

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by:

Developer KE KAILANI DEVELOPMENT LLC
Address 1099 Alakea Street, Suite 1601, Honolulu, Hawaii 96813

Project Name (*): Ke Kailani I
Address: Lot 1 of the "Mauna Lani Resort South Course Subdivision No. 4" as shown on File Plan No. 2347 filed in the Bureau of Conveyances of the State of Hawaii.
Registration No. 5583 Effective date: March 17, 2005
Expiration date: April 17, 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:

- X 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.
FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY: (pink) This report updates information contained in the:
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.
FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

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

Summary of Changes from Earlier Public Reports:

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

No prior reports have been issued by the developer.

Changes made are as follows:

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. By-Laws	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: Developer's Reserved Rights and Future Development Plans	18
EXHIBIT B: Special Use Restrictions	18
EXHIBIT C: Boundaries of Each Apartment	20
EXHIBIT D: Permitted Alterations to Apartments	21
EXHIBIT E: Description of Common Elements	21
EXHIBIT F: Description of Limited Common Elements	21
EXHIBIT G: Common Interests of Apartments	21
EXHIBIT H: Encumbrances Against Title	21
EXHIBIT I: Estimated Maintenance Fees and Disbursements	21
EXHIBIT J: Summary of Pertinent Provisions of Sales Contract	21
EXHIBIT K: Summary of Pertinent Provisions of Escrow Agreement	21
EXHIBIT L: Summary of Covenants, Conditions and Restrictions to Which the Project is Subject	21

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, By-Laws, 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 By-Laws. 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: KE KAILANI DEVELOPMENT LLC Phone: 808-521-6200
Name* (Business)
1099 Alakea Street, Suite 1601
Honolulu, Hawaii 96813
Business Address

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

Real Estate Broker*: Ke Kailani Realty LLC Phone: (808) 885-6044
Name (Business)
65-1227 A Opelo Road, Suite 1
Kamuela, Hawaii 96743
Business Address

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

General Contractor*: Pending Phone: _____
Name (Business)
Business Address

Condominium Managing Agent*: Pending Phone: _____
Name (Business)
Business Address

Attorney for Developer: Nancy N. Grekin Phone: 808-529-7419
McCorriston Miller Mukai MacKinnon (Business)
Name
P.O. Box 2800
Honolulu, Hawaii 96803-2800
Business Address

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

SCHEDULE A

- Ke Kailani Development LLC is a member-managed LLC. William L. Beaton is the Chief Executive Officer of Ke Kailani Development LLC.
- The sole member of Ke Kailani Development LLC is Ke Kailani Corp., a Hawaii corporation
- The officers of Ke Kailani Corp. are

Michael J. Fuchs, Chief Executive Officer
Robert S. Grimes, President
William L. Beaton, Executive Vice President
Ellen C. Grimes, Secretary/Treasurer

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 By-Laws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, By-Laws, 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. _____
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. _____
- 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. **By-Laws 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 By-Laws for this condominium are:

- Proposed
- Recorded - Bureau of Conveyances: Document No. _____
Book _____ Page _____
- Filed - Land Court: Document No. _____

The By-Laws 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 By-Laws 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%
By-Laws	65%	65%
House Rules	---	By the Board of Directors of the Association

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

2. **Developer:**

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

Developer has reserved the following rights to change the Declaration, Condominium Map, By-Laws or House Rules: See Exhibit A

Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

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

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

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

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

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

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

B. Underlying Land:

Address: Lot 1 of the "Mauna Lani Resort South Course Subdivision No. 4" as shown on File Plan No. 2347 filed in the Bureau of Conveyances of the State of Hawaii. Tax Map Key (TMK): (3) 6-8-022-039 (Por.) and (3) 6-8-022-040 (Por.)

Effective date: _____

Address TMK is expected to change because property will be subdivided

Land Area: 8.14 * square feet acre(s) Zoning: Multi-Family Residential RM-3 and RM-4

* The land area submitted to the condominium property regime will be approximately 8.14 acres to be subdivided out of the 65.526 acres comprising this tax map key number.

Fee Owner: KE KAILANI DEVELOPMENT LLC
 Name
1099 Alakea Street, Suite 1601
Honolulu, Hawaii 96813
 Address

Lessor: N/A
 Name
 Address

C. Buildings and Other Improvements:

1. New Building(s)
 Conversion of Existing Building(s)
 Both New Building(s) and Conversion
2. Number of Buildings: 10 Floors Per Building: 2
 Exhibit _____ contains further explanations.
3. Principal Construction Material:
 Concrete Hollow Tile Wood
 Other _____
4. Uses Permitted by Zoning:

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>
<input checked="" type="checkbox"/> Residential	<u>20</u>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes <input type="checkbox"/> No

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

5. Special Use Restrictions:

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

Pets: See Exhibit B

Number of Occupants: _____

Other: See Exhibit B

There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: _____ Stairways: _____ Trash Chutes: _____

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>A</u>	<u>10</u>	<u>3/3½</u>	<u>3,169</u>	<u>601</u>	<u>Garage</u>
_____	_____	_____	_____	<u>789</u>	<u>Lanais</u>
_____	_____	_____	_____	<u>25</u>	<u>Mech. Rooms</u>
<u>B</u>	<u>10</u>	<u>3/3½</u>	<u>3,252</u>	<u>601</u>	<u>Garage</u>
_____	_____	_____	_____	<u>835</u>	<u>Lanais</u>
_____	_____	_____	_____	<u>23</u>	<u>Mech. Rooms</u>

Total Number of Apartments: 20

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

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

Boundaries of Each Apartment: See Exhibit C

Permitted Alterations to Apartments: See Exhibit D

Apartments Designated for Owner-Occupants Only:

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

7. Parking Stalls:

Total Parking Stalls:	<u>80</u>					
	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>	
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>
Assigned (for each unit)	_____	_____	_____	_____	_____	_____
Guest	_____	<u>40</u>	_____	_____	_____	<u>40</u>
Unassigned	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____
Other: <u>Garage</u>	<u>40</u>	_____	_____	_____	_____	<u>40</u>
Total Covered & Open:	<u>80</u>	_____	<u>0</u>	_____	<u>0</u>	<u>80</u>

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

Commercial parking garage permitted in condominium project.

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

8. Recreational and Other Common Facilities:

There are no recreational or common facilities.

Swimming pool Storage Area Recreation Area

Laundry Area Tennis Court Trash Chute/Enclosure(s)

Other: Owners of apartments are entitled to use the Oceanfront Grotto, Park, Kipuka Entry, Park and jogging path located outside the boundaries (and therefore the common areas) of the condominium project, but within the Ke Kailani subdivision where the condominium project is located.

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

There are no violations. Violations will not be cured.

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

(Date)

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

11. Conformance to Present Zoning Code

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

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

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

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

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

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

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

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

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

- described in Exhibit E .
- as follows:

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

There are no limited common elements in this project.

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

described in Exhibit F .

as follows:

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

described in Exhibit G .

as follows:

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

Exhibit H describes the encumbrances against the title contained in the title report dated January 19, 2005 * _____ and issued by Title Guaranty of Hawaii Incorporated .

* The underlying land to be submitted to the CPR is part of a subdivision of the land described in the title report. Final subdivision approval has not been granted, and therefore the title search covers not only the property to be submitted to the CPR, but other property.

Blanket Liens:

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

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

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

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

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

F.

Construction Warranties:

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

1. Building and Other Improvements:

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

2. Appliances:

Developer will assign all appliance and vendor warranties for fixtures installed in the apartments. The nature and extent of such warranties are not yet known.

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

Construction will commence in December 2005, and will be completed in June 2007.

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):

Developer may construct additional condominium projects within the Ke Kailani subdivision (the "Subdivision") in which the condominium project will be located, and may administratively merge those projects into the condominium project pursuant to a Declaration of Merger to be recorded concurrently with the Declaration of Condominium Property Regime. See Exhibit A for additional details on Developer's reserved rights to develop additional projects.

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 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 1 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

* Non-potable water used for irrigation in common areas of the Subdivision.

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 1, 2005
Exhibit J contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. **Buyer's Right to Cancel Purchase 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 _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer us 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. 5583 filed with the Real Estate Commission on February 2, 2005.

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

YELLOW paper stock

WHITE paper stock

PINK paper stock

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

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

2. Continuing Sales Activities.

(a) Under the terms of the Declaration, Developer and its representatives, licensees, and invitees have the right and an easement to conduct extensive sales activities on the Common Elements (including, but not limited to, the Limited Common Elements) and from any Apartment owned or leased by Developer. This right reserved by the Developer includes, but it is not limited to, the right to do the following:

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

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

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

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

(v) to use banners, signs or other extensive sales displays and activities at the condominium project; and

(vi) to engage in activities in connection with the initial sale of any Apartment in the condominium project, and any Apartment in any new condominium project constructed by Developer on adjacent land and which Developer may merge with the condominium project.

(b) Buyer waives, releases and discharges any rights, claims or actions buyer may have, against Developer and its representatives, licensees, invitees, successors and assigns and arising from or with respect to the exercise of these rights reserved by Developer described in Section 2(a) above.

3. Developer's Easement for Noise, Dust, Etc.

(a) Under the terms of the Declaration, Developer and its representatives, licensees, and invitees have the right and an easement over, under and upon the condominium project and all of its parts, to create and cause noise, dust, soot, smoke, odors, surface water runoff, vibrations, and other nuisances or hazards in connection with the following:

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

(ii) the development, construction and/or sale of any new apartments in the condominium project and/or on an Adjacent Parcel as provided in the Declaration;

(iii) the right to convert the use of Common Elements and to designate Limited Common Elements; and

(iv) the exercise of Developer's Reserved Rights or any other rights of Developer as described in the Declaration.

(b) Under the Declaration, buyers are deemed to:

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

(2) consent to such activities;

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

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

4. Developer's Easements for Access Under the Declaration. Under the Declaration, Developer and its representatives, licensees, invitees (including, without limitation, any governmental officials that Developer may invite), successors and assigns, have reserved under the Declaration an easement over, under and upon the condominium project, including, without limitation, the Common Elements, Limited Common Elements, and any Apartment, as may be reasonably necessary or convenient to complete any improvements and to correct any defects and other punch list items in the Common Elements or any Apartment or to the exercise of any of the other Developer's Reserved Rights under the Declaration. The easement to complete Improvements or correct defects or punch list items ends, as to any particular phase or increment of the condominium project, sixty (60) months after the later to occur of the following:

(a) the recording of the first Deed for an Apartment in that increment or phase of the condominium project; or

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

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

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

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

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

(c) Developer reserves the right to grant an easement over the condominium project to the Ke Kailani Community Association to landscape and maintain the landscaping in the limited common element land areas appurtenant to the apartments.

7. Golf Course. The condominium project is located in the vicinity of a golf course currently known as the Mauna Lani South Golf Course (the "Golf Course"). Each apartment is subject to an easement permitting the owners and operators of the Golf Course, and persons permitted by such owners and operators to use the Golf Course (collectively, "Golfers"), to conduct golf-related activities, including, without limitation, golf play, golf tournaments, and other events on and in the vicinity of the Golf Course, and in connection therewith to subject each apartment to all nuisances, effects and consequences incidental thereto. The owners and operators of the Golf Course and Golfers shall be permitted to cause golf balls unintentionally to land within the condominium project; and

Golfers shall be permitted at reasonable times and in a reasonable manner to enter the condominium project to seek and retrieve errant golf balls, except that Golfers may only enter walled or fenced areas of the condominium project with the permission of the owner thereof, or if the owner shall not be present, the occupant thereof. Under the Declaration each buyer is deemed to have agreed to the following:

(a) that the location of such buyer's apartment with respect to the Golf Course may result in nuisances, disturbances or hazards to persons and property in the Condominium project, including, without limitation, such buyer's apartment, as a result of the Golf Course, and resort operations thereon, and to have determined that the benefits to the Owner outweigh the risks associated therewith;

(b) to assume all risks arising from the proximity of such buyer's apartment to the Golf Course, including, without limitation, the risk of property damage, bodily injury or death arising out of or in connection with the use of golf carts, stray golf balls, or other activities incidental to the Golf Course and resort operations thereon; and

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

8. Continuing Resort Activities. The condominium project is a part of the Mauna Lani Resort area. Resort-related activities, such as golf tournaments, luaus, concerts and other outdoor music performances or broadcasts, outdoor cocktail parties and other public events, may result in nuisances to persons or property on or about the condominium project.

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

- 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.

KE KAILANI DEVELOPMENT LLC

Printed Name of Developer

By: William L. Beaton 3/14/05
 Duly Authorized Signatory* Date

William L. Beaton, Chief Executive Officer

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, County of Hawaii

Planning Department, County of Hawaii

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

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

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

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

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

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

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

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

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

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

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

(c) to have the exclusive right to control, manage, and conduct the design, development construction, addition and completion of the new improvements in the Subdivision, even after the Developer conveys its interest in all apartments to others.

3. Developer's Reserved Right to Subdivide and Consolidate the Land in the Subdivision. The Developer reserves the right at any time and from time to time before the expiration of the Development Period as defined in the Declaration to subdivide the land comprising the Subdivision, and/or to consolidate the Land with any Adjacent Parcel in the Subdivision connection with the exercise of Developer's Reserved Rights under the Declaration. This Developer's reserved right includes the right to do anything necessary or convenient to subdivide and/or consolidate the Land with any Adjacent Parcel, including, without limitation, the right to do the following:

(a) to consolidate and subdivide the land in the Subdivision with an Adjacent Parcel;

(b) to file one or more applications to subdivide the land in the Subdivision, and to process such application(s) to final approval;

(c) to file one or more applications to consolidate the land on which the condominium project is located with any Adjacent Parcel, and to process such application(s) to final approval;

(d) to file, register or record any document required to effect any subdivision or consolidation described hereinabove;

(e) to make any improvements necessary or convenient to obtain any necessary approvals or to complete any subdivision or consolidation;

(f) to seek and obtain any variance or other zoning change necessary or convenient to accomplish any subdivision or consolidation, or for the benefit of any parcel to be deleted pursuant to the Declaration;

(g) to amend the Declaration or By-Laws to change the description of the land covered by the Declaration;

(h) to amend the Condominium Map, if the Developer deems it necessary or useful to reflect the subdivision and/or consolidation thereon;

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

(j) to use any of the other Developer's reserved rights as may be necessary or convenient to consolidate the underlying land with any Adjacent Parcel.

4. Developer's Reserved Right to Withdraw Undeveloped Land Area from condominium project. The Developer reserves the right at any time and from time to time during the Development Period to withdraw and delete from the condominium project, and from the condominium property regime established by the Declaration, all or any part of any undeveloped land area which is part of the underlying land. This Developer's reserved right includes the right to do anything necessary or convenient to delete all or any part of such undeveloped land, including, without limitation, the right to do the following:

(a) to amend the Declaration and the By-Laws to change the description of the underlying land;

(b) to amend the Condominium Map, if necessary or useful, to reflect the deletion of all or any portion of the undeveloped land;

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

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

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

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

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

(a) to amend the Declaration or the By-Laws so that the description of the underlying land includes the Adjacent Parcel that has been annexed to the condominium project;

(b) to amend the Declaration to describe any improvements on the Adjacent Parcel;

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

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

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

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

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

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

6. Developer's Reserved Right to Build Adjacent Condominium Projects and to Merge Them with the condominium project. The Developer reserves the right at any time and from time to time during the Development Period to develop one or more adjacent condominium projects on any Adjacent Parcel and to merge any adjacent condominium project with the condominium project pursuant to the Declaration of Merger. This Developer's reserved right includes the right to do the following:

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

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

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

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

(e) to record a Certificate of Merger as provided in the Declaration of Merger;

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

(g) to use any of the other Developer's reserved rights as may be necessary or convenient to develop one or more adjacent condominium projects on any Adjacent Parcel and to merge any such adjacent condominium project with the condominium project pursuant to the Declaration of Merger.

7. Developer's Reserved Right to Change the Project to Comply With Law. The Developer reserves the right, at any time and from time to time, to change the apartments, the common elements, the limited common elements, and/or to amend the Condominium Documents as required to comply with any laws that apply to the condominium project, the Association, or the Developer, including the federal Fair Housing Act, 42 U.S.C. § 3601 et

seq. ("FHA") and the Americans With Disabilities Act 42 U.S.C. § 12101 et seq., (the "ADA"), and any rules and regulations adopted with respect to either of them. The Developer may utilize such right to do the following:

- (a) to re-stripe or reconfigure parking stalls to comply with the ADA;
- (b) to change the slope of a ramp for wheelchairs to comply with the ADA; or
- (c) to comply with any other requirements of FHA or ADA.

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

- (a) to permit purchasers and prospective purchasers and their family members and guests to come onto the condominium project through the common elements intended for access to and from any nearby roads, streets or highways;
- (b) to permit purchasers and prospective purchasers to park motor vehicles in any unassigned parking stalls;
- (c) to show the condominium project (including, but not limited to, model apartments) to purchasers and prospective purchasers (who will have a right of ingress and egress for these purposes);
- (d) to use apartments owned by the Developer as model apartments, sales, management, and/or administrative offices; and
- (e) to use banners, signs or other extensive sales displays and activities at the condominium project.

9. General Provisions Applicable to Developer's Reserved Rights.

- (a) The Developer has the right, but not the obligation, to exercise any of the Developer's Reserved Rights separately or in one or more combinations and at one or more times.
- (b) The Developer may exercise the Developer's Reserved Rights without providing notice to or obtaining the approval, consent, or joinder of any other party, including, but not limited to, the Association, any apartment Owner, any Lender, or any other interested person.
- (c) Any amendment to the Condominium Documents made in connection with the exercise of the Developer's Reserved Rights, and any other action taken by the Developer in the exercise of the Developer's Reserved Rights, shall require the vote or written consent of only the Developer and not any Owner or other interested person; provided, however, that to the extent the vote or written consent of any owner or other interested person is required, the Developer may use the special power of attorney to cast such vote or give such consent on behalf of such owner or other interested person.

10. Payment of Common Expenses Following Merger; Recalculation of Common Interests.

- (a) If new apartments are created and merged into the condominium project pursuant to the Declaration of Merger, the common interest of each apartment will remain the same but the owners of apartments in each phase will pay a *pro rata* portion of common expenses of the merged condominium project equal to the ratio of the net living areas of the apartments in each project to the aggregate net living areas of the apartments in all merged projects, in accordance with the Declaration of Merger.
- (b) In order to ensure that the Common Interests total 100%, the Developer shall have the right and option to round the common interest for any apartment up or down to the nearest ten thousandth of one percent (0.0001%) and/or to adjust the common interests for one or more apartments up or down to the nearest one-

thousandth of a percent (0.001%) if necessary to achieve a total of one hundred percent (100%) for all apartments in the condominium project

END OF EXHIBIT A

EXHIBIT B
Special Use Restrictions

1. Pets. No livestock, poultry, or other animals whatsoever shall be allowed or kept in any part of Ke Kailani, except dogs, cats, or other typical household pets such as guinea pigs, rabbits, fishes, or birds, may be kept by buyers. Except for fishes and birds, no more than two (2) pets per apartment shall be allowed without the express consent of the Board of Directors of the Association, which consent shall not be unreasonably withheld.

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

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

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

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

3. Restrictions on Right to Sell, Lease or Rent. Apartment rentals shall be subject to the provisions of the Declaration, the By-laws of the Association of Villa Owners of Ke Kailani Condominium, the Ke Kailani CC&Rs, the By-laws of the Ke Kailani Community Association, the Mauna Lani CC&Rs (the "Project Documents"), and applicable law. Apartment owners may not rent their apartments as a transient vacation rental for rental periods of less than seven (7) days. Any lease or rental agreement of an apartment shall provide that it shall be subject in all respects to the provisions of the Project Documents, and that the failure of the lessee or tenant to comply with the terms thereof shall constitute a default under such lease or rental agreement.

4. Landscaping of Limited Common Elements.

(a) The Developer reserves an easement over, under, and above the limited common element land areas appurtenant to the apartments for the installation and maintenance of landscaping, including grasses, trees, shrubs, other vegetation, and natural and artificial landscaping elements and materials, and also reserves the right to grant an easement over the limited common element land areas to the Ke Kailani Community Association over, under, and above the limited common elements for any or all of the same purposes.

(b) Landscaping in the limited common element land areas shall be installed and maintained by the Ke Kailani Community Association as a Common Expense. Apartment Owners shall not install or maintain landscaping within an apartment's limited common element land area except in compliance with the Design Requirements and Design Guidelines for the Subdivision, and/or any landscaping guidelines adopted by Developer, and no such installation or maintenance shall materially interfere with installation or maintenance of landscaping in the limited common element land areas by the Ke Kailani Community Association. Any landscaping installed by buyers in the limited common element land areas shall be first approved by the Ke Kailani Design Committee and shall not exceed six (6) feet in height. To the extent permitted, landscaping installed by a buyer shall be maintained by such buyer.

5. Prohibition Against Time Share Use. No apartment owner, lessee, tenant, occupant, or other interested person may, directly or indirectly, use the condominium project or any part thereof for bed and breakfast establishments; boarding facilities, rooming, or lodging houses; multiple-family dwellings other than Villas; group living facilities; the promotion or sale of time share or interval ownership interests, interests in any fractional ownership plan, or sale, transfer or contribution to any membership club or plan; or for the operation of a tour or activity desk or any other business that directly or indirectly promotes the sale of time share or interval ownership interests, interests in a fractional ownership plan, or interests in a membership club or plan.

END OF EXHIBIT B

EXHIBIT C
Boundaries of Apartments

The boundaries of each apartment consist of the following:

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

END OF EXHIBIT C

EXHIBIT D
Permitted Alterations to Apartments

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

- (a) Installing, maintaining, removing and rearranging partitions and other walls from time to time within such owner's apartment;
- (b) Finishing, changing or substituting any plumbing, electrical or other fixtures attached to the ceilings, floors or walls of such owner's apartment;
- (c) Decorating, painting, repainting, wallpapering or otherwise changing the appearance of the walls, floors and ceilings of such owner's apartment;
- (d) Tiling, finishing, carpeting, re-carpeting, and installing, changing, or removing other flooring in such owner's apartment; and
- (e) Making such changes, additions and improvements to such owner's apartment or limited common elements to facilitate handicapped accessibility within such owner's apartment or limited common element.

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

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

(b) Any owner who owns any two adjacent apartments may do any of the following:

- (i) consolidate such apartments into a single apartment;
- (ii) make any common element walls, floors or ceilings between such apartments part of such apartments or their limited common elements; and
- (iii) change the designation of the limited common elements appurtenant to such apartments so that one or more limited common elements appurtenant to one apartment shall be appurtenant to the other apartment or to both of the apartments; subject, however, to the prior written consent of each Lender holding a recorded mortgage encumbering either apartment.

(c) The common interest of the newly created apartment will be equal to the sum of the common interests of the apartments which were consolidated.

END OF EXHIBIT D

EXHIBIT E
Description of Common Elements

The common elements of the condominium project consist of the following:

1. The underlying land in fee simple;
2. All roadways, including shoulders, rights of way and landscaping in roadway areas, and driveways;
3. All yards, grounds, trees, gardens, landscaping and refuse facilities not located within an apartment;
4. All foundations, floor slabs, columns, girders, beams, supports, perimeter, party walls and partitions (excluding the finishes thereon), roofs and stairways (excluding any private stairway located within and serving only a single apartment);
5. All vents, shafts, sewer lines, water lines, pipes, cables, conduits, ducts, electrical equipment, wiring and other central and appurtenant transmission facilities and installations on, above, over, under and across the condominium project to the point of their respective connections to Improvements comprising a part of the apartments or the limited common elements appurtenant thereto, including, without limitation, those providing electricity, light, gas (if any), water, air conditioning, sewer, refuse, drainage, irrigation, telephone, and radio and television signal distribution (if any) to more than one apartment;
6. Any and all other apparatus and installations existing for common use by more than one apartment, and any and all other parts of the condominium project necessary or convenient to its existence, maintenance or safety, or normally in common use.

END OF EXHIBIT E

EXHIBIT F
Description of Limited Common Elements

The limited common elements appurtenant to an apartment consist of the following:

1. The limited common element land area identified by the same number as such apartment on the Condominium Map;
2. The pool, whirlpool spa and water features located within the limited common element land area of such apartment, including, without limitation, all pumps, filters, pipes, and other equipment connected to or relating to the pool, whirlpool spa or water feature.
3. The driveway leading to the garage of any such apartment.
4. Such apartment's trash enclosure and mechanical room.
5. Such apartment's sewer system, grinder pumps and related equipment.
6. An exclusive easement for the use of one (1) mailbox located in the common areas of the Subdivision, bearing the same number as such apartment.

END OF EXHIBIT F

EXHIBIT G
Common Interests of Apartments

Apartment	Type	Common Interest
1A	A	4.9354%
1B	B	5.0646%
2A	A	4.9354%
2B	B	5.0646%
3A	A	4.9354%
3B	B	5.0646%
4A	A	4.9354%
4B	B	5.0646%
5A	A	4.9354%
5B	B	5.0646%
6A	A	4.9354%
6B	B	5.0646%
7A	A	4.9354%
7B	B	5.0646%
8A	A	4.9354%
8B	B	5.0646%
9A	A	4.9354%
9B	B	5.0646%
10A	A	4.9354%
10B	B	5.0646%

END OF EXHIBIT G

EXHIBIT H
Encumbrances Against Title

The following encumber title to the land:

1. Reservation in favor of the State of Hawaii of all mineral and metallic mines.
2. Location of the seaward boundary in accordance with the laws of the State of Hawaii and shoreline setback line in accordance with County regulation and/or ordinance and the effect, if any, upon the area of the land described herein.
3. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in certificate dated April 22, 1986 recorded in the Bureau of Conveyances of the State of Hawaii in Liber 19452, Page 724, made by MAUNA LANI RESORT, INC., a Hawaii corporation re: reclassification of the land described herein from the Agricultural and Conservation districts to the Urban district.
4. Grant to GTE HAWAIIAN TELEPHONE COMPANY, INCORPORATED, now known as Verizon Hawaii Inc. dated October 24, 1997 recorded in said Bureau as Document No. 97-150423 granting a perpetual non-exclusive right and easement to build, construct, reconstruct, rebuild, repair, maintain and operate underground lines, conduits, and pullboxes and other appliances and equipment, etc., over, under, upon, across and through Easement "A", being more particularly described therein.
5. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in DECLARATION OF COVENANTS AND RESTRICTIONS (MAUNA LANI RESORT ASSOCIATION) dated June 3, 1982 filed in the Office of the Assistant Registrar of the Land Court of the State of Hawaii as Land Court Document No. 1120889, and also recorded in said Bureau in Liber 16425, Page 203. By DESIGNATION OF DECLARANT AND CO-DECLARANT OF THE MAUNA LANI RESORT ASSOCIATION DECLARATION OF COVENANTS AND RESTRICTIONS AND ACCEPTANCE dated March 10, 1998, filed in said Office as Land Court Document No. 2445165, MAUNA LANI SERVICE, INC., a Hawaii corporation, is designated as Declarant, and MAUNA LANI RESORT (OPERATION), INC., a Hawaii corporation, is designated as Co-Declarant.
6. Said Declaration was amended by instruments
 - (a) dated June 3, 1982, filed as Land Court Document No. 1121081, recorded in said Bureau Liber 16428 at Page 456,
 - (b) dated August 13, 1982, filed in said Office as Land Court Document No. 1129996, recorded in said Bureau Liber 16545 at Page 345,
 - (c) dated June 23, 1986, filed in said Office as Land Court Document No. 1380755, recorded in said Bureau Liber 19613 at Page 236,
 - (d) dated January 8, 1987, filed in said Office as Land Court Document No. 1432988, recorded in said Bureau Liber 20284 at Page 384,
 - (e) dated October 28, 1987, filed in said Office as Land Court Document No. 1507024, recorded in said Bureau Liber 21287 at Page 398,
 - (f) dated June 22, 1988, filed in said Office as Land Court Document No. 1560401, recorded in said Bureau Liber 22084 at Page 131,
 - (g) dated June 25, 1991, filed in said Office as Land Court Document No. 1832379, recorded as Document No. 91-089395,
 - (h) acknowledged December 24, 1993, filed in said Office as Land Court Document No. 2109682, recorded as Document No. 94-009533,
 - (i) dated November 7, 1995, filed in said Office as Land Court Document No. 2281205, recorded as Document No. 95-168247,

(j) dated October 16, 1998, filed in said Office as Land Court Document No. 2537869, recorded as Document No. 98-155464,

(k) dated April 30, 1999, filed in said Office as Land Court Document No. 2541614, recorded as Document No. 99-070732, (xii) dated August 23, 1999, filed in said Office as Land Court Document No. 2597831, recorded as Document No. 99-204463,

(l) dated May 22, 2002, recorded as Document No. 2002-101491, (xiv) dated April 18, 2003, recorded as Document No. 2003-090769, and

(m) dated February 24, 2004, recorded as Document No. 2004-044458.

The foregoing includes, but is not limited to, matters relating to Association liens which may be superior to certain mortgages.

7. Designation of Easement "4" (10 feet wide) for pedestrian access purposes as SHOWN on File Plan 2347.

8. Grant to MAUNA LANI SERVICE, INC., a Hawaii corporation dated May 22, 2002 recorded in said Bureau as Document No. 2002-101493 granting non-exclusive easement for pedestrian path over Easement "4".

9. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in LIMITED WARRANTY DEED dated June 6, 2002 recorded in said Bureau as Document No. 2002-101498.

10. MORTGAGE, FIXTURE FILING AND SECURITY AGREEMENT made by MICHAEL FUCHS DEVELOPMENT (HAWAII) LLC, a Hawaii limited liability company in favor of MICHAEL FUCHS dated December 1, 2003 recorded in said Bureau as Document No. 2003-287335. SUBORDINATION AGREEMENT dated September 13, 2004 recorded in said Bureau as Document No. 2004-200569, subordinating said Mortgage to the lien of that certain Mortgage recorded as Document No. 2004-200567.

11. Encroachments or any other matters as shown on survey map prepared by Peter H. Souza, Jr., Land Surveyor, with Ilima Surveying LLC, dated August 15, 2004.

12. Old walking trail as shown on survey map prepared by Peter H. Souza, Jr., with Ilima Surveying LLC, dated August 15, 2004.

13. Matters which an archaeological study would disclose, including but not limited to matters shown in the Preservation Plan prepared by Cultural Surveys Hawai'i, Inc., dated ----, provided to Title Guaranty of Hawaii Incorporated, including the failure to comply with any covenants, conditions and reservations contained therein.

14. NOTICE OF OPTION dated ---- (acknowledged September 15, 2004), recorded as Document No. 2004-192174, by MICHAEL REARDEN; re: option to purchase a portion of the Land.

15. MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT made by KE KAILANI DEVELOPMENT LLC in favor of BANK OF HAWAII, a Hawaii corporation DATED September 13, 2004 recorded in said Bureau as Document No. 2004-200567.

16. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in ASSIGNMENT OF SALES CONTRACTS AND SALES PROCEEDS DATED as of September 13, 2004 recorded in said Bureau as Document No. 2004-200568 made by KE KAILANI DEVELOPMENT LLC, a Hawaii limited liability company, "Assignor" in favor of BANK OF HAWAII, a Hawaii corporation, "Bank"

17. FINANCING STATEMENT executed by KE KAILANI DEVELOPMENT LLC, a Hawaii limited liability company; secured party: BANK OF HAWAII, recorded in said Bureau as Document No. 2004-200570.

18. NOTICE OF INTEREST dated ---- (acknowledged October 6, 2004), recorded in said Bureau as Document No. 2004-208901, by MICHAEL REARDEN; re: development rights.

19. NOTICE OF EXERCISE OPTION dated ----- (acknowledged October 18, 2004), recorded as Document No. 2004-213596, by MICHAEL REARDEN; re: exercise of option to purchase.
20. Any unrecorded leases and matters arising from or affecting the same.
21. Encroachments or any other matters which a survey prepared after August 15, 2004 would disclose.
22. Any lien (or claim of lien) for services, labor or material arising from an improvement or work related to the Land.

END OF EXHIBIT H

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

Estimate of Initial Maintenance Fees:

Apartment	Common Interest	Monthly Fee	Fee x 12 Months = Yearly Total
1A	4.9354%	\$995.42	\$11,945.0499
1B	5.0646%	\$1,021.48	\$12,257.7501
2A	4.9354%	\$995.42	\$11,945.0499
2B	5.0646%	\$1,021.48	\$12,257.7501
3A	4.9354%	\$995.42	\$11,945.0499
3B	5.0646%	\$1,021.48	\$12,257.7501
4A	4.9354%	\$995.42	\$11,945.0499
4B	5.0646%	\$1,021.48	\$12,257.7501
5A	4.9354%	\$995.42	\$11,945.0499
5B	5.0646%	\$1,021.48	\$12,257.7501
6A	4.9354%	\$995.42	\$11,945.0499
6B	5.0646%	\$1,021.48	\$12,257.7501
7A	4.9354%	\$995.42	\$11,945.0499
7B	5.0646%	\$1,021.48	\$12,257.7501
8A	4.9354%	\$995.42	\$11,945.0499
8B	5.0646%	\$1,021.48	\$12,257.7501
9A	4.9354%	\$995.42	\$11,945.0499
9B	5.0646%	\$1,021.48	\$12,257.7501
10A	4.9354%	\$995.42	\$11,945.0499
10B	5.0646%	\$1,021.48	\$12,257.7501
	100.00%	\$20,169.00	\$242,028.00

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

Revenue	Monthly Fee x 12 months	Yearly Total
Maintenance Fees	\$20,169	\$242,028
Utilities		
Electricity	\$833	\$9,996
Television	\$420	\$5,040
Water	\$2,500	\$30,000
Sewer	\$920	\$11,040
<i>Subtotal Utilities</i>	\$4,673	\$56,076
Repairs and Maintenance		
Building	\$1,232	\$14,784
Supplies	\$83	\$996
Landscaping	\$5,750	\$69,000
Pest Control	\$83	\$996
<i>Subtotal Repairs and Maintenance</i>	\$7,148	\$85,776
Administrative		
Audit and Tax Fees	\$250	\$3,000
Management Fee	\$500	\$6,000
Accounting Fee	\$200	\$2,400
Legal	\$167	\$2,004
Registration and Fees	\$42	\$504
Office Supplies	\$83	\$996
Mauna Lani Resort Fee	\$2,040	\$24,480
Insurance	\$4,233	\$50,796
<i>Subtotal Administrative</i>	\$7,515	\$90,180
Reserves	\$833	\$9,996
Total Expenses	\$20,169	\$242,028

I, Peter Rice, as agent for/and/or employed by Classic Resorts Limited, the condominium managing agent/developer for Ke Kailani the condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Signature

Date

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

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

EXHIBIT J
Summary of Pertinent Provisions of the Purchase Contract

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

2. When Purchase Contract Will Become Binding. Upon the occurrence of all of the following, a Purchase Contract will become a binding contract:

(a) the Commission shall have issued an effective date for a Final Public Report or Contingent Final Report;

(b) the buyer under such Purchase Contract shall have receipted for or be deemed to have receipted for a Final Public Report; and

(c) the buyer under such Purchase Contract shall have waived or be deemed to have waived such buyer's right to cancel such Purchase Contract as more particularly provided in §514A-62 of the Hawaii Revised Statutes, as amended.

3. Termination of Purchase Contract. Prior to the time a Purchase Contract becomes a binding Purchase Contract as provided in Section 2 above, it may be terminated at any time, with or without cause, at the option of a buyer or the Developer, by written notice of such termination delivered to the other party to the Purchase Contract. In the event of the termination of a Purchase Contract, the Developer shall cause Escrow to refund all payments previously made thereunder by the buyer under such Purchase Contract, without interest, unless such buyer has elected to have interest accrue to the benefit of such buyer under Section 9.2.2 of the General Terms of such Purchase Contract, and neither such buyer nor the Developer shall have any other or further liability under such Purchase Contract or with respect to the condominium project; provided, however, that if a buyer terminates a Purchase Contract, then, Escrow shall deduct from the refund to such buyer the escrow cancellation fee and all costs, up to a maximum of Two Hundred Fifty Dollars (\$250), incurred by the Developer, Escrow, or any lending institution in processing a Purchase Contract or the loan application. If the Developer terminates a Purchase Contract, then, the Developer shall pay any and all escrow cancellation fees and costs.

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

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

6. Qualifying for Purchase. Each buyer shall submit to the Developer, within twenty (20) days after receipt by such buyer of written notice that a Purchase Contract entered into by such buyer has been accepted by the Developer, a bank or brokerage statement, in form and content sufficient to provide proof of funds in the amount of the purchase price for the Apartment which is the subject of such Purchase Contract, and/or any other financial data reasonably requested by the Developer. The Developer shall have ten (10) days after receipt of such financial data to notify buyer of its acceptance or rejection of said financial data. If the Developer rejects such financial data, the Developer may, in its sole discretion, terminate such Purchase Contract and cause Escrow Agent to refund to buyer all amounts paid pursuant to such Purchase Contract, without interest and regardless of whether buyer has elected to have interest accrue to the benefit of buyer pursuant to Section 9.2.2 of such Purchase Contract, less the cost of any credit report, cancellation fees of Escrow Agent, if any, and other costs incurred by the Developer in reviewing such financial statement.

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

8. Confirmation of Financial Ability; Developer's Option to Terminate.

(a) Buyers are required to submit to Seller within ten (10) days of the date of Seller's acceptance of a Purchase Contract, evidence of proof of funds in the amount of the Purchase Price, and/or any other financial data reasonably satisfactory to Seller. Satisfactory evidence of proof of funds means the statements of a bank, brokerage or other institutional depository evidencing deposit of sufficient funds to the pay the full amount of the Purchase Price.

(b) Seller shall have fifteen (15) days after receipt of a buyer's proof of funds to notify such buyer of the Developer's acceptance or rejection of such proof as adequate to proceed with the sale of the apartment to such buyer. If such proof of funds is not produced by such buyer as requested by the Developer or Developer rejects such proof of funds because it is not adequate to Developer, Developer may, in its sole discretion, terminate such Purchase Contract and cause Escrow Agent to refund to such buyer all amounts paid by such buyer pursuant to such Purchase Contract (without interest, regardless of whether such buyer has elected to have interest accrue for the benefit of such buyer pursuant to Section 9.2.2 of said Purchase Contract), less the cost of any credit report, cancellation fees of Escrow Agent, if any, and other costs incurred by the Developer in reviewing such financial statement. Each buyer shall represent and warrant to the Developer that the financial data to be submitted to the Developer or any prospective mortgagee shall be true and accurate. The Developer shall have the right to cancel a Purchase Contract if any material discrepancy between the financial data submitted by such buyer to the Developer and buyer's actual financial condition is discovered.

(c) The Developer is authorized to make credit inquiries about any buyer entering into a Purchase Contract including, but not limited to, obtaining credit reports on buyer and verifying by any legal means any financial information submitted to the Developer.

(d) Each buyer is required to submit to the Developer within ninety (90) calendar days prior to the estimated Closing Date, such written evidence as the Developer may reasonably request from such buyer's bankers or accountants or other persons to reconfirm that such buyer is still able to pay the Purchase Price in cash or has a binding commitment for financing.

(e) If the Developer, in its sole discretion, after reviewing the written evidence referenced to in Section 8(c) that such buyer above, is not satisfied as to a buyer's continued ability to make such cash payments or has a binding commitment for financing, and if the Developer determines that such buyer has not acted in good faith or otherwise complied with the requirements of the Purchase Contract entered into by such buyer, then, and in such event, such buyer shall be in default under said Purchase Contract, and the Developer may then cancel Escrow, terminate such Purchase Contract, and exercise its remedies for breach of such Purchase Contract.

(f) If the Developer determines that a buyer does not have the continued ability to make cash payments of the Purchase Price, but has at all times acted in good faith in seeking to fully comply with such buyer's obligations, then, the Developer shall have the right and option to cancel the Purchase Contract entered into by such buyer upon written notice to such buyer, but upon such cancellation, the Developer shall direct Escrow Agent to refund to such buyer, (without interest, unless buyer has elected to have interest accrue for the benefit of such buyer pursuant to Section 9.2.2 of such Purchase Contract) all sums paid by such buyer under such Purchase Contract, less any cancellation fees of Escrow Agent and any other actual expenses incurred by the Developer by reason of such buyer entering into such Purchase Contract.

9. Interest on Funds Deposited with Escrow Agent.

(a) All interest on a buyer's deposits shall accrue to the benefit of the Developer unless such buyer elects to have interest accrue to it pursuant to Section 9.2.2 of the Purchase Contract entered into by such buyer.

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

(c) If a buyer elects to have interest accrue to the benefit of such buyer, then, such buyer shall pay all costs and expenses of Escrow Agent incurred or charged for the purpose of opening, maintaining and closing such interest bearing account or accounts, including, but not limited to, a fee of Twenty-Five Dollars (\$25) for each such account.

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

10. Default; Liquidated Damages; Delays in Closing.

(a) Default by Buyer. A buyer shall be in default under a Purchase Contract entered into by such buyer if any of the following occurs:

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

(ii) Such buyer fails to furnish to the Developer satisfactory evidence of such buyer's ability to pay the purchase price, as required in Section 7 of this Exhibit J above; or

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

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

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

(i) all deposits made under such Purchase Contract shall be refunded or the check returned to such buyer (without interest, unless such buyer elected to have interest accrue to it pursuant to Section 9.2.2. of such Purchase Contract), less any cancellation fee imposed by Escrow Agent and any other actual expenses incurred by the Developer by reason of such buyer having signed such Purchase Contract; and

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

(c) Default by Buyer After Purchase Contract Becomes Binding; Developer's Liquidated Damages. If a buyer defaults after a Purchase Contract entered into by such buyer becomes a binding contract in accordance with §514A-62, Hawaii Revised Statutes, then, the Developer may at its option terminate such Purchase Contract. As a reasonable estimate of the Developer's damages resulting from any such default occurring after such Purchase Contract becomes a binding contract, the deposits previously made by such buyer under such Purchase Contract together with all accrued interest thereon (regardless of whether such buyer has elected to have interest accrued to it pursuant to Section 9.2.2 of such Purchase Contract) shall become, at the Developer's option, the sole property of the Developer as liquidated damages.

(d) Default by Developer; Developer's Cure Rights. If the Developer shall fail to perform any obligation required of the Developer under a Purchase Contract prior to Closing, including, without limitation, the obligation to execute promptly all documents necessary to close, the buyer who is a party thereto shall notify the Developer in writing by certified or registered mail of such default. The Developer shall have fifteen (15) days after the date of such notice to cure such default. If the Developer does not cure such default within such fifteen (15) day period, such buyer may elect, at such buyer's sole discretion, to either terminate such Purchase Contract, or seek specific performance thereof. Such buyer shall give written notice of such election to the Developer.

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

11. Buyer's Rescission Rights.

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

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

12. Cancellation in the Event of Buyer's Death. If a buyer, or, if there is more than one buyer, any one or more of such buyers, dies prior to Closing, the Developer reserves the right to return all deposits paid under the Purchase Contract entered into by such buyer or buyers (without interest, unless such buyer or buyers have elected to have interest accrue for the benefit of such buyer or buyers, less Escrow's cancellation fee), whereupon such Purchase Contract shall be deemed to have been canceled and both Developer and Buyer shall be released from all obligations and liabilities under such Purchase Contract.

END OF EXHIBIT J

EXHIBIT K

Summary of Pertinent Provisions of the Escrow Agreement

1. Purchase Contracts to be Deposited in Escrow. When the Developer enters into a Purchase Contract, the Developer will deliver an executed copy of such Purchase Contract to Escrow.
2. Receipt of Funds by Escrow.
 - (a) Deposits by Developer. The Developer will deposit with Escrow any monies received by the Developer from each buyer under a Purchase Contract.
 - (b) Escrow's Responsibilities. Escrow will receive and hold in escrow and disburse as set forth in the Escrow Agreement the following:
 - (i) all payments made by the Developer under Purchase Contracts to the extent received by Escrow;
 - (ii) all funds from any lending institution disbursed pursuant to a mortgage loan made to a buyer for the purchase of an apartment; and
 - (iii) all sums received by Escrow from any other source on account of the sale to a buyer of an apartment.
3. Deposit of Escrowed Funds. In accordance with written instructions from the Developer, Escrow will deposit all funds received by it, within a reasonable time of such receipt by Escrow and in reasonably convenient sums, in trust accounts at a federally insured bank, savings and loan association or trust company authorized to do business in the State of Hawaii under an escrow arrangement.
4. Interest on Escrowed Funds. Any interest earned on deposits shall accrue to the credit of the Developer unless buyer elects, pursuant to Section 9.2.2 of the Purchase Contract entered into by such buyer, to cause interest on such buyer's deposits to accrue for the benefit of such buyer. If such buyer so elects, all Deposits received by Escrow may be deposited into an interest bearing account or accounts in a federally insured bank or savings and loan institution selected by the Developer, in its sole discretion, provided that such bank or savings and loan institution's principal place of business shall be located in Honolulu, Hawaii. Such buyer shall pay all costs and expenses of Escrow incurred or charged for the purpose of opening, maintaining and closing such interest bearing account or accounts, including, but not limited to, a fee of Twenty-Five Dollars (\$25.00), for each such account.
5. Conditions to be Satisfied Prior to Disbursement. No disbursement of funds held by Escrow shall be made unless and until all of the following conditions have been satisfied, which may occur before closing of the sale of an apartment to a buyer:
 - (a) Final Public Report or Contingent Final Public Report. The Real Estate Commission shall have issued an effective date for the "Final Public Report" or "Contingent Final Public Report" for the condominium project, and buyer is given a copy of the Final Public Report or Contingent Final Public Report and acknowledges receipt of same or is deemed to have acknowledged receipt of same.
 - (b) Buyer's Rescission Rights. The Developer or the Developer's attorney shall have delivered a written opinion to Escrow stating that the requirements of HRS Sections 514A-62 and 514A-63, as amended, have been satisfied.
 - (c) Developer's Cancellation Rights. The Developer shall have given Escrow a written waiver of any option reserved in any Purchase Contract to cancel such Purchase Contract.
6. Disbursement of Buyer's Funds. Subject to the provisions of Section 5 above, upon the Developer's written instructions, Escrow may disburse funds held in escrow to pay the following:
 - (a) Construction Costs. To the Developer, the Developer's general contractor, or the Developer's mortgagee, if any, as specified by the Developer, for construction costs of the buildings and other improvements and fixtures in such amounts and at such times and in proportion to the valuation of the work

completed by said general contractor in accordance with the terms of said general contractor's construction contract with the Developer, as certified by a registered architect or professional engineer and as approved by the mortgagee loaning funds to the Developer for the construction of the condominium project (a "Developer's mortgagee"), if any, or a financially disinterested person who shall be designated in writing by the Developer and such Developer's mortgagee, if any, and who shall certify to Escrow in writing that such person is a "financially disinterested person".

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

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

8. Return of Funds and Documents.

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

(i) The Developer and such buyer shall have instructed Escrow in writing to return such funds to such buyer; or

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

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

(iv) Such buyer has exercised such buyer's right to rescind the Purchase Contract entered into by such buyer pursuant to HRS Section 514A-63.

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

10. Buyer's Default.

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

(b) Failure of Buyer to Make Required Payment. If a buyer fails to make any required payment to Escrow on or before the date on which it is due or if such buyer fails to satisfy any obligation or requirement being

handled by Escrow, Escrow shall promptly notify the Developer of any such failure on the part of such buyer. If the Developer (i) subsequently certifies in writing to Escrow that the Developer has terminated the Purchase Contract into which such buyer entered in accordance with the terms thereof, and (ii) provides to Escrow a copy of the notice of termination sent to such buyer, Escrow shall thereafter treat all funds of such buyer paid on account of such buyer's Purchase Contract as the property of the Developer, and not as the property of such buyer. Such funds shall be free of the escrow established by such Purchase Contract and Escrow Agreement and shall be held by Escrow for the account of the Developer.

(c) Disbursement of Funds; Delivery to Buyer Upon Termination of Purchase Contract. Upon the written request of the Developer:

(i) Escrow shall pay to the Developer the funds referred to in Section 10(b) above, less any escrow cancellation fee;

(ii) shall return to the Developer any partially executed conveyance documents theretofore delivered to Escrow by the Developer; and

(iii) shall hold all other documents theretofore delivered to Escrow in connection with such buyer's purchase of an apartment for any applicable statutory period.

END OF EXHIBIT K

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

1. Subdivision. The condominium project is located within the Subdivision. The condominium project and buildings will be subject to the Ke Kailani CC&Rs, which impose restrictions on use and occupancy of the apartments. The Ke Kailani CC&Rs are superior to the Declaration. If there is a conflict between the Ke Kailani CC&Rs and the Declaration, the Ke Kailani CC&Rs will control. Owners of apartments are subject to the following requirements and have the following rights under the Ke Kailani CC&Rs:

(a) All residents of apartments must become members of and are required to pay dues to the Ke Kailani Community Association (the "Ke Kailani Association") which was formed pursuant to the Ke Kailani CC&Rs. Initially, the monthly dues are estimated to be \$1,133.08. The Ke Kailani Association is required to prepare an annual budget covering its estimated common expenses for each year. The budget will include all of the following:

(i) a statement of estimated revenue and expenses on an accrual basis;

(ii) the amount of the total cash reserves held by the Association for the purpose of replacement and major repairs of the common areas of the Subdivision, and for contingencies;

(iii) an itemized estimate of the remaining life of, and the methods of funding to defray repair or replacement of or additions to, major components of the common areas of the Subdivision for which the Ke Kailani Association is responsible;

(iv) a general statement setting forth the procedures used by the Association in the calculation and establishment of reserves to defray the costs of future repair, replacement or additions to the common areas for which the Association is responsible.

(b) Members of the Association are permitted to use the common areas of the Subdivision, and such common areas are maintained by the Ke Kailani Association at the expense of its members.

2. Mauna Lani Resort. The condominium project is located within the Mauna Lani Resort. The land within Mauna Lani Resort, including the land upon which the condominium project is located, is subject to the Mauna Lani CC&Rs (which are recorded). The condominium project also is subject to the Mauna Lani CC&Rs, which impose restrictions on use and occupancy of the apartments. The Mauna Lani CC&Rs are superior to the Ke Kailani CC&Rs and the Declaration, and if there is a conflict between the Mauna Lani CC&Rs and the Declaration, the Mauna Lani CC&Rs will control. All buyers of property within Mauna Lani Resort are members of and are required to pay dues to the Mauna Lani Community Association, which was formed pursuant to the Mauna Lani CC&Rs. Initially the monthly dues are estimated to be \$101.64 per apartment.

END OF EXHIBIT K