/10
10	1/10

EXHIBIT "C"

Common Elements

- a. The land described in Exhibit "H".
- b. The foundations, floor slabs, columns, girders, beams, supports, bearing walls, corridors, stairways, entrances and exits of the building, and all structural and bearing surfaces.
- c. The roof and stairways.
- d. The mailboxes, trash areas and laundry/storage areas.
- e. The driveway and unassigned Parking Stalls Nos. 11, 12 and 13.
- f. The central and appurtenant installations for services such as power, light, hot and cold water and like utilities.
- g. All of the parts of the project existing for the common use and are necessary to the existence, maintenance and safety of the project.

EXHIBIT "D"

Limited Common Elements

The limited common elements are the assigned parking stalls shown on the Condominium Map and set aside and reserved for the exclusive use of the particular apartment as described on Exhibit "B" attached hereto and made a part hereof.

EXHIBIT "E"

Encumbrances Against Title

1. Real property taxes which may be due and owing. Reference is made to the Tax Assessor's Office, County of Maui.
2. Title to all mineral and metallic mines reserved to the State of Hawaii.
3. Easement "D" as shown on File Plan No. 986.
4. A Grant of Easement granting an easement over said Easement "D", in favor of Maui Electric Company, Limited and GTE Telephone Company Incorporated (now Verizon Hawaii Inc.), recorded in the Bureau of Conveyances of the State of Hawaii in Book 5385, Page 142.
5. 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 Deed recorded in the Bureau of Conveyances of the State of Hawaii in Book 6233, Page 461.
6. Covenants, conditions and reservations, contained in the Declaration of Condominium Property Regime of Walaka Apartments, dated July 13, 2004, recorded in the said Bureau of Conveyances as Document No. 2004-159951. (Project covered by Condominium Map No. 3815 and any amendments thereto.)
7. Covenants, conditions and reservations, contained in the By-Laws of the Association of Owners of Walaka Apartments, dated July 13, 2004, recorded in the said Bureau of Conveyances as Document No. 2004-159952.
8. Mortgage dated February 14, 2002, recorded in said Bureau of Conveyances as Document No. 2002-030374, by and between Van Hiroshi Waki, husband of Aileen Waki, and Russ Y. Nakanishi, single, as Mortgagor, and First Hawaiian Bank, a Hawaii corporation, as Mortgagee.
9. The Absolute Assignment of Rentals and Lessor's Interest in Leases, as additional security for the payment of the indebtedness secured by the mortgage recorded as Document No. 2002-030374, which was recorded as Document No. 2002-030375.
10. Financing Statement by and between Van Hiroshi Waki and Russ Y. Nakanishi, as Debtor, and First Hawaiian Bank, as Secured Party, recorded as Document No. 2002-030376.

EXHIBIT "F"

Blanket Liens

Type of Liens:

Mortgage, dated February 14, 2002, by and between Van Hiroshi Waki, husband of Aileen Waki, and Russ Y. Nakanishi, single, as Mortgagor, and First Hawaiian Bank, a Hawaii corporation, as Mortgagee, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2002-030374 to secure the repayment of the sum of \$487,500.00 – covers the land described in Exhibit "H".

The Absolute Assignment of Rentals and Lessor's Interest in Leases, as additional security for the payment of the indebtedness secured by the mortgage recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2002-030374 and Document No. 2002-030375.

Financing Statement, by and between Van Hiroshi Waki and Russ Y. Nakanishi, Debtor, and First Hawaiian Bank, Secured Party, recorded February 21, 2002, in the Bureau of Conveyances of the State of Hawaii as Document No. 2002-030376.

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

Present blanket lien will be released and satisfied prior to conveyance of first apartment to Buyer.

If said blanket lien be foreclosed prior to conveyance to Buyer, all of Buyer's deposits will be refunded immediately by escrow.

EXHIBIT " G "

WALAKA APARTMENTS

SEP 21 2004, 2004

DISCLOSURE ABSTRACT

1. **NAME OF PROJECT:** WALAKA APARTMENTS
2. **DEVELOPER:** WALAKA PROPERTY LLC
P.O. Box 1163
Wailuku, Hawaii 96793
3. **MANAGING AGENT:** COMMERCIAL PROPERTIES
OF MAUI MANAGEMENT, INC.
1962B Wells Street
Wailuku, Hawaii 96793
4. **REAL ESTATE BROKER:** ALVIN IMAMURA
Shore to Shore Realty, Inc.
331 Hookahi Street, Suite. 105
Wailuku, Hawaii 96793
5. **USE OF APARTMENTS:** Residential

The ten (10) apartments in the Project may be occupied and used only for residential purposes. No apartment may be used for commercial purposes. The apartments are subject to additional restrictions on their use as set forth in (i) the Declaration of Condominium Property Regime of Walaka Apartments, (ii) the By-Laws of the Association of Apartment Owners of Walaka Apartments, (iii) the Apartment Deed for the individual apartments, (iv) the Reservation, Deposit Receipt and Sales Contract for the individual apartments, and (v) the Project Rules and Regulations. Copies of the foregoing documents are on file with the Real Estate Commission of the State of Hawaii.

6. **WARRANTIES:**

THE DEVELOPER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE APARTMENT, COMMON ELEMENTS, APPLIANCES, FURNISHINGS OR OTHER PRODUCTS, OR ANYTHING INSTALLED IN OR UPON THE PREMISES OR USED IN CONNECTION WITH THE PROJECT IN ANY MANNER, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS FOR A PARTICULAR PURPOSE OR USE.

The Developer makes no warranties itself; however, the execution, delivery and recordation of the Buyer's Apartment Deed shall constitute the assignment by the Developer to the Buyer of any and all warranties given the Developer by the general contractor for the project, and by any subcontractors or materialmen, and the benefit of such warranties shall accrue to the Buyer on closing without further instruments or documents. The Buyer shall also have the direct benefit of any manufacturer's or dealer's warranties covering the appliances in the apartment. The Developer agrees to cooperate with the Buyer during the effective period of any such warranties in asserting any claims based on such warranties. The Developer does not adopt the contractor's or manufacturer's warranties, if any, and the Developer is not acting as co-warrantor, but is merely attempting to pass to the Buyer the benefit of such warranties, if any, and the Buyer expressly acknowledges and agrees to this. The Buyer acknowledges that the Developer has made no other warranties, express or implied, with respect to the property or any common element or anything installed therein.

7. ESTIMATED MAINTENANCE FEES:

See pages 4 and 5 of this exhibit.

The breakdown of estimated initial maintenance fees and maintenance fee disbursements for WALAKA APARTMENTS has been prepared for the Developer as of SEP 21 2004, and is subject to revision based on actual cost for the items enumerated. The Developer can make no assurances regarding the estimated maintenance fees and maintenance fee disbursements. Variables such as inflation, uninsured casualty loss or damages, increased or decreased services from those contemplated by the Developer, apartment owner delinquencies and other factors may cause the actual maintenance fees to be greater or lesser than the estimated maintenance fees.

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

IN WITNESS WHEREOF, the undersigned has executed these presents the day and year first above written.

WALAKA PROPERTY LLC
a limited liability company

By 

VAN WAKI
Its Member

52 WALAKA

**HOMEOWNER'S ASSOCIATION
ANNUAL PROJECTED OPERATING BUDGET NOTES
2004**

INCOME

MAINTENANCE FEES

This amount represents the monthly maintenance fees for each unit, estimated at \$175.00 per unit per month.

COIN LAUNDRY

This amount represents the monthly income from the common area laundry.

COMMON EXPENSES

EXCISE TAX (ON RESERVE INTEREST)

This expense paid to the Hawaii State Tax Collector is budgeted at 4% of reserve interest income.

COMMON ELECTRICITY

Electricity costs are projected at \$30.00 per month for common area lighting and the laundry facilities.

GENERAL MAINTENANCE BUILDING

Budgeted monthly repairs to common elements at \$150.00 per month.

HOA MEETINGS/MISCELLANEOUS

We budgeted \$50.00 in October for the annual association meeting and miscellaneous expenses.

DIRECTORS & OFFICER INSURANCE

We have budgeted \$900.00 in October for the annual insurance premium for the Board of Directors in the amount of \$1,000,000.00.

LIABILITY/PROPERTY INSURANCE/BOND

We projected \$3,000.00 for insurances in October that include \$1,000,000.00 in liability coverage, \$800,000.00 in property coverage and bonding for the Board of Directors.

LANDSCAPING MAINTENANCE

We have projected a monthly cost of \$125.00 for maintaining the grounds.

LEGAL FEES

We projected monthly expenses of \$40.00 for legal fees for collection, etc.

MANAGEMENT FEES

This fee for contract management service is \$350.00 plus General Excise Tax.

MISCELLANEOUS EXPENSES

We budgeted \$20.00 per month for bank service fees and miscellaneous supplies for the association.

PROFESSIONAL FEES/TAX PREPARATION

We budgeted \$300.00 in March for preparation of association income taxes.

REFUSE

We projected \$105.00 per month for the common area refuse container.

WATER & SEWER

Bi-monthly budgeted costs of \$50.00 for water and sewage usage.

RESERVE

We project a monthly reserve of \$630.50 (\$63.50 per unit) towards the long term replacement reserves as per the attached study.

52 WALAKA APARTMENTS
 ANNUAL PROJECTED OPERATING BUDGET
 Prepared on a Cash basis 2004

	October	November	December	January	February	March	April	May	June	July	August	September	Total
INCOME:													
Maintenance Fees (10 units x \$175.00 month)	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00	21,000.00
Coin Laundry	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	900.00
TOTAL INCOME	1,825.00	21,900.00											

COMMON EXPENSES:

Excise Tax (on reserve interest)	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	10.00
Common Electricity	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	360.00
General Maintenance Building	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00
HOA Meetings/Miscellaneous	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00	50.00
Insurance - D&O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	900.00	0.00	0.00	900.00
Insurance - Liability/Property/Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,000.00	0.00	0.00	3,000.00
Landscaping maintenance	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
Legal Fees	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	480.00
Management Fees	365.00	365.00	365.00	365.00	365.00	365.00	365.00	365.00	365.00	365.00	365.00	365.00	4,380.00
Miscellaneous (bank fees, etc.)	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
Professional Fees (Tax Prep)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00
Refuse	105.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	105.00
Water & Sewer	50.00	0.00	50.00	0.00	50.00	0.00	50.00	0.00	50.00	0.00	50.00	0.00	300.00

TOTAL COMMON EXPENSES	885.00	730.00	1,080.00	735.00	780.00	730.00	780.00	730.00	785.00	4,680.00	780.00	730.00	13,425.00
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Costs per homeowner/month	111.98
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RESERVES AS PER STUDY	630.50	630.50	630.50	630.50	630.50	630.50	630.50	630.50	630.50	630.50	630.50	630.50	7,566.00
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Costs per home owner/month	63.05
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TOTAL COST PER MONTH	174.93
ROUNDED FOR BILLING	175.00

52 WILAKKA
 20 YEAR CASH FLOW PLAN
 Year 2004

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TOTAL REPLACEMENT COST	145,500.00	151,320.00	157,372.80	163,567.71	170,214.42	177,023.00	184,103.92	191,468.07	199,128.80	207,091.87	215,375.54	223,990.57	232,950.19	242,268.20	251,959.92	262,037.28	272,518.77	283,419.52	294,756.30	306,546.56
X 4% annual cost adjustment	5,920.00	6,052.90	6,294.91	6,546.71	6,808.59	7,080.92	7,364.16	7,658.72	7,965.07	8,283.87	8,615.02	8,959.62	9,318.01	9,690.73	10,078.38	10,481.49	10,900.75	11,336.78	11,790.25	12,261.86
TOTAL COSTS	151,420.00	157,372.90	163,667.71	170,214.42	177,023.00	184,103.92	191,468.07	199,128.80	207,091.87	215,375.54	223,990.57	232,950.19	242,268.20	251,959.92	262,037.28	272,518.77	283,419.52	294,756.30	306,546.56	318,808.42
AMORTIZE 20 YEARS	7,568.00	7,868.64	8,180.39	8,510.72	8,851.15	9,202.20	9,573.40	9,956.34	10,354.59	10,768.78	11,198.53	11,644.51	12,113.41	12,597.95	13,101.88	13,625.94	14,170.98	14,737.82	15,327.33	15,940.42
DIVIDED BY 10 UNITS	630.50	655.72	681.95	709.23	737.80	757.10	797.78	829.69	862.98	897.40	933.29	970.63	1,009.45	1,049.83	1,091.82	1,135.49	1,180.91	1,228.15	1,277.28	1,328.37
MONTHLY RESERVE PER OWNER	63.05	65.57	68.19	70.92	73.78	76.71	79.78	82.97	86.29	89.74	93.33	97.06	100.95	104.98	109.18	113.55	118.09	122.82	127.73	132.84

**ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSMENTS**

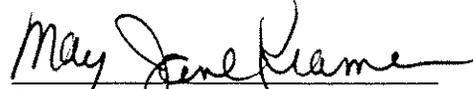
Estimate of Initial Maintenance Fees: (as per attached)

<u>Apartment</u>	<u>Monthly Fee x 12 months =Yearly Total</u>	
1.	\$175.00	\$2100.00
2.	\$175.00	\$2100.00
3.	\$175.00	\$2100.00
4.	\$175.00	\$2100.00
5.	\$175.00	\$2100.00
6.	\$175.00	\$2100.00
7.	\$175.00	\$2100.00
8.	\$175.00	\$2100.00
9.	\$175.00	\$2100.00
10.	\$175.00	\$2100.00

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

I, MARY JANE KRAMER, President of COMMERCIAL PROPERTIES OF MAUI MANAGEMENT, INC. the managing agent for the WALAKA APARTMENTS project, hereby certify that the above estimated of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

7-27-04
Date


Signature
MARY JANE KRAMER

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with S514A-83, 6 HRS, and the replacement reserves rules, Subchapter 6 Title 16 Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to S514A083, 6 HRS, a new association created after January 1, 1993 need not collect estimated replacement reserves until the fiscal year, which begins after the association's first annual meeting.

52 Waiaka
 Reserve Study - 20 Year
 Cash Flow Basis
 Year Built - 1980
 Year 2004

MAJOR COMPONENT	ESTIMATED USEFUL LIFE	ESTIMATED REMAINING LIFE	ORIGINAL ESTIMATED COST TO REPLACE	END OF	END OF	END OF	END OF	END OF						
				YEAR 1 2005	YEAR 2 2006	YEAR 3 2007	YEAR 4 2008	YEAR 5 2009	YEAR 6 2010	YEAR 7 2011	YEAR 8 2012	YEAR 9 2013	YEAR 10 2014	
Roof	50	26	\$65,000.00											
Painting	10	9	\$15,000.00									\$15,000.00		
Paving/Concrete	40	16	\$10,500.00											
Landscaping	30	6	\$5,000.00									\$5,000.00		
Electrical/Plumbing	40	16	\$50,000.00											
TOTAL COSTS			\$145,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,000.00	\$5,000.00	\$0.00	\$0.00	\$15,000.00	\$0.00

Component cost increase factor @ 4% per annum (apply cost factor to total replacement costs)	1.00	1.040	1.082	1.125	1.170	1.217	1.265	1.316	1.369	1.423
Estimated replacement costs in scheduled year	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,083.26	\$0.00	\$0.00	\$20,528.54	\$0.00

Current Reserve Balance	0.00	7,566.00	15,434.64	23,618.03	32,128.75	40,979.90	44,101.84	53,675.24	63,631.58	53,457.63
Less Replacement	0.00	0.00	0.00	0.00	0.00	-6,083.26	0.00	0.00	-20,528.54	0.00
Contributions	7,566.00	7,868.64	8,183.39	8,510.72	8,851.15	9,205.20	9,573.40	9,956.34	10,354.59	10,768.78
New Balance	7,566.00	15,434.64	23,618.03	32,128.75	40,979.90	44,101.84	53,675.24	63,631.58	53,457.63	64,226.41

RESERVES

COMMERCIAL PROPERTIES OF MAUI MANAGEMENT, INC., managing agent of the WALAKA APARTMENTS, conducted a reserve study in 2004 in accordance with s514A-83, 6 Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended, to estimate the remaining useful lives and the replacement costs of the common elements. The agent had estimated the funding for such major repairs and replacements over the estimated useful lives of the common elements based on the study's estimates of current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed the Board of Directors of the Association of Owners does have the right, subject to owners' approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The present study shows that the necessary funding amount is \$145,500.00. The attached survey was prepared based on a 20-year cash flow projection at an inflation factor 4% annually. The attached is an estimate only and will be updated annually. CPMMI prepared this information based on details of the budget received from the developer, and as per 514A-83,6. No association or owner, director, officer, managing agent, or employee of an association who makes a good faith effort to calculate the estimated replacement reserves for an association shall be liable if the estimate subsequently proves incorrect.

COMMERCIAL PROPERTIES OF MAUI
MANAGEMENT, INC.

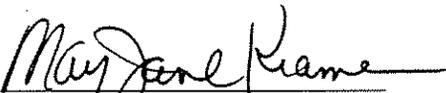
By 
MARY JANE KRAMER
Its President

EXHIBIT "H"

Land Description

All of that certain parcel of land situate at Kamaole, District of Kula, Island and County of Maui, State of Hawaii, being LOT 9 of the "KALAMA HEIGHTS APARTMENT SUBDIVISION," as shown on File Plan Number 986, filed in the Bureau of Conveyances of the State of Hawaii, and containing an area of 10,008 square feet, more or less.

Being the same premises conveyed to Developer by Deed, dated June 9, 2003, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2003-147183.

SUBJECT, HOWEVER, to any and all terms, conditions, reservations, covenants, restrictions, easements, encumbrances, and/or other matters affecting title to the said property presently of record.

EXHIBIT "I"

Summary of Sales Contract

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

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

EXHIBIT "J"

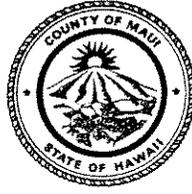
Summary of Escrow Agreement

The Escrow Agreement sets up an arrangement under which the payments which a buyer makes under a sales agreement will be held by a neutral party ("Escrow"). Under the Escrow Agreement these things will or may happen:

- (a) Escrow will let buyers know when payments are due.
- (b) Escrow will arrange for buyers to sign all necessary documents.
- (c) The Escrow Agreement says under what conditions a refund will be made to a buyer.
- (d) The Escrow Agreement says what will happen to a purchaser's funds upon a default under the sales agreement.

EXHIBIT "K"

ALAN M. ARAKAWA
Mayor
GILBERT S. COLOMA-AGARAN
Director
MILTON M. ARAKAWA, A.I.C.P.
Deputy Director



RALPH M. NAGAMINE, L.S., P.E.
Development Services
Administration

TRACY TAKAMINE, P.E.
Wastewater Reclamation Division

CARY YAMASHITA, P.E.
Engineering Division

BRIAN HASHIRO, P.E.
Highways Division

COUNTY OF MAUI
DEPARTMENT OF PUBLIC WORKS
AND ENVIRONMENTAL MANAGEMENT
DEVELOPMENT SERVICES ADMINISTRATION
250 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793

Solid Waste Division

November 26, 2004

Mr. Lawrence Ing
ING, HORIKAWA & JORGENSEN
2145 Wells St., Ste. 204
Wailuku, Hawaii 96793

SUBJECT: MISCELLANEOUS INSPECTION #2004/0070
FOR AN APARTMENT BUILDING
LOCATED AT 52 WALAKA STREET, KIHEI, MAUI, HAWAII
TMK: (2) 3-9-016:014

Dear Mr. Ing:

This is regarding your July 8, 2004, request for miscellaneous inspections on a apartment building for a preliminary condominium public report on the subject property.

- We made plumbing and electrical inspections on July 12, 2004; a building inspection on August 17, 2004, and found the premises to be in general compliance with applicable codes.

OTHER COMMENTS:

- There are no pending building and code appeals, or administrative waivers currently in process for the premises.
- We inspected the driveway on November 22, 2004 and found it to be satisfactory with no drainage problems at this time.
- There are no pending subdivisions on record for the subject tax map key.

November 26, 2004

Mr. Lawrence Ing

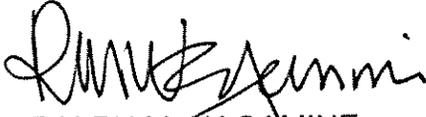
SUBJECT: MISCELLANEOUS INSPECTION #2004/0070
FOR AN APARTMENT BUILDING
LOCATED AT 52 WALAKA STREET, KIHEI, MAUI, HAWAII
TMK: (2) 3-9-016:014

Page 2 of 2

- Please contact the Planning Department at 270-7735 regarding variances, or whether planning and zoning requirements have been met.

If you have any questions regarding this letter, please call Darlyn Atay at 270-7250.

Very truly yours,



RALPH M. NAGAMINE
Land Use and Codes Administrator

sn/da

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c: Hawaii Real Estate Commission
Planning Department

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